FRAMING THE FUTURE

A new pensions commission

Ryan Shorthouse, Andrew Harrop and Sam Robinson

FABIAN SOCIETY

bright blue

the people's pension

Automatic enrolment has increased the number of people saving into pension by 10 million. The policy has met or exceeded most people's expectations for it and many people are on track for a better retirement as a result. But there is more work to do.

This landmark report from the Fabian Society and Bright Blue – the third part of their ongoing pensions consensus building project sponsored by The People's Pension – explains in detail how between 2003 and 2005 the Turner Pensions Commission built the broad-based political support that has supported automatic enrolment. This consensus has proved remarkably durable: it has survived the financial crisis, multiple general elections and national convulsions over Brexit. In my view, this is because the Commissioners were able to take a complex policy area and turn the Commission's conclusions into widely accepted common sense.

It achieved this through two clever tactics. First, the commissioners prepared the ground for their conclusions by generating consensus over the facts in their interim report. And they reinforced this with the quality of evidence and analysis supporting their recommendations in the final report. Second, the Commissioners brought together employers, consumer advocates and trade unionists through the lifetime of the commission so that they developed the same shared understanding of the problems and, eventually the solutions.

The question the Fabian Society and Bright Blue ask is compelling: can this success of the Pensions Commission be repeated in order to solve the new pensions challenge of chronic under-saving for retirement? If so, what kind of Pensions Commission should emerge from the various models available to government? Their answer – a fixed term independent commission to be followed by a standing body undertaking thematic policy deep dives across the range of pensions issues – deserves close consideration by government.

The People's Pension believe that long term policy challenges like pensions need detailed analysis of the evidence and the building of political consensus. A new Pensions Commission – properly done – could make it easier for politicians, who are juggling so many different imperatives, to stay the course.

Patrick Heath-Lay

As Chief Executive Officer, Patrick Heath-Lay has been the driving force behind The People's Pension and moving B&CE from an organisation focused solely on the construction sector to a mainstream pension provider.

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Under his leadership, Bright Blue has grown significantly in size, reputation and impact. The organisation has been shortlisted for the 2016, 2017, 2018 and 2019 UK social policy think tank of the year and UK environment and energy think tank of the year in the prestigious annual Prospect Magazine awards. Ryan was named as 'One to watch' in 2015 by The Observer. Many of his policy ideas have been adopted by the UK Government over the past decade. Ryan was previously a Research Fellow for the think tank the Social Market Foundation. He is a Senior Visting Fellow at King's College London and Trustee of the Early Intervention Foundation. ■

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We would like to thank all our interviewees for their time and their perceptive analysis of the issues facing the UK's pension system. In particular, we would like to thank Trevor Huddleston for his expert input on the technical aspects of pensions modelling explored in the report.

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EXECUTIVE SUMMARY

Bright Blue and the Fabian Society have come together again to make the case for cross-party consensus on ambitious and necessary reforms to pensions policy. Although the outcome of the latest general election has transformed the politics of this country, both organisations still passionately believe that a consensual, cross-party approach to policymaking is likely to lead to the achievement of difficult but desirable reforms in the long-term.

In this latest report, we seek to establish whether there are strong arguments for a new pensions commission and to consider what form any new commission might take. We found broad support for a new commission, including from the current Pensions Minister and Shadow Pensions Minister, and conclude there is sufficient consensus to launch a new pensions commission in 2020.

The report makes an original contribution by examining and offering detailed recommendations for the structure and remit of a pensions commission. Our recommendations are based on the areas of agreement that emerged during our evidence gathering, especially through structured interviews with senior politicians and stakeholders with expertise of pensions policy and/or independent arms-length bodies. The conclusions reflect the unique perspective of two think tanks at different points on the political spectrum coming together to find common ground.

We identified the following arguments in favour of a pensions commission:

- The implementation of the 2003-05 Turner Commission proposals has come to a conclusion.
- An independent but official source of robust data and evidence is required.
- Pensions policy needs to be reviewed regularly.
- Specific problems with the pension system need addressing now.
- The economic situation today differs dramatically from the early 2000s.
- A new home for big-picture pensions policy making is needed.
- The consensus needs rebuilding.

The remit of the commission

We examined whether a pensions commission should focus on scrutiny or advice, and whether it should be a one-off review or a permanent body.

