



The Pensions  
Management  
Institute

*Pensions Professionals  
in practice*

SMH/SMW/EX13R/04

Eve Engledow  
FSMA secondary legislation consultation responses  
Financial Stability and Regulatory Policy Team  
Room 4/23  
HM Treasury  
1 Horse Guards Road  
LONDON  
SW1A 2HQ

26 May 2004

Dear Ms Engledow

**The Financial Services and Markets Act (FSMA) Two Year Review**

The Pensions Management Institute (PMI) is pleased to have the opportunity to comment on the Two Year Review of the Financial Services and Markets Act (FSMA).

The PMI is the professional body for people working in the pensions sector. The PMI's members work as pensions managers, consultants and technical specialists in consultancies and insurance companies. Many are also actuaries, pensions lawyers or company secretaries. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response.

In recent years there have been a number of changes to occupational pension scheme provision leading to some traditional final salary schemes being closed, particularly to new members. While some schemes remain open both for new and existing members, new schemes are being devised particularly for new employees and these range from DB schemes such as career average to various DC arrangements including GPPs, stakeholder and occupational DC schemes. Indeed, there are also DB schemes which have a DC section.

It is the PMI's belief that employers have a crucial role to play as a source of information and guidance about retirement provision options. We therefore read Section 4 of the FSMA Two Year Review with real interest. While we note these proposals are restricted to GPPs and stakeholders we recognise that some of the ground rules being set at this stage could impact on occupational pension scheme regulation.

Secretary General: Susan M Howlett BSc  
PMI House 4-10 Artillery Lane London E1 7LS  
Telephone: 020 7247 1452 Fax: 020 7375 0603  
Email: [enquiries@pensions-pmi.org.uk](mailto:enquiries@pensions-pmi.org.uk)  
[www.pensions-pmi.org.uk](http://www.pensions-pmi.org.uk)

Registered at the above address. Registered with limited liability No 1262100 in England



We support the objective outlined in section 4.19. It must be right to enable employers to do more to promote the value of pensions and provide better information about them while ensuring that employees continue to receive appropriate protections against bad practices.

Having considered the options we favour Option 1(c). We think this should be subject to the Option 2(b) exemption and we believe it should also be subject to the condition that the employer makes a financial contribution, possibly in the region of 3%.

PMI notes that the proposal in Option 2(b) takes account of the forthcoming pensions information pack although provision of the pack itself would not be an additional precondition of the financial promotion exemption. Nevertheless, we think the employer should be giving the information in the context of that pack.

The alternative to providing information and guidance in the workplace is for the employer to employ an independent financial adviser to advise all its employees. Even if sufficient IFAs could be found to undertake this work it is doubtful that they would wish to do so without being paid by the employer, which makes this a very costly option. A number of commentators have suggested that employees generally trust their employer so it would be preferable if somebody working for the employer could provide the information and guidance needed by the employee.

We would welcome the opportunity to discuss our views and the proposal with you.

Yours sincerely

Susan M Howlett  
Secretary General