

Dear sir or madam

Private pensions simplification

During recent decades there has been an substantial amount of legislation affecting all aspects of private pension provision. Some of this legislation has affected the way in which schemes are administered while other aspects have had a major impact on the type of benefits which schemes are obliged to provide. Each successive layer of legislation has been a well intentioned response to economic conditions and social priorities that existed at the time. The simplification review announced by Alistair Darling on 26 September provides us with a splendid opportunity to consider the cumulative effects of all this legislation.

Some pension costs are increasing for reasons that are beyond all our control. Fortunately, we are, on average, living longer while even in a growing economy, investment conditions will always be challenging. It would be a great pity if unnecessary costs which we are able to control were allowed to make pension provision a greater financial burden than it need be. The aim of our review is to present Ministers with a set of proposals that will help them maximise the proportion of every pension contribution that is used to finance pension benefits. Good quality administration is a service worth paying for. Administrative costs which are incurred in complying with burdensome and ill-focused regulations are needlessly wasteful.

We are due to report to Ministers in July 2002. When doing so, we would like to think that we have taken account of the views of everyone with an interest in private pension schemes. This includes those who are already drawing a pension, those who are accumulating pension entitlement and, most interestingly of all, those who have decided not to avail themselves of any form of private pension provision. The views of employers and pension fund trustees will be critical as they have a pivotal role to play. Hopefully, those who are professionally involved in all aspects of pension provision will generously share their experiences with us.

In order that we can comply with our challenging timetable, we would like to receive views as soon as possible and in any event by no later than 31 January 2002 (E-mail responses would be very welcome). It would be particularly helpful if comments could be grouped in the way that we outline later in this letter. However, respondents should not feel constrained since we would be more than happy to receive their views in a style and format which is most convenient to them.

This is an exciting and worthwhile project. At the end of it, I hope that Ministers will be in a position to sanction a regulatory framework for pensions which strikes a fair balance between regulatory effectiveness and administrative efficiency. At the same time, I would like to think that the extent to which legislation influences scheme design takes account of today's priorities while ensuring that accrued entitlements are properly safeguarded. We await your views with interest.

ALAN PICKERING

Background

1. The Government's overall objective for occupational and private pensions is to ensure that as many people as possible have access to them; to encourage people to save for their retirement; and to ensure that pension schemes are of a high quality, providing security for members.
2. The regulatory framework should provide security for scheme members, but it should not be unnecessarily burdensome on schemes, nor create a disincentive for employers to establish occupational pension schemes. The framework should also be consistent with the Government's desire to encourage participation in other forms of private pensions provision.
3. This comprehensive review of the private pensions legislation is designed to develop a package of options for simplifying the regulatory framework, consistent with the maintenance of protection for scheme members. The review is related to but separate from the review being carried out by the Inland Revenue on the tax treatment of occupational pensions.

Input from industry and consumers

4. As a starting point, we have identified a number of key questions we would like to ask you in relation to the review. They are:
 - What areas of regulation do you regard as unnecessary? And why?
 - Where do you think there is duplication?
 - Which regulations are over prescriptive?
 - What elements of regulation are inappropriately time consuming?
 - What elements are particularly and unnecessarily expensive?
 - Are there consumer interests that the current regulatory regime fails to address adequately? What are they?
 - Which elements of the regulatory regime do schemes or employers, pension providers, consumers and others complain about most? In what sorts of numbers do these complaints arise?
 - Are there areas of the regulatory regime which bear over-heavily on very small schemes? What are they?

Handling responses

5. We hope to receive a considerable number of responses to this consultation. So, in terms of handling them and making sure all responses are taken into

account, it would help us if you could group your replies under a number of generic headings, for example:

- The contracting out arrangements or any other aspects of the interface between the state and private elements of pension provision.
 - Transfers and preservation.
 - Disclosure of information.
 - Rules relating to scheme administration.
 - Rules introduced for social policy reasons which you think are outdated.
6. Contributors to the consultation are asked to note that the above list is simply an initial starting point. We are not pre-judging the outcome of the review and contributors are welcome to raise different issues or adopt a different approach as they see fit. It is worth noting, however, that the simplification review will need to dovetail with the on-going work to implement the recommendations of the Myners review and the reform of the Minimum Funding Requirement.

How to contribute

7. We would welcome your views on the simplification project. Please write to the following address:

The Pensions Simplification Consultation Team
Department for Work and Pensions
Room 329
The Adelphi
1 – 11 John Adam Street
London WC2N 6HT

You can also respond by using the following email address:

consultation-team@dwp.gsi.gov.uk

Comments should reach the Consultation Team by 31 January 2002, but we would very much welcome contributions earlier.

Responses will normally be available to the general public unless you specifically ask us to keep your views confidential.