We recommend:

- A successor to the Turner Commission should be established: a one-off, time-limited pensions commission, which undertakes a strategic review of urgent pensions policy issues and proposes a consensual direction of travel for the next few decades.
- This new, one-off pensions commission should be established in 2020, once we have all the data on how the public have responded to the new auto-enrolment contribution rates in place since April 2019. It should last until 2022 at the latest.
- As part of its work, this one-off pensions commission should be asked to develop plans for how it might be succeeded. One model for it to explore is, from 2022, the introduction of a new permanent pensions commission, which would as a minimum carry out a transparency role of regular forecasts on the sustainability of retirement incomes and pensions provisions based on changes to the economy and public policy.
- A future permanent commission could also be tasked with performing regular one-off inquiries into thematic pension policy issues. Every 10 years or so it should conduct a Turner-style strategic review to reset the long-term direction and build cross-party support.

Policy focus

We examined whether a new pensions commission should have a broad policy remit or address specified questions only.

We recommend:

- A new one-off pensions commission, from 2020 to 2022, should have a defined policy focus, investigating and suggesting ideas for the future of private pension accumulation and decumulation. The principal topics should be the future of automatic enrolment and pension decumulation, but it should have a mandate to make recommendations regarding overall retirement outcomes and cover private pension regulation and collective defined contribution pensions. The future of the state pension age should be excluded, as a separate review process already exists for this.
- A subsequent permanent commission, from 2022 onwards, should have a much broader remit, providing facts, figures and forecasts on both private and state pensions.
- The future permanent pensions commission should have a right to launch inquiries and propose policy solutions on any pressing public policy issues affecting state or private pensions. It should look to conduct such inquiries at least every two years.
- The permanent commission should provide the institutional home for the six-yearly statutory review of the state pension age; and, undertake other reviews requested by ministers.

- Any work or output from the pensions commission should always have a focus on pensions policy, although it could of course explore the way other policy issues interact with pensions.

Organisation

We examined the governance, sponsorship, staffing and funding of a future pensions commission.

We recommend:

- The funding of our proposed one-off pensions commission between 2020 and 2022 should come entirely from central government for the duration of its existence.
- The funding granted to a future permanent commission should be predominantly funded by central government, guaranteeing three-year funding settlements. But the initial one-off commission could consider and consult on the introduction of a new levy on pension providers to partially fund a future, permanent pensions commission.
- The new board of the initial one-off and future permanent pensions commission should be appointed by ministers. In the case of the permanent commission, terms should last three years each time.
- The new board of the initial one-off and future permanent pensions commission should be strictly independent and have around five members, representing the following stakeholders fairly: employers; employees; the self-employed; other pension stakeholders; and, independent experts.
- The chair of the initial one-off and future permanent pensions commission should be independent and not be seen to represent employers, employees, the self-employed or the pensions industry.
- The initial one-off commission should sit in the DWP. It should be staffed primarily with civil servants from both the DWP and Treasury.
- The future permanent pensions commission should be established as a new arms-length body on a statutory footing, located at the heart of Whitehall but outside the DWP and the Treasury. It should be accountable to both the Treasury and the DWP. It should be staffed by civil servants and a small proportion of secondees from the research community and the private sector with the necessary technical knowledge and skills.
- The initial one-off and future permanent commission's secretariat must be independently managed by the commissioners and staff should not have other departmental responsibilities.

Achieving impact

We found from our fieldwork that the following factors are key for any new pensions commission to achieve impact: good access to and use of data; the choice of chair; commitment from senior politicians; robust independence; consensus building; and, public engagement.

We recommend:

- The initial new pensions commission, lasting from 2020 to 2022, should be launched by and report to the Prime Minister, and be accountable to Number 10 (even though it would be located in the DWP and staffed by civil servants from both the DWP and the Treasury). This will help drive respect and cooperation from other government departments and the wider stakeholder community.
- The future permanent pensions commission should be launched as an independent arms-length institution, but accountable to both the DWP and Treasury.
- The future permanent pensions commission should be placed on a statutory footing, so other government departments and even outside and private organisations are legally obliged to provide data to it.
- Both versions of the pensions commission must have automatic access to government administrative data sources and restricted datasets, especially the PenSim2 model located in the DWP.
- Commissioners for a permanent pensions commission should be recruited through an open and competitive process.
- The analysis and recommendations of both versions of the pensions commission should be totally independent of any ministers. The government should not respond immediately to the findings of any reports from the different pensions commissions.
- The remit of both versions of the pensions commission should include extensive public engagement and a requirement to consult opposition political parties.
- Both versions of the pensions commission should be tasked with building shared understanding and consensus, and should be expected to publish interim reports featuring explanation and analysis with the explicit aim of building consensus. ■

CHAPTER ONE: Introduction

The Pensions Commission of 2003 to 2005, chaired by Adair Turner, was a highly regarded independent policy review which set the agenda for 15 years of far-reaching and largely consensual reform. The recommendations from this pensions commission (the 'Turner Commission') were broadly accepted by all political parties and set the direction for reform under four successive prime ministers. It is one of the most successful examples of long-term consensus-based policy making seen in recent British history.

