

DC consultation, Policy and Guidance team
The Pensions Regulator
4th Floor, Napier House
Trafalgar Place
Brighton
BN1 4DW

1st February 2007

Dear Sirs

How the Pensions Regulator will regulate defined contribution schemes in relation to risks to members.

Thank you for the opportunity to respond to this consultation. I'd like to draw out the main aspects in our response, if I may.

Other risks for members which should be considered include

- the risk that any additional regulation will discourage the employer from continuing the scheme
- the risk that the member does not join or does not contribute enough
- the risk that the member does not get good value for his/her contributions because of the impact of means tested benefits

As the outcome for the scheme member is essentially the same from different types of DC scheme, we would encourage you to work together with FSA to provide either an identical regulatory environment or, if differences exist, an agreed view on why they are different. We believe that outcome may best be achieved by the FSA and yourselves operating a transparent process ideally resulting in a joint consultation document or, at least, in one lead regulator producing a consultation which clearly shows the integrated views of and issues for both. Depending on the subject, inclusion of DWP and HMRC may also be necessary. Pursuing a more closely aligned regulatory position in different types of schemes may lead to a desire to change eg to align disclosure regimes - but any changes thought desirable in principle, must also be subject to cost benefit justification, which may lead their not being implemented, or being delayed until a time when other changes are needed.

We also believe that you should set out the risks which employers are taking if they set up Governance Committees for contract based schemes, and should also set out the risks which the members of the Committee are taking.

We believe you should consider what powers you would have to deal with a member who complained that the choice of scheme by his employer had been inept, that he had been auto-enrolled into it but the scheme had performed badly. The employee in these circumstances might have recourse to legal action in relation to the duty of care which should have been exercised. It is not clear whether and if so how you would have scope to act.

On charges, we agree you could helpfully put forward the issues which employers should consider on charges but should not attempt to assess for any particular scheme whether they are unduly high. This requires detailed analysis covering all aspects of the scheme. It should also not be assumed that stakeholder style charging structures are optimal.

I hope these comments are helpful and would be very happy to discuss and expand on any.

Yours sincerely,

Beverley Morris

Head of Regulatory Guidance – tPR/DWP/HMRC