

Introduction

As part of their proposals for pension reform, various organisations have called for the introduction of an independent standing pensions commission. However, not everyone means the same thing when they say ‘commission’. Although most suggestions aim for at least some kind of independent research and commentary on pensions policy, a commission could be designed to serve a number of different functions.

This Briefing Note sets out the main types of commission that are under consideration for the UK, using existing examples of policy-related bodies to illustrate.

What is meant by an independent pensions commission?

The proposals envisage a number of roles for a pension commission: advisory, making recommendations, setting policy, and providing public information (Chart 1).

An advisory role

An advisory commission could provide a general policy overview based on expert and independent research of trends, for example, the coverage of state and private pensions. This information would, in effect, monitor the impact of pensions policy and assess its long-term sustainability.

Chart 1: Types of commission proposed and existing examples

Type	Who proposed?	Activity	Example
General advisory	Pensions Commission NAPF	To report on long-term trends	Pensions Policy Institute
Make recommendations	Fabian Society Help the Aged Liberal Democrats TUC	To make recommendations to Government on pre-agreed parameters, such as what the state pension age should be	Low Pay Commission
Setting policy	ABI PMI	To use prescribed policy tools to meet Government imposed targets	Monetary Policy Committee
Public information	ABI Scottish Widows	Promoting the need to save, providing financial education	NZ Retirement Commission

The role could also include laying out the future impact of different policy choices on specific issues, for example, on the trade-off between state pension age and affordability. This should help Government to make better decisions and should better inform public debate. Therefore, it could help to build a consensus for difficult policy decisions.

The Pensions Policy Institute is itself an example of such a body—in this case a charity—with objectives that include:

- *Provide relevant and accessible information on the extent and nature of retirement provision.*
- *Contribute fact-based analysis and commentary to the policy-making process.*

Making recommendations

The second type of commission has a more direct impact on policy by making recommendations to Government on specific parameters, for example, state pension age or the minimum level of the state pension.

Recommendations would have to be based on extensive, independent research and close monitoring of the pensions system. The role should also include explaining the rationale for such recommendations to the public.

For example, the Low Pay Commission makes recommendations on what the level of the minimum wage should be.

This type of body would not make policy, but Government would be expected to have to explain why it did not follow any recommendations.

What could a standing pensions commission look like?

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Setting policy

A commission with more direct impact on policy could have executive power over a specific policy tool, such as setting the state pension age.

An existing example is the Monetary Policy Committee, responsible for adjusting the official interest rate in order to achieve Government's inflation target.

The ABI recently suggested consideration of an 'economic regulator' role in private pensions, for example, to use competition analysis to look at cost levels and to set the optimum level of employer contributions to a national pensions saving scheme.

Providing public information

A more general consumer interest role could be providing financial education and increasing the public's understanding of the need to save for retirement and how to do so.

For example, New Zealand's Retirement Commission promotes education on retirement income issues and offers guidance on personal financial planning through its *Sorted* website. This gives the Commission a useful perspective on retirement income, so it also is asked to take on a policy advisory role (Box 1).

For more information on this topic, please contact
Melanie Greenall
 020 7848 4245 melanie@pensionspolicyinstitute.org.uk
www.pensionspolicyinstitute.org.uk

Box 1: An example of a public information and advisory commission

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The functions of the Retirement Commission are defined in legislation - New Zealand Superannuation [and Retirement Income] Act 2001 s. 83 as amended 2005:

(a) to develop and promote methods of improving the effectiveness of the retirement income policies from time to time implemented by the Government of New Zealand, including the promotion of education about retirement income issues and the publication of information about those issues.

(b) to monitor the effects of the retirement income policies that are being implemented in New Zealand.

(c) to review the retirement income policies being implemented by the Government and to report to the Minister by 31 December 2007 and at 3 yearly intervals thereafter...

(d) to advise on retirement income issues, when requested to do so by the Minister.

Further design questions

In addition to function, a number of decisions would also have to be made on the commission's structure. Would the commission have a permanent position (and staff) with an ongoing remit? Or could legislation lay down the requirement for a regular policy review by a body convened each time? While a regular review of policy could be useful, it may encourage frequent change in the system.

Governance, membership and reporting procedures would need clarification. All the proposals stress the need for a pensions commission, however constituted, to be independent from Government. It would also have to be independent from the pensions industry and other stakeholders.

If some kind of commission is to be set up for the UK, careful thinking is needed on its remit and organisation. Most importantly the accountability for policy decisions—and its relationship with Parliament—would have to be clarified.

Sources

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