What was the Turner Commission?

The 2003 to 2005 Turner Commission was a non-statutory and time-limited commission established by the 2002 Pensions Green Paper. It had the active support of relevant pensions spokespeople from all of the main political parties at the time.

It had three commissioners: Lord Adair Turner (employer background), Baroness Jeannie Drake (employee background) and Professor Sir John Hills (academic).

The Department for Work and Pensions (DWP) provided the commission's secretariat and analytical support, but the project was jointly commissioned by Number 10, the Treasury and DWP.

The commission had two phases, with an interim report published in October 2004 and the final report in November 2005. Phase one consisted of analysis, framing the issues and setting out options. Phase two involved extensive stakeholder engagement and developing recommendations.

The Turner Commission's original mandate was private pensions. The commission pushed the boundaries of its remit to include state pension reform, but there were also areas it did not explore in depth.

Key recommendations included:

- Automatic enrolment (AE) into workplace pensions with minimum employee and employer contributions.

- A gradual rise in the state pension age (SPA).
- The state pension to rise annually in line with earnings.
- A gradual pathway to a flat-rate state pension.

The key recommendations were accepted, with some modifications. For instance, the model of automatic enrolment introduced was more market-led than originally proposed.

The programme of policy change the Turner Commission instigated is now reaching its conclusion. The State Pension Age (SPA) for women and men will reach 66 in 2020 and the introduction of automatic enrolment (AE) workplace pensions was completed in 2019, with minimum contributions reaching 8% of qualifying earnings.

This report therefore asks whether the time has come to introduce another pensions commission. Certainly, the current Pensions Minister, Guy Opperman MP, recently stated: "It seems to me that the logical way forward is, at some stage, a government, whether it be this government or a future government, has to have another pensions commission."[1]

This report grew out of a recent project by centre-right think tank Bright Blue and centre-left think tank the Fabian Society, which sought to establish the extent to which there was cross-party consensus for a future stage of pension reform. This project concluded with the publication of a report, *Consensus continued? The next stage of pension reform*, which outlined the common and different thinking of politicians and policymakers across the political spectrum in five key areas: auto-enrolment; support for the self-employed; tax relief on private pensions; the state pension; and pensions decumulation. The main conclusion was that, while there are clear philosophical and policy differences, in all these areas at least some cross-party consensus can be achieved for ambitious and necessary reforms to pensions.

A new pensions commission?

In this report, we examine the case for another pensions commission and ask what form it should take, in order to maximise the chances of a new long-term cross-party settlement for the next stage of pensions reform. We have asked whether a new pensions commission is required to inform policy debates and broker a new package of reform, and, if so, what specific structure and remit that commission should take. We want this report to be original and constructive, offering detailed recommendations on the features and focus of any new pensions commission.

The idea of a follow-up to the Turner Commission is not new. In 2005, the Turner Commission itself recommended that a 'successor body' should be established:

> "Public debate on policy changes will we believe be better focused and

1. Jack Gray, "Opperman issues support for Pensions Commission", *Pensions Age*, 3 October, 2019.

> more likely to arrive at consensus if there is a permanent independent advisory body charged with presenting to society the unavoidable choices which need to be faced. We therefore recommend that a permanent Pensions Advisory Commission should be created, charged with continually assessing developments and laying before Parliament every three to four years a report describing key trends in demography, pension provision, employment and retirement patterns, and spelling out the unavoidable trade-offs which result."[2]

The Turner Commission's final report envisaged that this new body would report on developments in life expectancy and what they meant for the trade-offs between the generosity of the state pension, public spending and the state pension age. It was also to: review trends in private pension saving and the success of the commission's flagship AE policy; report on the development of the annuities market; and, assess labour market participation and health inequalities to inform employment and flexible retirement policies.

An alternative mechanism for regularly reviewing a small slice of this policy agenda was eventually created by the Pensions Act 2014. The law introduced a duty on ministers to review the SPA every six years and required them to commission two reports to support this process: one from the Government Actuary's Department, the other from an independent individual or group appointed for the purpose. The first review took place in 2016-2017, with John Cridland CBE, the former Director General of the CBI, as the independent reviewer.

