

The following thoughts are offered on a personal basis, and should not be taken to represent the view of Rothschild or of any other organisation (although I should add that I am also chairman of two boards of pension trustees).

(1) It is suggested (by the Pensions Regulator among others) that there is merit in amalgamating tPR with the PPF. The stronger arguments for this appear to me to be concerned with eliminating duplication in service functions, for example the collection of data. A better way of dealing with this might be to institute a cellular structure in which both organisations (and possibly other interested parties) outsourced the overlapping functions to a common provider.

(2) In practice (as seen from the standpoint of a pension trustee, and also as an advisor to trustees and corporates on matters to do with pensions regulation) it does not appear to me that the overlaps between the spheres of interest of the PPF and tPR are a dominating feature of the landscape. On the contrary, the differences between the interests of the PPF (as a specialised financial institution) and of tPR (a regulatory agency) foster a degree of clarity about the operational framework for pension funds and their sponsors. This clarity would be diminished if the two were put together (the "challenge" dimension would be eliminated).

(3) Whilst it is a duty of tPR to regulate in such a manner as to reduce the probability of calls upon the PPF, it is right that this is secondary to its duty of protection of scheme beneficiaries. Without going into the possible cases in which these duties might conflict, but accepting that there will be such, it seems to be essential that tPR should prioritise protection of the beneficiaries. If the PPF and tPR were one, it is less clear that this is how such conflicts would be resolved.

(4) There are clear behavioural and cultural differences between financial institutions and regulators. This was accepted when, for instance, the Bank of England ceased to be a prudential regulator of banks. It is not evident to me that a regulatory agency is an optimal umbrella for a financial institution like the PPF.

(5) There is a material probability that the PPF may fail, or need to be bailed out in some way. It is highly undesirable that the authority of tPR should be compromised by such an eventuality. Rather, it would be useful at any time of crisis in the affairs of the PPF for tPR to remain available to regulate the repair process (but not to take over the function of the PPF).

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