

# Concerns raised over ETV monitoring based on ‘anecdotal evidence’

By: Rachel Dalton | 06 Dec 2012



Concerns have been raised that the monitoring of incentive exercises will be based only on anecdotal evidence, whistleblowing and self-reporting.

Industry Monitoring Board for Incentive Exercises chairwoman Margaret Snowdon said the board does not have the power to collect or demand data and so will rely on schemes, trustees and employers sharing information voluntarily, or on whistleblowing members.

Through this approach Snowdon (pictured) said the board expects to capture 40% of the offers that are made and reassured trustees that “the code will end up in legislation if it does not work”.

However, there are concerns that without fuller data, The Pensions Regulator and DWP will be unable to gauge the code’s success.

KPMG pensions partner Mike Smedley, a member of the monitoring board, said: “If employers want to carry out bad practice, nothing in the code is going to stop them, but hopefully they will not be able to find an actuary or a lawyer who will go along with it [because of the code].”

“There is a limit to how much the board can demand information, but the DWP, the Financial Services Authority and TPR are represented on the board and they have that power.”

“There will be a lot of anecdotal evidence to trigger action by the FSA or TPR.”

He added: “There could be a low-profile case that slips under everyone’s radar but something widespread is unlikely to happen without the board noticing.”

Some industry figures have called for more solid monitoring for IEs. Silverman Sherliker partner Jennie Kreser said forcing schemes to report them to TPR as standard could help.

“Making them notifiable events will need secondary legislation but this may not be that hard and is not a bad idea,” said Kreser.

“It will at least ensure some scrutiny is taking place. So much of today’s pension regulatory breaches rely on whistleblowing and it appears to be effective but one doesn’t know what one doesn’t know.”

Smedley said reporting each offer to the regulator is problematic.

“TPR could do that, or with something simple on the scheme return, but it is under pressure to keep that return simple and has to justify why it needs information. Also, if only three employees transfer out, do you need to report that?” he said.

Snowdon said she is more in favour of including IEs in scheme returns.

“Having a question on the scheme return would allow adequate reporting and for further information the board could request more details in an informal way,” she said.

However, she said “technical and data protection issues” could scupper this method.

“The DWP will base any decision on future legislation on recommendation from the board,” Snowdon said.

“If we are unable to collect data because schemes and employers will not tell us, I am sure the default position is more likely to be legislation.”

“Given the response we have had so far I am confident that advisers, employers and trustees will be open and helpful,” she added.