However, this process for reviewing the SPA is not the same as the Turner Commission proposal for a new pensions commission, both because the SPA review has a narrow remit, and because it is an infrequent, time-limited exercise without any ongoing institutional capacity.

The proposal for a permanent and broad-ranging pensions commission was not taken forward by the Labour or Coalition governments. In fact, after the Turner Commission reported, there was little discussion of the case for a new pensions commission, following the Labour government's rejection of the proposal in the 2006 Pensions White Paper.[3]

This started to change almost ten years after the Turner Commission reported, in the run-up to the 2015 general election, when calls for a new pensions commission started to emerge. This was largely sparked by the sudden and unexpected way in which the then Chancellor, George Osborne, announced a major change in pensions policy – the scrapping of compulsory annuities – in the 2014 Budget. His so-called 'pension freedoms' policy was not proposed by the Turner Commission, thus breaking the cross-party consensus that had emerged.

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2. Pensions Commission, *A new pension settlement for the twenty-first century: the second report of the pensions commission* (Norwich: The Stationery Office, 2005).
3. Department for Work and Pensions, "Security in retirement: towards a new pensions system", https://www.gov.uk/government/publications/security-in-retirement-towards-a-new-pensions-system (2006).

In early 2015, the National Association of Pensions Funds published a report, *The case for an independent retirement savings commission*, which brought together essays backing the proposal from the Association of British Insurers, the TUC and the Federation of Small Businesses among others.[4] A think tank, the International Longevity Centre UK, also published a report setting out the case for a new pensions commission.[5] These proposals were accepted by the House of Commons Work and Pensions Select Committee which in 2015 recommended the creation of an independent pension commission that would primarily focus on private pensions.[6]

Following the 2015 general election a Labour party commissioned review also endorsed the case for an independent commission.[7] However, the new Conservative government rejected the Select Committee's proposal for the time being. The then Pensions Minister, Baroness Altman, wrote: "It is important to me that we first focus on the successful roll out of automatic enrolment, pension flexibilities and charges, placing the consumer at the heart of what we are trying to achieve."[8]

Instead of proceeding with a new pensions commission, the government launched the aforementioned statutory review of the SPA in 2016 and then also conducted a one-off ministerial review of AE in 2017. This latter review was steered and supported by an external advisory group, but had a narrow remit set by the DWP.

Since the completion of these two reviews, interest in establishing a broader pensions commission has started to grow across the political spectrum. This year, the current Pensions Minister 'Guy Opperman MP' has regularly stated his support for a new pensions commission.[9] The Labour Party 2019 general election manifesto also pledged to establish a new pensions commission, modelled on the Low Pay Commission, to "recommend target levels for workplace pensions."[10]

Focus of this report

This report explores in detail whether there is a strong argument for the establishment of a new pensions commission. It makes an original contribution to this debate by also examining and offering detailed recommendations for the

4. National Association of Pension Funds, "The case for an independent retirement savings commission", https://www.plsa.co.uk/Policy-and-Research/Document-library/The-case-for-an-Independent-Retirement-Savings-Commission (2015).
5. Ben Franklin, "Consensus revisited: the case for a new pensions commission", https://ilcuk.org.uk/wp-content/uploads/2018/10/Consensus-revisited-the-case-for-a-new-Pensions-Commission.pdf (2015).
6. Work and Pensions Committee, *Progress with automatic enrolment and pension reforms, Fourth report of session 2014-15*, (London: House of Commons, 2015).
7. David Blake, "We need a new national narrative: building a consensus around retirement income, independent review of retirement income: report", https://www.pensions-institute.org/IRRIReport.pdf (2016).
8. Work and Pensions Committee, *Progress with automatic enrolment and pension reform: government and Financial Conduct Authority responses to the committee's fourth report of session 2014-15, First special report of session 2015-16*, (London: House of Commons, 2015).
9. Maria Espadinha, "Opperman hints at fresh pensions commission", *FT Adviser*, 27 June, 2019; Jack Gray, 2019.
10. The Labour Party, "It's time for real change: the Labour Party manifesto 2019", https://labour.org.uk/wp-content/uploads/2019/11/Real-Change-Labour-Manifesto-2019.pdf (2019).

structure and remit of a new pensions commission. These recommendations are based on the areas of agreement that emerged during our evidence-gathering, and reflect the unique perspective of two think tanks at different points on the political spectrum coming together to find common ground.

