

**Responses received: to ‘the National Employment Savings Trust Corporation Regulations 2011 – consultation on draft amendment’
Which started 9 December 2010 and ended 3 February 2011.**

1. B & C E Benefit Schemes

Thank you for giving B & C E Benefit Schemes the opportunity to comment on this Consultation Document.

Having read the document, we support the proposals set out in the Paper.

Kind regards,

John Jory

Director - B & C E Insurance Limited
07887 804223

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THE
INSTITUTE OF
CHARTERED
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OF SCOTLAND



Response from
The Institute of Chartered Accountants of
Scotland

to the Department for Work and Pensions

The Application of Pension
Legislation to the National
Employment Savings Trust
Corporation Regulations 2011 -
Consultation

10 February 2011

INTRODUCTION

The ICAS Pensions Committee welcomes the opportunity to provide comment on the DWP's consultation on the Application of Pension Legislation to the National Employment Savings Trust Corporation Regulations 2011 and our observations on the overview of the proposals are set out below.

Draft Proposals

We recognise that for the majority of small employers, NEST will be their scheme of choice, and probably more on the basis that it will serve as the default position as opposed to those employers having to make any conscious investment decision. NEST will need to acknowledge and accept the responsibilities this will place on it.

We acknowledge the issue that NEST has with the European Community Directive on the Activities and Supervision of Institutions for Occupational Retirement Provisions (the IORP Directive) and the ultimate position of NEST in terms of the analogy with a sponsoring employer.

It is a moot point as to whether or not the Government, in legislating for the implementation of auto-enrolment and NEST, in effect takes on the outward appearance of a quasi-sponsoring employer. This would lead to the natural conclusion that the Government should bear the set up costs of NEST as opposed to the eventual members through the imposition of enhanced charges. Indeed, we wonder if the current proposal affords fair and equitable treatment to all future potential members of NEST as it would appear that those early year members may be at a disadvantage to those joining in say 25 years time when, presumably, the set up costs will have been repaid and the enhanced charges would no longer apply.

The Government will also have to ensure that it does not leave itself open to challenge from trustees of other pension schemes who are unable to take advantage of the borrowing powers that will be available to NEST trustees.

We do not believe that an extension in the ability or scope of trustees, at any level, to borrow funds would be a welcome legislative addition and may have the unintended consequence of causing unnecessary confusion and possibly tension between trustees and their scheme members.



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3. The Society of Pension Consultants

This is to let you know that The Society of Pension Consultants has no comments on the above consultation.

Regards

John Mortimer
Secretary

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4. ABI

February 2011

ABI RESPONSE to the DWP CONSULTATION PAPER: *“The Application of Pension Legislation to the National Employment Saving Trust Corporation Regulations 2011”*

The ABI is the voice of the UK's insurance, investment and long-term savings industry. It has over 300 members, which together account for around 90% of premiums in the UK domestic market. The UK insurance industry is the third largest in the world and the largest in Europe, helping individuals and businesses protect themselves against the everyday risks they face. It pays out over £230 million per day in pension and life insurance benefits and over £50 million per day in general insurance claims. The industry is an important contributor to the UK's economy: it manages investments of £1.5 trillion, over 20% of the UK's total net worth; employs more than 300,000 people in the UK alone; is the fourth highest contributor of corporation tax; and is a major exporter, with one-fifth of its net premium income coming from overseas business.

Commentary:

1. The ABI is pleased to provide comments on this consultation paper. We are pleased to see regulation 5 of the Occupational Pension Schemes (Investment Regulations) 2005 to remove ambiguity around the application of IORP in respect of the funding arrangements for NEST. Having said that, we continue to be concerned about the nature of the funding arrangement itself.
2. The existence of NEST is necessary to the successful implementation of auto-enrolment and we accept the argument that it is in the public interest to allow NEST to borrow to meet set-up costs. We recognise that NEST has an ongoing public service obligation (PSO) which may have ongoing associated costs.
3. We strongly believe that NEST should only be able to borrow at favourable government rates to meet costs which are necessary for them to meet their PSO, and borrowing costs for any other purpose must be met on a commercial basis. We note that the funding arrangement between government and Royal Mail in respect of their PSO may be a useful precedent.
4. Otherwise, significant competition issues are raised if NEST is able to use favourable borrowing rates to under-cut existing providers in the pensions market.
5. We are also concerned that any arrangement other than this would provide Tata Consultancy Services with a highly competitive boost with which to establish broader infrastructure in the UK market. In the longer-term, Tata may be able to deliver wider defined-contribution pension administration services as a result of government support for NEST, creating significant unfair competition issues in future.

6. Therefore, we feel the proposed regulations 5(2)(a) and (b) need to make it clear that NEST is only permitted to borrow at favourable government rates where the borrowing is required for NEST to meet their PSO.

7. The industry is also concerned about what would happen in the event that NEST is not commercially successful and is unable to service their debt. Our assumption is that the scheme would be wound up in default and there would be some form of compensation to cover members against loss. We have been unable to determine how this compensation would be funded. In these circumstances we believe it would not be acceptable for the debt of a public sector scheme to be loaded upon the private sector compensation scheme at the expense of providers and consumers.

8. The ABI are so far in unsighted on the text of the loan agreement – indeed, to date we have not had information on any of the terms of the loan or how it will operate. We would appreciate clarification from DWP as soon as possible to enable us to gauge whether this loan is being provided on as close to commercial terms as possible. We would also appreciate the terms of the contract with Tata being disclosed as far as possible, as well as any statistical or other evidence of the anticipated set-up and administration costs.

For further information and/or clarification please contact:

Tracy Fraser

Policy Advisor

Savings and Retirement, ABI

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5. The Actuarial Profession



The Actuarial Profession
making financial sense of the future

Niall MacMahon
NEST Consultation
February 2011
Enabling Retirement Savings Programme
Department for Work and Pensions
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Tothill Street
London
SW1H 9NA

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Dear Niall

National Employment savings Trust Corporation Regulations 2011: consultation on a draft amendment

Thank you for offering the Actuarial Profession the opportunity to comment on this consultation published on 9 December 2010. I can confirm that there are no comments which we would wish to make at this stage.

Yours sincerely,

Martin Lowes

Chairman, Consultations Group, Pensions Practice Executive Committee

Please reply to Staple Inn

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