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## INSTITUTIONAL REVIEW PUBLISHED

### 1 INTRODUCTION

In the White Paper of May 2006<sup>1</sup>, the Government announced that it would be undertaking an external review of organisations involved in the regulation and protection of workplace pensions. In January 2007, Paul Thornton, a former President of the Institute of Actuaries, was appointed to undertake this task<sup>2</sup>. In this Alert, we summarise the key findings and recommendations of the Thornton report.

### 2 KEY POINTS

- There is no evidence that the current institutional arrangements are not “fit for purpose”.
- The office of the Pensions Ombudsman (PO) and the Financial Ombudsman Service (FOS) should be combined to create a pensions jurisdiction within the FOS.
- The report proposes the introduction of a formal “Pensions Institutions Forum” (see section 4 for further information).

### 3 THE END OF THE PENSIONS OMBUDSMAN?

The Thornton report acknowledges that the PO and the FOS currently provide a “comprehensive service for resolving pensions complaints and disputes” and that feedback indicates that neither office is failing to meet its statutory objectives. However, the report concludes that retaining the two separate bodies would not

<sup>1</sup> For further details, please refer to our Sackers Extra Alert, “The Pensions White Paper” dated 25 May 2006

<sup>2</sup> For further details, please refer to our Sackers Extra Alert, “The Two Reviews – Double Trouble from the DWP?” dated 21 March 2007

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provide the “optimal outcome” for the most effective and efficient management of pensions complaints and disputes.

The main arguments for full integration of the two institutions are as follows:

- **Improved workflow and case management** – the rationale being that complaints currently handled by the PO would benefit from the FOS’s “good track record of managing different types of activity”. Also, the increased resource that a large organisation offers can help manage volatility in workflow and would be beneficial;
- **Clarity and customer focus** – having a single, unified system for handling pensions cases “would make the system more coherent and avoid the need for redirection between the bodies”; and
- **Costs** – bringing the two bodies together would result in cost savings, although the report recognises that this is not a main driver.

However, the report does note that responses to consultation were divided on the issue of integration. In addition, it recognises that the differences in the current statutory arrangements for the two offices will need to be reviewed to determine whether they should be harmonised or preserved.

There is one aspect of the current dispute resolution structure which Mr Thornton is keen to retain, namely the Pensions Advisory Service (TPAS). The report concludes that it is vital for TPAS to continue to provide its enquiry and mediation service within any new combined structure. It also notes that TPAS might be able to play a wider role in the context of the FOS’s expanded remit.

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### **4 PENSIONS INSTITUTIONS FORUM**

The review recommends the introduction of a Pensions Institutions Forum (the "Forum") comprising representatives of all the organisations involved in the regulation and protection of workplace pensions. The Forum would meet once or twice a year to discuss key current and emerging issues and share good practice.

Although it would not have a statutory basis, the Forum would report to the Department for Work and Pensions and the Treasury on subjects discussed. The report considers that the Forum would be ideally placed to suggest future reviews of all or any of the institutions following further pensions reform and external changes in the pensions world.

### **5 OTHER PROPOSALS**

A package of measures are also recommended to underpin the close co-operation that already exists between the Pension Protection Fund and the Pensions Regulator (TPR) and the report suggests the implementation of measures to bolster the co-operation that already exists between the Financial Services Authority and TPR.

### **6 THE RESPONSE**

The report's findings have been welcomed by both the Government and many organisations in the pensions industry.

James Purnell, Minister for Pension Reform, has said that "[the Government] intend to fully implement [Thornton's] proposals". However, no timetable for so doing has been announced and we await the publication of formal details.