The report presents answers to four main research questions:

- Is there a case for the establishment of a new pensions commission?
- What should be the specific structure, powers and governance of a new pensions commission?
- What areas of pensions policy should a new pensions commission focus on?
- What does a new pensions commission need to do to be respected and impactful?

The project used several research methods to answer these research questions: a series of recorded and structured interviews with senior politicians and stakeholders with expertise of pensions policy and/or independent arms-length bodies; an open consultation with pensions stakeholders; and a literature review of existing arms-length bodies in the UK and recent pension reform processes in a small number of overseas jurisdictions. See the annex for a synopsis of all the organisations and processes studied.

Experts interviewed

- **Chris Curry**, director, Pensions Policy Institute.
- **Robert Chote**, chair, Office for Budget Responsibility.
- **Baroness Jeannie Drake**, former commissioner of the Turner Commission.
- **Jack Dromey MP**, shadow pensions minister.
- **Frank Field**, former chair, House of Commons work and pensions committee.
- **Sir John Hills**, former commissioner of the Turner Commission.
- **Jack Jones**, policy officer, TUC.
- **Nigel Mills MP**, member, House of Commons work and pensions committee.
- **Guy Opperman MP**, minister for pensions and financial inclusion.
- **Andrew Reilly**, pensions expert and **Hervé Boulhol**, senior economist, OECD.
- **Jill Rutter**, senior fellow, Institute for Government.
- **Lord Turner**, former chair of the Turner Commission.
- **Lord Willetts**, president of the advisory council, Resolution Foundation.

A small number of interviewees gave off-the-record interviews. Their thinking has contributed to this report, but their arguments and ideas are not cited.

The report is structured as follows:

- **Chapter Two** explores the case for and against the introduction of a new pensions commission.

- **Chapter Three** investigates the remit of a new pensions commission, specifically what sort of function it should perform and whether it should be a permanent or one-off commission.
- **Chapter Four** examines the policy focus of a new pensions commission, identifying the issues that should be investigated.
- **Chapter Five** considers how a new pensions commission should be organised, focussing on its funding, governance, staffing and location.
- **Chapter Six** evaluates how a new pensions commission could best achieve impact. ■

CHAPTER TWO:
Is there now a case for a pensions commission?

THIS CHAPTER EXPLORES the arguments for and against the introduction of a new pensions commission that emerged from our fieldwork.

Arguments in favour of a pensions commission

There is substantial support among the decision makers and opinion formers we interviewed for establishing a new pensions commission. There were varying degrees of enthusiasm: some contributors such as Adair Turner favoured the proposal on balance, while others such as the TUC strongly supported the idea. Representatives from the two main political parties – the Conservative Pensions Minister Guy Opperman MP and the Labour Shadow Pensions Minister Jack Dromey MP – are both warm supporters of a new pensions commission.

The most common reasons cited for establishing a new pensions commission now, include:

The implementation of the Turner Commission proposals has come to a conclusion. There was a strong feeling that now is the right time for a 'Turner 2', since the key policies recommended by the Turner Commission – the higher SPA, earnings-related increases to the state pension and AE – are now in place. But there was a strong belief that more now needed to be done to ensure future pensioners have adequate retirement income. The 8% of qualifying earnings minimum contribution rate in AE, for example, was widely seen as insufficient. A new pensions commission would help to develop proposals and consensus on how to raise this. For the Pensions Minister, Guy Opperman MP, the need to map a future for AE – especially now the 8% contribution rate has been introduced – was the central reason for establishing a new commission. It is worth noting that some interviewees felt a new pensions commission was in fact overdue, in that the need for a new stage of consensual pensions reform from 2019 or 2020 onwards was predictable.

An independent but official source of robust data and evidence on pensions is required. There was a prevalent view that future pensions policy should be underpinned by first-class data, modelling and evidence. It was felt that something more than the current complex ecosystem of arms-length bodies, research institutes and think tanks was required to generate and analyse the very best data and earn the respect of the broadest range of stakeholders. There was a desire amongst some contributors for a pensions commission to be established that could mirror the role the respected Office for Budget Responsibility plays in independently assessing the impact of fiscal policy. An official body like this would be able to do far more than independent researchers can, since it would have access to the best government modelling and administrative data. Specifically, an official body could be granted access to the DWP's simulation model, PenSim2, which is regarded as world-class and been internationally peer-reviewed.

