

# What should be the roles and objectives of the Personal Accounts Delivery Authority and Board?

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# Agenda



- Research objectives and methodology
- Objectives for the Personal Accounts scheme
- Stakeholder feedback on each stage in the Government's proposed model
- Transition options and issues
- Questions for discussion

# Research objectives

- Gauge stakeholders' responses to the 3-stage model, and identify differences and commonalities in views:
  - Roles and responsibilities
  - Aims, objectives and accountability
  - Membership and structure
  - Evaluation criteria and indicators of success.
- Identify options for addressing any issues raised.

# Research methodology PENSIONS POLICY INSTITUTE PPI

- Desk-based review of policy papers and documents
- Key stakeholder interviews
- Review of White Paper responses
- Case study analysis
- Best practice literature

# Aims for setting up and delivering PAs

- A scheme run for its members
- Independently of Government
- Utilising private sector expertise
- Governance that builds credibility and public confidence

# Scheme objectives: Stakeholder views

## Broad agreement with scheme objectives

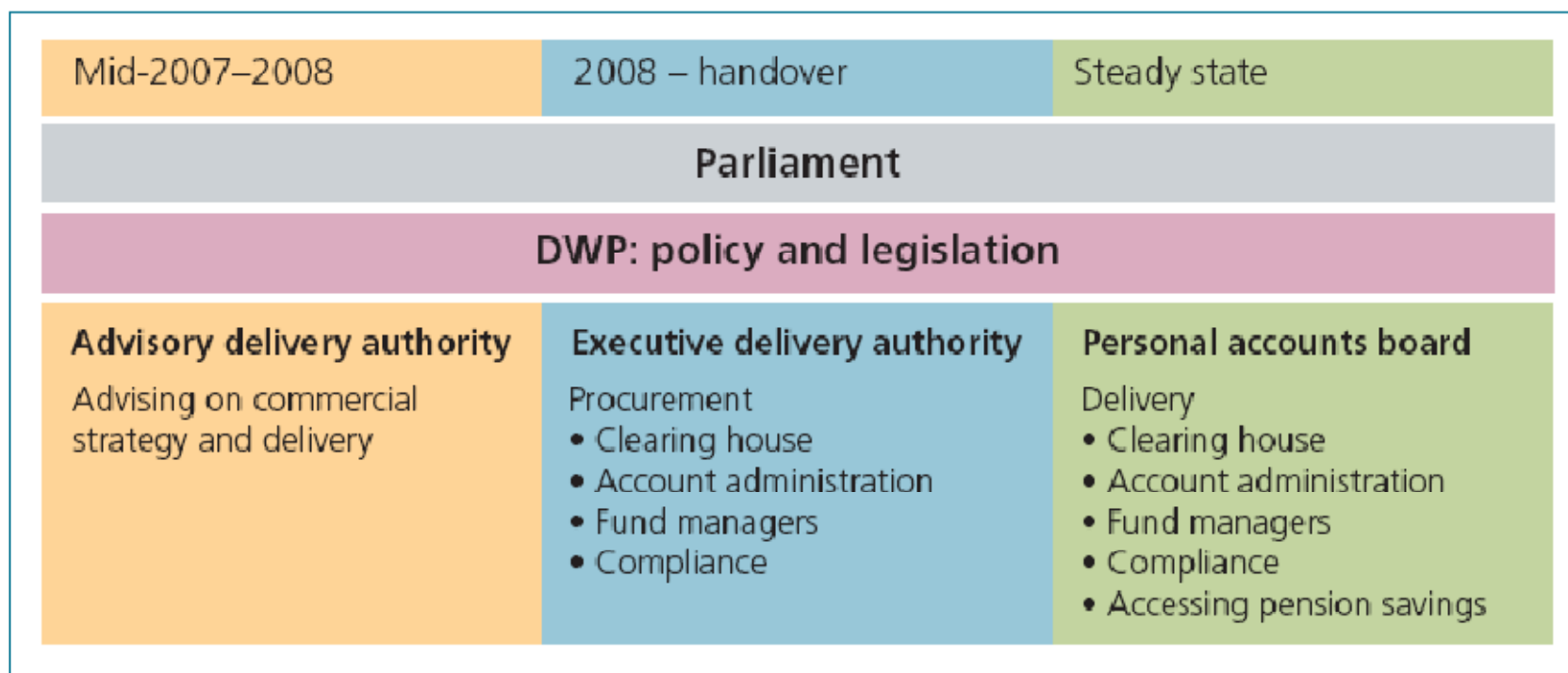
- Overriding objective - Governing in the best interests of members and beneficiaries
- Government should set the scheme objectives and they should be in legislation
- The Delivery Authority and the Board need objectives in line with the scheme objectives, however these may not be exactly the same
- Some scheme objectives are conflicting
- Specific comments regarding some scheme objectives

