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Secretariat to the Review of Pensions Institutions  
The Adelphi  
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Our Ref: JM/CS/4.4

2<sup>nd</sup> April 2007

Dear Secretariat,

## **REVIEW OF PENSIONS INSTITUTIONS – CONSULTATION: EMERGING ISSUES**

Thank you for inviting our views on the above consultation paper.

### **INTRODUCTION TO SPC**

SPC is the representative body for the providers of advice and services needed to establish and operate employer-supported pension schemes and related benefit provision. SPC's Members include accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. Slightly more than half the Members are consultants and actuaries. SPC is the only body to focus on the whole range of pension related functions across the whole range of non-State provision, through such a wide spread of providers of advice and services.

The overwhelming majority of the 500 largest UK pension funds use the services of one or more of SPC's Members, as of course do many thousands of smaller ones. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.

This consultation document has been considered by SPC's Actuarial, Administration, Financial Services, Legislation and Money Purchase Committees, which comprise representatives of actuaries and consultants, insurance companies, pension lawyers, product providers and third party administrators.

Our response has also been reviewed by the SPC Council.

### **GENERAL COMMENTS**

This is a welcome review, although given its importance, whatever the reasons, it is disappointing that it has been carried out to such a short timetable.

Our conclusion at this stage is that there is no evidence to justify bringing any of the bodies referred to closer together or for changing functions or boundaries. Making changes imposes costs on and occupies the attention of both the bodies concerned and the pensions industry, so there needs to be clear evidence of shortcomings, which a bringing together of organisations or a change of functions or boundaries could remedy. Some of the bodies under examination are very new and are as yet untested in the entirety of their roles. Others are, in our view, operating satisfactorily as they currently exist and with their current functions and boundaries.

The Society of Pension Consultants

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We suggest that it would be appropriate to repeat this review in, say, five years time.

### **INITIAL ISSUES EMERGING**

#### **Is there a good case for bringing the PPF and TPR closer together?**

In our view, the Pensions Regulator and the Pension Protection Fund should continue to operate as separate bodies, although, as the consultative paper recognises, they do need to cooperate effectively and, it seems to us that they have worked well in meeting that requirement.

We find the arguments in favour of making no change to the current arrangements considerably more persuasive than those for change.

A further question, which we suggest needs to be addressed, is whether one body should be responsible for both regulation and compensation. If members are perceived to suffer detriment as a result of a shortcoming of the Regulator, pressure to compensate them will be much greater, and might be unreasonable, if the Regulator is also the body which handles compensation.

We also have concerns that a merger of the two bodies so early in their existence might give rise to public perceptions that the pension protection framework has not worked properly, further undermining currently shaky confidence in the pensions system.

#### **Is there a good case for bringing FSR and TPR closer together?**

We support the stance of FSA and the Pensions Regulator, that there should be no change.

The Pensions Regulator has developed a particular expertise in regulating occupational pensions, which could be diluted if, as would effectively be the case, the Pensions Regulator was subsumed into the much larger FSA. There might come a time when the occupational sector has contracted to the extent that it no longer makes sense to have a separate regulatory body for it, but we have certainly not yet reached that stage.

The Pensions Regulator is now devoting considerable attention to regulation of money purchase schemes. It appears to be very much aware that in this area there is a considerably greater risk of it duplicating coverage of areas already dealt with by FSA, and it has emphasised that it will be on its guard against duplication. Good liaison between the Pensions Regulator and FSA is therefore important, but this can be achieved without changing the boundaries between the two bodies.

#### **Is there a good case for bringing the Pensions Ombudsman and the Financial Ombudsman Service together?**

As in the areas on which we have already commented, we do not believe that there is any evidence that the two bodies are failing to meet their briefs and that bringing them together is the right way to address any failure. The specialist pensions knowledge embodied without the Pensions Ombudsman would still be needed in a merged organisation and there seems to us to be no justification for the cost and disruption of moving it into a single organisation.

We are not aware of any great consumer confusion over the roles of the two ombudsmen. The arrangements for passing cases from one ombudsman to the other work well and we believe that the main factor from the consumer's point of view is that complaints end up in the right place.

Any merger would also need to deal with the fact that recourse to the Pensions Ombudsman involves no direct cost for any parties to a case, while the Financial Ombudsman Service does charge the party complained against above a low threshold of cases brought to it concerning that party.

**Are any changes to PPF Ombudsman functions or boundaries needed?**

We are not aware of any actual experience of the operation of the PPF Ombudsman and therefore have no practical basis upon which to suggest any changes to its functions or boundaries.

On a theoretical level, one could argue that the Pension Protection Fund is simply a rather large pension scheme, albeit a distinctive one, and that any cases involving it could just as well be dealt with by the Pensions Ombudsman, which deals with cases concerning other pension funds.

**Are any changes to the Pension Advisory Service functions or boundaries needed?**

We question whether the voluntary nature of the Pensions Advisory Service would survive a merger with the Finance Ombudsman Services dispute resolution services or a taking over of its functions by the Pensions Regulator.

This would imply a significant increase in the cost of the activities which it carries out.

We are not convinced the Pensions Advisory Service could, with its current number of volunteers, take on more work from the Pensions Ombudsman.

We are not sure that it would be desirable to carry out the Pensions Advisory Service's functions within the Pensions Regulator. There would be a significant case load, which might divert the Regulator's attention from the very important work which it already does.

**Are any changes to the Financial Services Compensation Scheme functions or boundaries needed?**

We have not identified any need for changes to functions or boundaries in this area.

**Are any changes to the Pensions Regulator Tribunal functions or boundaries needed?**

We have not identified any need for changes to functions or boundaries in this area.

**Impact of pension reforms on the Pensions Regulator**

We consider it to be too early in the development of personal accounts to offer any comments under this heading.