Pensions policy needs to be reviewed regularly. The success of the Turner Commission led interviewees to argue that such a process should be regularly repeated. Some felt that a full-scale inquiry into the future of pensions policy is desirable at least every 10 to 15 years to reflect on changing economic and social conditions and the evolution of public policy. Lord Turner, for instance, said he supported an occasional comprehensive 'drains up' review. Others thought that the direction of pensions policy needed to be kept under more regular review, as new evidence, problems and policies emerge. These interviewees suggested that infrequent reviews may not always be sufficient if conditions are changing quite rapidly, as with the recent reforms to pensions decumulation or the emerging new evidence on life expectancy.

Specific problems with the pension system need addressing. Our fieldwork revealed a common belief that there are areas of pensions policy that need urgent attention. Some of these challenges were described as 'unfinished business' left over from the Turner Commission, while others had emerged or become more pressing during the intervening years. The issues highlighted included pension tax relief, pensions for the self-employed, retirement transition policies, pension decumulation, and the effectiveness of the private pensions market. It was noted by some that the decline of Defined Benefit (DB) pensions in the private sector had accelerated markedly since the Turner Commission reported, sharpening the policy focus on Defined Contribution (DC) as the future dominant means of retirement saving. Lord Willetts felt that the Turner Commission had not done enough to propose policies to ease this transition from DB to DC pension schemes.

The economic situation today differs dramatically from the early 2000s. The key economic development since 2003-2005, when the Turner Commission took place, has been the global financial crisis of the late noughties, which had significant detrimental implications for the earning power of workers. Stagnant wages will have substantial impacts on retirement outcomes and intergenerational equity. So too will lower expected investment returns over the long-term, widely predicted by economists. Accordingly, a new pensions commission is needed to propose updates to pensions policies that reflect these profound economic changes.

A new home for big-picture pensions policymaking is needed. The pensions policy ecosystem is crowded. But several interviewees felt that an authoritative voice is still needed to take a long-term, big-picture view of pensions policymaking. As Chris Curry put it: "There is a gap at the top of the stakeholder tree." While lots of organisations, both within and outside of government, are focused on their part of the pensions jigsaw, no one is really able to ask what the whole system is trying to achieve and whether it is on track, or to ask how all the different policy choices in parallel domains are fitting together. This strategic role is particularly important because ministerial responsibilities on pensions are divided within Whitehall, especially between the Treasury and DWP. It was felt that a pensions commission could reduce rushed and siloed pensions policymaking, restricting the scope for government to introduce policy without sufficient consultation or risk assessment, or to fail to consider interactions with other policies. Baroness Drake was amongst those who linked the case for a new commission to the way that the 'pension freedoms' reforms had been introduced, in her view, without debate, assessment or long-term consideration for the overall system. Additionally, interviewees such as Robert Chote noted that independent commissions are particularly helpful in explaining uncertainty about the future, in a way that comes very hard to government ministers in an adversarial political system.

The consensus needs rebuilding. It was felt that, in some areas, the consensus around pension policy had frayed. Jack Jones of the TUC described George Osborne's 'pension freedoms' as "the policy that shattered the consensus". Indeed, Nigel Mills MP, who was generally sceptical of the need for a new pensions commission, was open to one that specifically addressed the challenges and divisions that have emerged as a result of the liberalisation of pensions decumulation. Other interviewees believed that disagreement on pensions policy has emerged on a wider range of issues. It was felt that a new pensions commission was needed to rebuild consensus ahead of future reforms.

> "Pensions is a very long-term game, and the last thing you want is things put in place by one Parliament being undone by the next"
>
> Chris Curry

Notes of caution

A small minority of the people we spoke to for this project were opposed to a new pensions commission, or expressed reservations about whether a pensions commission was really needed.

The main notes of caution or disagreement were as follows:

Explain the difference a commission would make in a crowded landscape. Some of our interviewees were sceptical as to whether a pensions commission would add value and be distinctive in an already crowded institutional landscape. There are already many pensions-related review mechanisms and arms-length bodies including the statutory review of the SPA, the Social Security Advisory Committee, the Financial Conduct Authority and the publicly-owned pensions provider, NEST.