# Ten scheme objectives

- 1. Optimising levels of participation & contribution among the target group*
- 2. Setting an investment strategy in the best interests of members*
- 3. Minimising burdens on employers*
- 4. Considering the impact on other high quality pension provision*
- 5. Assuring security of administration*
- 6. Governing in the best interests of members and beneficiaries*
- 7. Ensuring that the Board acts impartially, prudently, responsibly & honestly*
- 8. Delivering appropriate levels of choice*
- 9. Achieving both the lowest possible charges for members & charges that are fair between members*
- 10. Ensuring that funds are invested in the best interests of members*

# Three-stage model: Stakeholder views

Figure 3.2: Responsibility for personal accounts





# Advisory Delivery Authority

# Advisory Delivery Authority

The Pensions Bill 2006 sets the:

- Advisory Delivery Authority structure
- Appointment process
- Remit for advisory Delivery Authority to:

*do anything it thinks appropriate for preparing for the implementation of, or for advising on the modification of, any relevant proposals about personal accounts.*

# Executive Delivery Authority

# Executive Delivery Authority

## Government intends for:

- The advisory Delivery Authority to take on executive powers
- The executive Delivery Authority to be responsible for - procurement, project management, design and development of the investment strategy, engaging with stakeholders, marketing and comms, setting up arrangements for engaging with members.

# Executive DA: Role options

Narrow Remit	Broad Remit	Hybrid Remit
Scheme set-up tasks	Scheme set-up tasks	Scheme set-up tasks
-	Set-up for exempt schemes	<u>Advise</u> on set-up for exempt schemes
-	Set-up for enforcing employer compliance	<u>Advise</u> on set-up for enforcing employer compliance

# Executive DA: Stakeholder views

In scope	‘Grey’ areas	Out of scope
<ul style="list-style-type: none"> <li>• Scheme set-up tasks eg procuring services for administering PA, managing funds, developing IT systems</li> <li>• Advise on key policy decisions</li> <li>• Advise on impact on existing provision</li> </ul>	<ul style="list-style-type: none"> <li>• Investment strategy – should be set by either DA or Board</li> <li>• Set-up tasks for existing provision (eg designing exempt scheme test, registration process)</li> <li>• Employer compliance enforcement framework</li> </ul>	<ul style="list-style-type: none"> <li>• Some key scheme <u>policy</u> decisions (eg defining target group, setting contribution cap)</li> <li>• Key exempt scheme <u>policy</u> decisions</li> </ul>

# Executive DA: Objectives

Narrow Remit	Broad Remit	Hybrid Remit
Scheme objectives only	Scheme objectives	Scheme objectives
-	Additional objectives to deliver	Additional objectives to provide advice

# Personal Accounts Board



# Personal Accounts Board

## Government intends for:

- A Bill in the Autumn to set out the legal framework for governing Personal Accounts
- The scheme to be governed by an independent Board
- The Board to be responsible for overall management of the PA scheme, setting the strategic direction for achieving scheme objectives and investment strategy.

