

## **CBI response to the Thornton review of Pensions Institutions**

1. The CBI welcomes the opportunity to respond to the Thornton review of Pensions Institutions. We have consulted widely amongst CBI members and this response summarises the views of members as to the three key proposals outlined in the March 2007 consultation paper, namely.
  - is there a good case for bringing the Pensions Regulator and Pensions Protection Fund closer together?
  - is there a good case for bringing the Financial Services Authority and the Pensions Regulator closer together
  - is there a good case for bringing the Pensions Ombudsman and the Financial Ombudsman Service closer together.
2. Consultation with CBI members indicates that there is little or no appetite for institutional change in the first two areas, with members arguing that the focus should be on institutions developing better and closer working relationships with one another. Members have also said that institutional change would detract attention from carrying out core functions and that change would bring with it significant risks with little benefit.

### **Pensions Regulator and PPF**

3. The CBI opposes the proposal to turn the Pensions Regulator and Pensions Protection Fund into a single organisation. Both organisations are relatively new and still bedding-down and both have further development of their functions to undertake. For example, the Regulator is only now beginning to develop policy with respect to defined contribution schemes and has further work to do in this area. Members believe unnecessary change now would distract attention and resources from these core functions.
4. The CBI believes the present regime is working well and that the two bodies have successfully worked together over the last two years with close co-operation including a tripartite Memorandum of Understanding, service level agreements and good working relationships at a range of levels and on specific projects.
5. Finally, we agree with the comments in the March consultation paper that whilst the PPF has no regulatory functions, it does have many of the functions of a financial institution, such as investment management and insurance. The skills and expertise required are therefore very different and having two separate bodies enables each to develop its own expertise and focus on its distinctive core functions.

### **Pensions Regulator and Financial Services Authority**

6. The CBI agrees with the observation in the consultation paper that the boundaries between occupational pensions and other financial savings products are becoming more blurred and complex over time due to changes in the market. We also agree that the trend from defined benefit to defined contribution provision and to annuity buy-out could bring a larger proportion of pension liabilities under FSA supervision. However, we do not believe these developments make the case for merger of the two institutions.

7. CBI members believe the focus should be on developing a closer working relationship and tackling areas of regulatory overlap and gaps rather than institutional change. In our response to the Regulator's consultation on the regulation of defined contribution schemes, we highlighted the risk of possible regulatory overlap, but also at possible regulatory gaps where neither regulator leads or takes responsibility. Duplication of and/or increased regulation would also end up increasing the regulatory burden for employers offering work-based schemes still further.
8. Members have also noted that FSA and tPR regulate differing communities and that change could undermine the strong and effective relationship the Regulator has developed with employers and employers' organisations. Finally, we believe that pensions and financial services are substantially different from each other and require different styles of regulation – in particular that employer-sponsored pension funds are not comparable with other financial products.

### **Pensions Ombudsman and Financial Services Ombudsman**

9. CBI members did not have strong views on a possible merger of the Pensions Ombudsman and the Financial Ombudsman Service. Members did, however, note that the Pensions Ombudsman is struggling to cope with its current workload and that the skills-sets required for dealing with personal pensions on the one hand and occupational pensions on the other did not appear to be complementary.

**CBI**

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