The pensions policy landscape

There are a number of organisations already providing analysis or scrutiny of pensions policy. These include government departments, arms-length bodies, regulators, independent reviews and independent think tanks. Two one-off ministerial reviews – on SPA and AE – took place in 2016-2017, with analytical support coming from within the DWP. Some of the most notable sources of public sector pensions policy analysis include:

- The **Financial Conduct Authority (FCA)** is the regulator for financial services institutions, including retail pensions providers. It carries out market studies examining whether practice in, and regulation of, retail pensions serves consumer interests, including the 2016-2019 Retirement Outcomes Review into pensions decumulation. Following this review the FCA consulted on new rules and guidance that it will apply to retail pensions providers.
- The **Pension Regulator (TPR)** is the regulator of the UK's workplace pension schemes. Besides fulfilling an enforcement role, the Pensions Regulator also provides commentary and analysis on pensions policy, including on AE, defined benefit schemes and defined contribution schemes. This research typically focuses on the overall policy landscape and the extent of compliance among pension scheme providers.
- The **National Employment Savings Trust (NEST)** is a defined contribution pensions scheme set up by the government in order to facilitate AE. The scheme is available to all employers free of charge. The organisation has a research unit – NEST Insight – which runs a number of programmes including on retirement savings behaviour, the impact of AE, encouraging saving among the self-employed, and trialling alternative approaches to saving such as the 'sidecar savings' model.
- The **Social Security Advisory Committee (SSAC)** was set up in 1980 to provide independent and expert advice to the Secretary of State for Work and Pensions on social security issues, including pensions, as it sees fit. It has a wide remit to advise ministers although its principal role is to scrutinise proposed secondary legislation. A substantial number of its recommendations are adopted by the government.

Don't waste time with a review if the answers are clear. It was felt among some of our interviewees that the consensus on most areas of pensions policy was still in fact strong, and therefore a commission would be pretty redundant. Nigel Mills MP believed that a commission would just waste time when action needs to be taken immediately. He suggested that there is already a good degree of cross-party consensus on the future of pensions reform, especially around AE and SPA. He contrasted this with social care policy today, where he felt a commission was much more justifiable. For example, pretty much everyone agrees that minimum AE contributions need to rise, so why waste time getting a new pensions commission lasting years to tell you?

> "I'm not sure putting off until four years' time decisions that we know we should be taking is a particularly useful idea"
>
> Nigel Mills MP

Don't outsource essential political choices to technocratic experts. Some interviewees were wary of outsourcing policy decisions to unelected technocrats. Intriguingly, Frank Field wanted a major policy review of pensions but was opposed to an independent process. He called instead for a minister-led cross-Whitehall 'strategic welfare review' to mirror the periodic strategic defence and security reviews, with independent analytical support provided by the Office for Budget Responsibility. The politicians we interviewed felt that, as a point of principle, elected politicians should make decisions about policy. So it will be important to make clear that any new pensions commission – like the Turner Commission – does not make the final decision about future pensions reform. This would contrast to the decision-making responsibilities of the Financial Conduct Authority, which has developed and implemented small-scale reforms to retail pensions decumulation independently of ministers. Some interviewees, such as Lord Willetts, believed that a pensions commission should play no advisory role, just a transparency role, providing politicians and the public with trusted facts, figures and forecasts (Chapter Three examines the different functions a new pensions commission could play).

Consider looking beyond pensions. Some contributors warned that pensions policy should not be given special treatment. Frank Field, for example, envisaged his 'strategic welfare review' having a broad remit beyond pensions to cover living standards, the NHS and tax. He also supported an independent National Insurance Fund with responsibility for contribution-based social security as well as public services such as social care. He wanted it to have arms-length governance and policy capabilities, so that it might serve some of the functions of a pensions commission (a similar role is played by Finland's Centre for Pensions – see appendix). Nigel Mills MP also felt that there were other issues connected to pensions that needed exploring in this sort of major review, for example he thought a review should examine why millennials and those on low-incomes are being asked to save for their retirement through AE when they may have more pressing items such as housing that they'd like to save for. Generally, though, most interviewees – especially the Pensions Minister Guy Opperman MP – thought that any major review or commission should primarily focus on pensions.

Conclusion

Notwithstanding the scepticism expressed by a minority of our interviewees, there is a broad consensus that now is a good time to establish a new pensions commission. The highly regarded Turner Commission has done its job. But future reform, especially on AE contribution rates, is needed. And, in recent years, radical reforms not envisaged by the Turner Commission – specifically on pensions decumulation – have been introduced. It is time to build consensus again on the next steps for pensions policy.

So successful was the Turner Commission that many decision makers and opinion formers want to repeat the exercise to ensure successful, consensual policy making on pensions for the next few decades. Having established strong arguments in favour of a new pensions commission, the next chapters explore in detail the possible structure and remit of a new pensions commission. ■

CHAPTER THREE: The remit of the commission

Chapter Two established that there is a strong case for the introduction of a new pensions commission. This chapter investigates the remit of such a body, specifically what function it should perform, and whether it should be a permanent or one-off commission.

