

THE HUNDRED GROUP

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The Pensions Regulator

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Dear Sir

Consultation on Revised Clearance Guidance

I am writing on behalf of the Hundred Group of Finance Directors in response to your consultation document on revised clearance guidance dated September 2007. The Hundred Group represents the Finance Directors of the UK's largest companies.

We believe that some of the revisions are helpful to the extent that the original guidance may have been interpreted more restrictively than intended. However, we have some concerns that the Pensions Regulator is using the revised clearance guidance to broaden the possible scope of events for which clearance should be sought.

Our concerns include the following:

1. The lack of prescriptive tests for Type A events may lead trustees to identify more events as Type A events than previously. This could potentially bring about unnecessary conflict with the sponsoring employer where the employer does not agree that the event is a Type A event.
2. The number of possible bases (IAS19, s179, scheme funding) on which the deficit may need to be assessed could make it harder for employers to track the likely scale of any mitigation needed in the event of any corporate transaction.
3. The clearance guidance does not emphasise sufficiently that clearance is a voluntary process, and hence only necessary where an employer undertaking an particular event needs positive reassurance that a contribution notice or financial support direction would not be imposed. Employers may well have legitimate reasons (not least the cost of an application) for not wishing to apply for clearance, and trustees should be aware that not applying for clearance does not in itself constitute grounds for concern.

4. The Pensions Regulator appears to be using the document to provide further guidelines for trustee behaviour rather than to change the actual process for clearance. For example, the guidance includes education on how trustees should behave when clearance is not being sought. We wonder whether the Regulator's objectives might be better achieved by separating the guidance on trustee behaviour from information about the clearance process itself.

Please contact me if you would like any further information on any of the matters discussed in this letter.

Yours sincerely

Edward Weiss

Edward Weiss
Chairman
Hundred Group Pensions Working Party