Review of Pensions Institutions

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Agenda

- Timeline
- Scope
- Proposals
- ACA draft response

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Timeline

- May 2006: White Paper announces review
- 16 January 2007: Paul Thornton appointed
- 7 March 2007: Consultation paper published
- 31 March 2007: Consultation closes
- ‘Spring’ 2007: Recommendations to ministers

Scope of the review

- Regulators: TPR, FSA
- Compensation bodies: PPF, Financial Services Compensation Scheme
- Ombudsmen: Pensions Ombudsman, PPF Ombudsman, Financial Ombudsman Service
- Pensions Regulator Tribunal
- The Pensions Advisory Service
- <u>Not</u> Financial Assistance Scheme administration

Proposals: merger of TPR and the PPF

- \+ Simplicity and better accountability
- \+ Comprehensive approach to risk assessment
- \+ TPR has statutory objective to protect PPF
- \+ Cost savings
- \- Bodies only just set up
- \- Potential for conflicts of interest
- \- Risk PPF will be seen as model for pension schemes
- \- PPF strongly against merger

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Proposals: merger of TPR and the FSA

+ Current boundary complex
+ Consistent approach needed on DC investment
+ Gaps in coverage e.g. employer-led transfers
+ DC and buy-out trend will bring more pensions to FSA
- Current arrangement works
- Pensions and financial services substantially different
- Possible Solvency II issues if under same regulator
- Different communities (e.g. TPR links with employers)

Proposals: other

- Merger of Pensions Ombudsman and FOS
- Move of PPF Ombudsman to combined jurisdiction
- Possible merger of TPAS with TPR
- No changes to Financial Services Compensation Scheme
- No changes to Pensions Regulator Tribunal

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ACA draft response: general

- Agree with need to review effectiveness of institutions and would like to see regular reviews in future
- Not convinced by arguments for major structural changes
- Would like to see government departments included in subsequent reviews

ACA draft response: TPR and the PPF

- Too soon for major change
- Would exacerbate conflicts of interest
- PPF would lose reputation for independence
- Approaches to risk assessment very difference
- Organisations have worked together successfully
- Guidance on role where both involved in clearance

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ACA draft response: TPR and the FSA

- Reservations as to whether merger right course
- TPR still new organisation
- Does FSA have right expertise or risk-focused approach?
- Clearer boundaries and closer liaison on DC schemes
  - Should FSA regulate all DC schemes (including OPS)?
  - If not, where should the line be drawn?

Any questions?

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