

Memorandum of Understanding
between the
Department for Work and Pensions,
the Pensions Regulator
and the
Pension Protection Fund

This version signed and dated –
July 2005

Purpose

This memorandum of understanding establishes a trilateral framework for co-operation between the Department for Work and Pensions, the Pensions Regulator and the Board of the Pension Protection Fund in the field of pension regulation and protection. It sets out the role of each public body, and explains how they will work together towards the common objective of pension security. The division of responsibilities is based on four guiding principles:

- **clear accountability.** Each public body must be accountable for its actions, so each must have unambiguous and well-defined responsibilities;
- **transparency.** Parliament, the pensions community and the public must know who is responsible for what;
- **no duplication.** Each public body must have a clearly defined role, to avoid second guessing, inefficiency and the duplication of effort. This will help ensure proper accountability;
- **regular and appropriate information exchange.** This will help each public body to discharge its responsibilities as efficiently and effectively as possible.

Responsibilities

(i) Department for Work and Pensions

The Department provides the overarching regulatory and legal framework that governs the operation of the Pensions Regulator and the Board of the Pension Protection Fund.

The Department has a primary role in the Stewardship of the two Non-Departmental Public Bodies. It will discharge this responsibility through -

- **the scrutiny and approval of annual business plans**
- **receiving reports on performance and outcome measurement**
- **receiving financial reports**
- **exchanging information and analysis of trends and risk**

The Department has *no responsibilities* in the operational activities of the Pensions Regulator and the Pension Protection Fund and shall not be involved in them. However there may be circumstances where the Department will need to be informed by the Pensions Regulator and the Board of the Pension Protection Fund about potential problems that raise significant concerns. It will be for the Pensions Regulator and the Board of the Pension Protection Fund to decide whether the Department needs to be informed.

The Department will provide the Pensions Regulator and the Board of the Pension Protection Fund with a forum to discuss and debate issues of concern which may impact upon the Department's strategic objectives for greater pensions protection and security. However, at all times, responsibility for decisions made rests with the Pensions Regulator and the Board of the Pension Protection Fund.

(ii) The Pensions Regulator

Overall the Pensions Regulator has responsibility for all 'work-based' pension schemes¹.

In particular this includes operational responsibility for:

- Regulating occupational pension schemes, including their funding, governance and administration;
- Regulating, in respect of stakeholder pensions, registration, designation, and compliance with the charge cap, as well as the other duties imposed on employers, trustees and managers in relation to all work-based pensions e.g. timely payment of contributions;
- Regulating certain aspects, including administration, of work-based personal pension schemes;
- Providing information, education and assistance in relation to work-based pension schemes to:
 - those involved in the administration of work-based pensions;
 - those who advise trustees and managers on the operation of work based pensions;
 - employers; and
 - those who advise employers; and
- Regulating the provision of information and advice by employers for employees about pensions and saving for retirement

The Pensions Regulator will alert² the Department – and, in the case of Defined Benefit or hybrid schemes, the PPF - in circumstances where it has identified and has concerns about any;

- serious problem for large numbers of pension schemes
- significant issue that crosses national boundaries
- problem that may require a change of legislation
- any other issue that appears to the Regulator to have a high public or media profile

(iii) The Board of the Pension Protection Fund

The role of the Board of the Pension Protection Fund is to pay compensation to members of eligible pension schemes³.

¹ As defined in s.5(3) of the Pensions Act 2004

² Unless otherwise prevented by law

³ As defined in s.126 of the Pensions Act 2004

To fulfil its role, the Board of the Pension Protection Fund has to determine which schemes are eligible and the level of compensation it needs to make. In addition the Board of the Pension Protection Fund needs to demonstrate the prudent management of assets and liabilities as well as calculate the levy.

The Board of the Pension Protection Fund will alert⁴ the Department and the Pensions Regulator in circumstances where it has identified and has concerns about any -

- serious problem for large numbers of pension schemes
- significant issue that crosses national boundaries
- problem that may require a change of legislation
- issues that compromise the independence of the Pension Protection Fund
- any other issue that appears to the Board to have a high public or media profile

Co-operation, co-ordination and exchange of information

(i) Co-operation

The Director General of Pensions for the Department for Work and Pensions will meet the respective Chairs of the Pensions Regulator and Pension Protection Fund at least every 3 months in their first year of operation. In addition there will be trilateral meetings between the Director General and both Chairs every 6 months.

There will be at least one joint meeting of the full boards of the Pensions Regulator and the Pension Protection Fund on an annual basis. At all levels, there will be close and regular contact between the Pensions Regulator and the Pension Protection Fund. The Pensions Regulator and the Board of the Pension Protection Fund will ensure that competencies and skills are pooled where appropriate. Effective co-operation and working in partnership will be a core commitment of both organisations.

(ii) Co-ordination

Consultation on policy change

Each public body will inform the other about changes in its policies and operational practices which are likely to have a bearing on the responsibilities of the other. (A letter of agreement between the Pensions Regulator and the Board of the Pension Protection Fund will set out the processes to be adopted to ensure that this takes place.)

⁴ Unless otherwise prevented by law

Public Awareness

The Pensions Regulator and The Board of the Pension Protection Fund will work closely together to ensure that areas of common interest, as well as their separate activities, promoting understanding and raising awareness with the general public and the pension community, are complementary to achieve maximum effectiveness. Through working together effectively, both organisations will be working towards the objective of improving public confidence in pensions.

Organisational Development

As the two public bodies develop through the first year of operation there will be agreed principles regarding joint working, the ways of working employed, IT facilities and other support services and processes. Where necessary these organisational development initiatives should be covered by an exchange of letters between the Chief Executives.

Operating Processes and Provision of Services

In some cases it will be more efficient or effective for a service to be provided by the Pensions Regulator to The Pension Protection Fund, or vice versa, rather than for both bodies to meet their own needs separately. In these cases, service level agreements will be established between the two institutions setting out the nature of the service to be provided, together with agreed standards, details of timing, charges (if any) and notice periods. These agreements will in the first instance cover the provision of levy collection services and services associated with the contact centre.

Exchange of Information

Through the exercise of its statutory responsibilities, the Pensions Regulator will gather a wide range of information and data on the schemes it registers and regulates. It will both collect and share data in accordance with the provisions of the Data Protection Act.

The Pension Protection Fund is responsible for ensuring the collection of the data and information which it needs to discharge its functions.

However, the Pensions Regulator and the Pension Protection Fund will work together to avoid separate collection of the same data, in order to minimise the burden on schemes. Where both need access to the same information, they will reach agreement as to who should collect it, and how it should be transmitted to the other. In making such decisions, consideration will be given to the timing of any data requirements and the state of readiness of the available infrastructure to store and transmit data.

In addition to statistical data both public bodies will provide information on key themes and trends to the Department for Work and Pensions.

The nature of service, its standards, timeliness and costs relating to the exchange of information will be covered in a separate service level agreement.

In some cases, services may be outsourced to other agencies either permanently or temporarily to overcome short term operational constraints. Information so gathered is subject to the same information sharing requirements as data collected by the Pensions Regulator and the Pension Protection Fund.

Review of Memorandum

This memorandum will be reviewed each year, with the first review taking place no later than 12 months from the date it comes into effect. In addition, a review may take place where there are any significant changes to policy, legislation, or where there has been a change in the office of the Director General, Chair or Chief Executive of either public body.

Formal commitment to Memorandum

Signed	Signed	Signed
Director General for Pensions DWP	Chair The Pensions Regulator	Chair The Board of the Pension Protection Fund
Date	Date	Date