

# EEF's RESPONSE TO THE CONSULTATION PAPER ON EMERGING ISSUES FROM PAUL THORNTON'S REVIEW OF PENSIONS INSTITUTIONS

## Introduction

1. EEF is the representative voice of manufacturing, engineering and technology-based businesses. We have a growing membership of 6,000 companies of all sizes, employing more than 900,000 people. Comprising 11 regional Associations, the Engineering Construction Industries Association and UK Steel, EEF is one of the UK's leading providers of business services in employment relations and employment law, health, safety and environment, manufacturing performance and education, training and skills.

## Merger of the Pension Protection Fund and the Pensions Regulator

2. EEF welcomes the opportunity to comment on some of the issues raised in the consultation document on the emerging issues arising out of Paul Thornton's Review of Pensions Institutions. In particular, we want to comment on the idea that is suggested in this consultation document of merging the Pension Protection Fund (PPF) and the Pensions Regulator (TPR) as these are both organisations with which a number of EEF members have had contact since their establishment a few years ago.
3. In the short time that has been available, we have unfortunately not had the opportunity to have detailed discussions with our members about the issues raised in this consultation document. However, the information that we have obtained is that EEF members are not asking for the PPF and the TPR to be merged into a single organisation.
4. Whilst there is clearly some overlap in the work of these two organisations, they have very different roles. The TPR has an important regulatory role in respect of defined benefit and defined contribution occupational pension schemes. However, the PPF has no regulatory functions and it is increasingly becoming a relatively large pension



scheme with responsibility for investing the funds under its management and paying the pensions of the members of the defined benefit occupational pension schemes for which it has taken over responsibility.

5. As a result, EEF considers that the PPF and the TPR should not be merged into a single organisation as such a merger could distract both organisations from their different core functions and responsibilities. Moreover, there are few obvious advantages that would come from this merger other than some relatively modest cost savings arising from, as the consultation document states, “sharing a range of services including information technology, human resources, finance and media relations”. However, there is a real danger that the potential conflicts of interest between the different roles and responsibilities of the PPF and the TPR, which we believe are currently being managed successfully by the two separate organisations, could be more difficult to manage under a single organisation.
6. However, EEF considers that it is very important for the PPF and the TPR to work very closely together and, where appropriate, share information and data. All the evidence that we have seen is that both organisations are currently working well together to ensure that this important objective is achieved. A good example of this is their recent publication of The Purple Book, a comprehensive and valuable joint study by the PPF and the TPR of the risks faced by defined benefit occupational pension schemes, which we understand will be published on a regular basis in the future.
7. Another argument against merging the PPF and the TPR within a single organisation is that both organisations are still at a relatively early stage in their development, having both been established through provisions in the Pensions Act 2004. It is therefore possible that merging them together could create some unnecessary confusion for employers as well as reduce the confidence that the general public has in these important organisations within the pensions environment at the very time that the Government is trying to create greater confidence in the UK pensions system.
8. Whilst EEF is not seeking the merger of the PPF and the TPR, we acknowledge that, in the future when both organisations have become established and are probably operating in a rather different pensions landscape, there might be some value in the

Government undertaking another review of whether or not they should remain as separate organisations.

## **Personal Accounts**

9. The consultation document makes some brief reference to the impact that the introduction of personal accounts, the Government's proposed new low-cost pensions saving scheme, might have on the work and responsibilities of the TPR. At this stage, EEF is only anticipating that the TPR could have a role in determining whether or not the criteria that would allow employers with occupational pension schemes to be exempt from having to auto-enrol their employees into personal accounts have been met.
  
10. As far as the new employee rights arising from the introduction of personal accounts are concerned, we have argued in our recent response to the Government's personal accounts White Paper, "Personal Accounts: A New Way to Save", that the compliance regime for enforcing the National Minimum Wage is a good model for the Government to follow. In our view, the enforcement process for personal accounts should be based on the three-stage compliance regime that is set out in this White Paper of educating, enabling and enforcing. It should also be targeted on the employers and sectors of the economy where the Government considers that there are most likely to be problems of compliance.