# Board: Role options

Narrow Remit	Broad Remit	Hybrid Remit
Scheme operational tasks	Scheme operational tasks	Scheme operational tasks
-	Register exempt schemes	<u>Advise</u> on exempt schemes
-	Enforce employer compliance	<u>Advise</u> on enforcement of employer compliance

# Board: Stakeholder views on role

In scope	‘Grey’ areas	Out of scope
<ul style="list-style-type: none"><li>• Scheme operation tasks eg fund management, contract management, customer service, monitoring scheme performance, information to members</li><li>• Investment strategy</li></ul>	<ul style="list-style-type: none"><li>• Key decisions (eg setting the charging structure)</li><li>• Monitoring impact on existing provision</li><li>• Generic financial advice</li></ul>	<ul style="list-style-type: none"><li>• Monitoring and enforcing employer compliance</li><li>• Registering exempt schemes</li><li>• Key policy decisions (eg changes to employer contribution limit)</li></ul>

# Board: Objectives

The Board needs to deliver scheme objectives, and additional objectives if it has a Broad or Hybrid remit

- Overriding objective Governing in the best interests of members and beneficiaries
- Conflicting objectives could be dealt with through prioritising the Board's objectives
- Objectives for the Board need to be refined when division of roles and responsibilities has been decided
- The Board needs objectives that are SMART

# Board: Legal status

Government has opted for the PA Board to be a Non-Departmental Public Body

– it could also be a trust

Occupational pension schemes are typically trusts:

- Governed by a Board of Trustees, who have a fiduciary duty to members
- Required to have 1/3 Member-Nominated Trustees
- All Trustees are bound by the trust deed, the scheme rules and trust law

# Board: Accountability

Personal Accounts Board will need to be accountable to:

- Government
- The public
- Scheme members

# **Member and other stakeholder representation**

# Representation: Options

- Fiduciary duty to govern in members' interests
- Objectives related to specific stakeholders' interests
- Legal duty to consult
- Stakeholder panels (eg consumer/member panel)
- Independent consumer/member body
- Member representation on the Board



# Transition options and issues

# Transition Options

A-Day handover	Pre-2012 Handover	Post-2012 Handover	Parallel operation
<ul style="list-style-type: none"> <li>• Board takes all responsibility from 2012. DA would:                             <ol style="list-style-type: none"> <li>a) be disestablished &amp; handover to the Board</li> <li>b) become the Board.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Board takes responsibility for all tasks prior to 2012.  (ie set-up tasks &amp; procurement duties that the DA had undertaken)</li> </ul>	<ul style="list-style-type: none"> <li>• DA runs the Personal Accounts scheme for the first 1-2 years of operation.</li> </ul>	<ul style="list-style-type: none"> <li>• DA and Board operate in parallel with:                             <ol style="list-style-type: none"> <li>a) different powers</li> <li>b) different remits.</li> </ol> </li> </ul>

# Conclusions

- The Personal Accounts scheme should be run in the best interests of its members
- Independence from Government is particularly important to insulate investment decisions
- Interviewees lean towards a hybrid remit for the Delivery Authority, and a narrow or hybrid remit for the Board
- Representation of stakeholder interests is important through all phases of set-up and delivery of Personal Accounts

# Issues for discussion

Q1. What should be the role and remit for the Board?

Q2. What are the most appropriate ways to ensure member and stakeholder representation on the Board?

Q3. Is it appropriate to set objectives for the Delivery Authority, and if so how should they be framed?

Q4. What is the best way to transition from the Delivery Authority to the Board?

# Q1. What should be the role and remit for the Board?

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## Q2. What are the most appropriate ways to ensure member and stakeholder representation on the Board?

- Fiduciary duty to govern in members' interests
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# Q3. Is it appropriate to set objectives for the Delivery Authority, and if so how should they be framed?

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# Q4. What is the best way to transition from the Delivery Authority to the Board?

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