

**NAPF CONTRIBUTION TO THE PAUL THORNTON REVIEW OF INSTITUTIONS SET UP IN THE
PENSIONS ACT 2004**

1. INTRODUCTION

The National Association of Pension Funds welcomes the review of institutions established in the Pensions Act 2004. Our initial views are outlined below and we look forward to providing a further detailed response to the consultation document, due to be published in March 2007.

The National Association of Pension Funds (NAPF) is the leading voice of workplace pension provision in the UK. Some 10 million working people are currently in NAPF Member schemes, while around 5 million pensioners are receiving valuable retirement income from such schemes. NAPF Member schemes hold assets of some £800bn, and account for over one fifth of investment in the UK stock market.

2. TERMS OF REFERENCE - GENERAL COMMENTS

We support the general approach of the review, including the terms of reference, which follow on from the proposal in the Pensions White Paper, published May 2006. The NAPF fully support the intention of the review to:

- Consider how other organisations with responsibilities for the regulation and protection of workplace pensions interact with the PPF and TPR on work based pensions issues; and
- Make recommendations about the most appropriate future configuration of organisational responsibilities, providing robust governance and the most effective, efficient and affordable arrangement of functions, avoiding duplication and conflicts of interest, in order to deliver government policy.

We share the also support the Hampton principles, in particular the following: *"businesses should not have to give unnecessary information, nor give the same piece of information twice"* and *"regulators should recognise that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for protection"*.

The NAPF feel that the present regulatory regime is overly complex, with too many organisations involved. Not only does this create additional administrative burdens for employers who provide work based pensions, it can also create confusion for scheme members and consumers who maybe unclear about the various regulatory authorities. We recognise that the various organisations have different responsibilities,

however, we still feel the number of organisations, including the ombudsmen services and advisory services is too great and should, where possible, be reduced/streamlined.

3. SPECIFIC ISSUES

The NAPF have a number of initial comments that we think should be included in the review. These are outlined below:

- The NAPF feels that the regulatory landscape for work based pensions is complex with more organisations than is necessary. The review should consider, the best way in which the Government can streamline/reduce the number of organisations with a regulatory or advisory capacity in pensions.
- For employers, the existence of two regulators with responsibilities for different aspects of pensions, TPR and the FSA, maybe one reason why so many employers say that they do not want to have anything to do with pensions other than contributing to Personal Accounts in the future. The complexity of the current regulatory environment is often cited as a reason by employers for not wanting to provide pensions to their employees. This does not fit well with Government policy aimed at increasing and encourage more people to save for retirement.
- Looking at the Pensions Regulator, it is felt that TPR churns out far too much complex and onerous data, often creating additional administrative burdens for schemes and employers. If, under a new regime, TPR were given further regulatory responsibility, the NAPF would support a more principles-based approach to regulatory guidance. We think this would help make the system more efficient and robust.
- In terms of the FSA, some employers have said that they feel unable or unsure of promoting their pension scheme to employees in case they become liable for mis-selling. Again, this does not fit well with Government policy. A change in legislation should allow employers the freedom to promote work based pensions as part of the employment package. This should be examined bearing in mind the Pensions White Paper proposal for all workers to be automatically enrolled into a personal account or an alternative exempt scheme.
- The NAPF has concerns regarding European legislation and in particular the potential impact of the extension of Solvency II and any potential requirements on occupational pension schemes. What will be the regulatory demands on workplace pension schemes and where will the regulatory burden fall?

- In order to prevent overlap and duplication, the NAPF encourages the review team to ensure that they are fully aware of other reviews underway, in particular, the DWP deregulatory review of pension legislation.

4. CONCLUSION

As outlined above, the NAPF believe there is a strong case for streamlining/merging the number of organisations involved in the regulation of work-based pensions and provision of advice, mediation, dispute resolution or compensation.

The NAPF are keen to work with the review to establish a better regulatory framework for work-based pensions.