

**PRESS RELEASE**  
**For Immediate Release**

**“Stakeholders’ view is that the Personal Accounts Delivery Authority and the Personal Accounts Board should have a tightly focused remit” says Pensions Policy Institute**

The PPI presented new qualitative research into the roles and objectives of the Personal Accounts Delivery Authority and the Personal Accounts Board at a PPI policy seminar this week attended by representatives from consumer organisations, Government and the pensions and investment industry.

The research was based on qualitative interviews with stakeholders from twenty organisations in the pensions policy community about their views on the role, remit, membership and structure of the new Personal Accounts Delivery Authority and Personal Accounts Board that the Government will establish to set-up and run the new Personal Accounts scheme.

Niki Cleal, PPI Director, said:

“Stakeholders’ view is that the Personal Accounts scheme should be run in the best interests of members and that the Personal Accounts Board should be independent of Government to minimise the risk of political interference in investment decisions.”

“At the seminar, we found that stakeholders support the Delivery Authority and the Personal Accounts Board having a tightly focused remit to set up and deliver the Personal Accounts scheme. Tasks such as registering exempt schemes and monitoring employer compliance are seen to be the responsibility of Government or other public bodies. The Delivery Authority and the Board will have a large enough challenge to set up and deliver the scheme for an estimated eight million members.”

“Stakeholders felt that the Government should continue to take key policy decisions, such as defining the target market and setting the contribution cap. The Delivery Authority and the Board could provide advice on these decisions but would not have ultimate responsibility for taking them.”

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A summary of conclusions from the report follows on the next page. The report’s findings were presented at a PPI seminar on Wednesday 2 May 2007. The full report is available on the PPI’s website [www.pensionspolicyinstitute.org.uk](http://www.pensionspolicyinstitute.org.uk).

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#### Notes for editors

The PPI is an independent research organisation, focused on pension provision. Its aim is to improve information and understanding about pensions (state and private) through research and analysis, discussion and publication. It does not lobby for any particular issue, but works to make the pension policy debate better informed.

This research was the second seminar in a series of three PPI seminars about the Personal Accounts policy. The first seminar investigated the implications of alternative charging structures in Personal Accounts. The third seminar will look at the Personal Accounts policy as a whole.

Details of the PPI's supporting members' scheme is also available on the website.

The paper is intended as a contribution to the policy debate on Personal Accounts. Nothing in this paper should be used by individuals or their advisors as the basis for saving and investment decisions.

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The key findings from the research and key messages that emerged from the discussion at the seminar are that:

- The overriding objective for the Personal Accounts scheme should be that it will be run in the best interests of scheme members.
- The Personal Accounts Board should be independent of Government to minimise the risk of political interference in investment decisions.
- The Delivery Authority and the Personal Accounts Board should have a tightly focused remit (referred to as narrow or hybrid in the report) to set up and deliver the Personal Accounts scheme. Tasks such as registering exempt schemes and monitoring employer compliance are seen to be the responsibility of Government or other public bodies.
- Government should continue to take key policy decisions, such as defining the target market and setting the contribution cap. The Delivery Authority and the Board could provide advice on these decisions but would not have ultimate responsibility for taking them.
- There was no consensus on whether setting the charging structure is a policy decision that should be made by the Government or an operational decision for the Delivery Authority and Board.
- Member and other stakeholder representation are essential through all phases of setting up and delivering Personal Accounts. Members' interests are seen to be particularly important and there is generally favour for a consumer panel model (as with the FSA) rather than an independent consumer body.
- The Personal Accounts Board could be set up as a Trust although the appropriate legal structure will depend on the remit of the Board.

## Summary of conclusions

The Government intends for the Personal Accounts scheme to be run for its members, independently of Government, to be credible and to build public confidence, and to utilise the knowledge and skills of individuals with experience of private pension administration. Stakeholders who were interviewed for this research are broadly in agreement with these four aims for setting up and delivering Personal Accounts. Independence from Government is seen to be particularly important in order to insulate investment decisions from any risk of political influence.

The Government has proposed a three-stage model for setting up and delivering Personal Accounts:

1. Setting up an advisory Delivery Authority to advise on the operational and commercial impact of options and to advise on the design of the commercial and procurement strategies.
2. Extending the remit of the Delivery Authority to take on executive powers to negotiate contracts and construct the Personal Accounts scheme.
3. Transition to a Personal Accounts Board to run the scheme from launch.

Interviewees have varying degrees of understanding about the Government's proposed three-stage model. An advantage of the three-stage model is being able to recruit individuals with different expertise relevant to each phase. A disadvantage is that there is potential for lack of continuity and accountability.

Interviewees are broadly in agreement with the objectives set out for the Personal Accounts scheme, although they do feel that these objectives are very high level, potentially conflicting, and in some cases interviewees have proposed changes to specific objectives. Interviewees feel that governing in the best interests of members and beneficiaries (and potential members and beneficiaries) needs to be the overriding objective for the Personal Accounts scheme, and any other objectives should be secondary.

### **Personal Accounts Board**

The introduction of Personal Accounts will have an impact beyond the Personal Accounts scheme. Stakeholders are calling for clarity about roles and responsibilities for: the Personal Accounts Board, Department for Work and Pensions (DWP) and other organisations. The report presents three options for the remit of the Personal Accounts Board:

- Narrow remit that would be limited to delivering the Personal Accounts scheme.
- Broad remit encompassing all aspects of delivering the Personal Accounts scheme and other elements of pension policy reform, such as registering exempt occupational pension schemes and monitoring employer compliance.

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- Hybrid remit that would imply a responsibility to deliver the Personal Accounts scheme and to provide advice to Government on broader pensions policy reform areas, such as monitoring overall saving levels.

For the most part, stakeholders agree that the Personal Accounts Board should be responsible for core operational tasks associated with running Personal Accounts. With one exception, most interviewees agree that the Personal Accounts Board should not be responsible for monitoring and enforcing employer compliance or registering exempt schemes. With relation to taking policy decisions, views about the Board's ongoing role are considerably less clear. This suggests that interviewees are leaning towards a narrow or a hybrid remit for the Board.

Interviewees feel that the objectives for the Personal Accounts Board should be the same as those for the Personal Accounts scheme, or could include additional objectives if the Board has a broad remit.

The structure of the Personal Accounts Board and its legal status will have implications for the degree of independence the Board has from Government. The Government decided that the Non-Departmental Public Body (NDPB) model was the most favourable option because it struck the appropriate balance between independence and accountability.

Occupational pension schemes in the UK are typically set up as trusts, governed by a Board of Trustees, covered by a trust deed and rules, and subject to provisions of trust law. It is possible for an NDPB to also be a company run through trust, and this could be a possible model for the Personal Accounts Board.

It is important that the governance arrangements for Personal Accounts reassure members, and future members, that their interests are placed at the heart of the Personal Accounts scheme. This could help maintain confidence and promote participation. There are several approaches for representing consumers' and other stakeholders' interests to the Personal Accounts Board and some approaches could operate together. Interviewees are generally supportive of the Board having a fiduciary duty to govern in members' best interests and a legal duty to consult. Overall, they support the Board having a consumer panel rather than an independent body for representing consumer interests in Personal Accounts. Some stakeholders feel strongly that member representation on the Board is critical.

The Personal Accounts Board will need to be accountable to the Government, to the public, and to its members. Interviewees generally support the Personal Accounts Board being accountable to the public through an annual report that is laid before Parliament. The Swedish Orange envelope was mentioned by several interviewees as a useful model for reporting to members.

**Executive Delivery Authority**

Overall, interviewees are less reluctant for the executive Delivery Authority to have a role in designing and setting up processes for existing pension provision than they are for the Personal Accounts Board to have a role in this area. However, they warn that there are risks of non-delivery if the Delivery Authority is tasked with too large a remit.

As with the Board, interviewees think that the objectives for the executive Delivery Authority should be at least the same as those for the Personal Accounts scheme, or should also include additional objectives if the Delivery Authority has a broad remit. Furthermore, they suggest that the Delivery Authority should be required to have regard to the objectives set out for the Personal Accounts Board and the rules and restrictions it will be bound by.

Broadly speaking, stakeholders want to see the Personal Accounts scheme designed and set up by people with experience running large multi-employer occupational schemes and who have experience of the Personal Accounts target market. Interviewees expect that the structure of the executive Delivery Authority will closely resemble that of the advisory Delivery Authority, ie with a Chairman, executive and non-executive members, a Chief Executive and provision to set up committees and subcommittees. They also expect considerable continuity of personnel across the two bodies. As such, initial appointments are particularly important.

Stakeholders commended the DWP for the open consultation and engagement process that the department has carried out thus far with regard to pension reform. They want to see this open and consultative approach continue through the advisory and executive Delivery Authority phases. Interviewees stress that they think it is important for stakeholders' needs (particularly those of scheme members) to be represented through all stages of setting up and delivering Personal Accounts.

The advisory Delivery Authority will be accountable to the Secretary of State through an annual report that will be laid before Parliament. Interviewees suggest that the same accountability process should continue for the Delivery Authority when it takes on executive powers. They also suggest that given the short time frame for delivering Personal Accounts, additional measures may be required. Two suggestions are for more regular reporting in the lead up to the 'go live' date, and for missed deliverables to trigger an ad hoc report.

**Transition from the Delivery Authority to the Personal Accounts Board**  
Interviewees expect considerable continuity in the personnel and structure of the advisory and executive phases of the Personal Accounts Delivery Authority. They also expect continuity and seamless transition from the Delivery Authority to the Board, but are less clear about how this may be achieved given the different expertise required in each phase. Some options for transition include:

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- **A-Day Handover** where the Board takes on all responsibility for running Personal Accounts from 2012.
- **Pre 2012 Handover** where the Board would take over responsibility for setting up and delivering the scheme prior to the 2012.
- **Post 2012 Handover** where the Delivery Authority would run the Personal Accounts scheme for the first 1-2 years of its operation and handover to the Board at a later date.
- **Parallel Operation** where the Board and the Delivery Authority would both operate in parallel for some period, with different remits or different powers.

Interviewees do not have strong views about the best way to transition from the Personal Accounts Delivery Authority to the Personal Accounts Board. If the Delivery Authority and Board have different remits (if one is narrow and another broad, for example), then transition may be less straightforward than if one body simply takes over where the last left off. Regardless of how transition is approached, consideration needs to be given to achieving clarity of roles, minimising additional costs, and maximising continuity and flexibility.

#### **Key risks**

Interviewees identify a number of risks and challenges in setting up and delivering Personal Accounts. Risks relate mainly to Personal Account being a major policy and commercial undertaking and the fact that much is unknown about how the target group and employers will respond. The Delivery Authority and Board should have a role in coordinating consultation and input from multiple agencies, although overall oversight may rest with a different organisation. They will also have roles in developing a greater understanding of the target group, testing that systems work for the target group, managing expectations of savings returns, and identifying and mitigating delivery risks.

While they do see risks, interviewees want to see the Personal Accounts scheme succeed and many offered their organisations' assistance in working with the Government to mitigate risks further as the Delivery Authority and Board are established.