A typology of arms-length bodies

A new pensions commission could become an arms-length body. The House of Commons Public Administration Select Committee defines an arms-length body as "an organisation that delivers a public service, is not a ministerial government department, and which operates to a greater or lesser extent at a distance from Ministers."[11] This is a broad definition, including non-departmental public bodies (NDPBs), public corporations and NHS bodies.

In our fieldwork, interviewees identified three types of policy-related arms-length bodies: the first type is one that provides evidence and transparency, the second type provides advice, and the third makes or enforces policy. The figure below provides a graphic illustration of the typology that emerged from our fieldwork.

Typology of policy-related arms-length bodies

Transparency or insight	Advice	Decisions and/or enforcement
Office for Budget Responsibility	Social Security Advisory Committee	Equality and Human Rights Commission
Government Actuary's Department	Low Pay Commission	Financial Policy Committee
	Migration Advisory Committee	Financial Conduct Authority
	Social Mobility Commission	
	Law Commission	

11. House of Commons Public Administration Select Committee, "Who's accountable? Relationships between Government and arm's-length bodies", https://publications.parliament.uk/pa/cm201415/cmselect/cmpubadm/110/110.pdf (2014).

It is important to note, as Jill Rutter from the Institute for Government did, that these categories are not mutually exclusive. For example, the Social Mobility Commission provides both a transparency and advisory function. The Equality and Human Rights Commission carries out all three functions.

For this project we conducted a literature review of different arms-length bodies in the UK. A summary of this is found in the annex of this report. This review helped us think deeply and in detail about how a new pensions commission could and should be structured.

Transparency bodies give facts, figures and forecasts to politicians and the public, providing accountability. They do not recommend public policy, only highlight the impact of policy choices. The Office for Budget Responsibility (OBR) is perhaps the leading example of this transparency arms-length body.

What is the OBR?

The Office for Budget Responsibility 2019 framework document[12] sets out specifically its core functions, which are to:

- Produce fiscal and economic forecasts including independent scrutiny of government costings and any resultant impact on the economic forecast.
- Assess the extent to which the 'fiscal mandate' has been, and is likely to be, achieved alongside those forecasts.
- Assess the accuracy of previous fiscal and economic forecasts.
- Produce analysis of the sustainability of the public finances.
- Provide forecasts for devolved taxes where it has a mandate to do so.
- Provide an assessment of the government's performance against the 'welfare cap' at the start of each parliament and monitor welfare spending at other fiscal events.
- Publish reports on trends in and drivers of welfare expenditure.

To ensure reliable forecasting, the OBR has the legal right of access to any government information needed to produce its reports. The government is also required to respond to key elements of OBR output, most notably its 'Fiscal risks' report.

However, the OBR does not provide substantive policy recommendations and may not consider the effect of any alternative policies (such as those from opposition parties).[13] Its framework document makes a clear

12. Office for Budget Responsibility, " Office for Budget Responsibility and HM Treasury: framework document", https://obr.uk/docs/dlm_uploads/OBR_HMT_framework_document_2019_update_web.pdf (2019).
13. HM Government, "Budget Responsibility and National Audit Act 2011", https://obr.uk/docs/dlm_uploads/Budget-Responsibility-and-National-Audit-Act-2011.pdf (2011).

distinction between "analysis" and "policy-making"[14] (see appendix 2 for further information).

Advisory bodies offer policy recommendations to politicians, based on trusted and expert advice. These bodies are seen as authorities on particular policy issues and the government is expected – often obliged – to respond, outlining whether it accepts the body's recommendations. The Committee for Climate Change, the Migration Advisory Committee and the Social Security Advisory Committee are all examples of advisory arms-length bodies.

Among advisory bodies, there is a wide variety in responsibilities. Some bodies are largely reactive to ministers and provide technical advice on government policy; others mainly set their own agenda and issue freestanding recommendations.

Some advisory bodies come close to being policy-making organisations, as in practice the government almost always accepts their recommendations on certain questions. Examples include the Low Pay Commission on minimum wage rates, the Climate Change Committee on carbon budgets and the Migration Advisory Committee on shortage occupations.

The recommendations of other advisory bodies are accepted less frequently. For example, the Law Commission and the Social Security Advisory Committee both have significant influence on legislation, but also often see their recommendations rejected. At the other extreme, the proposals of the Social Mobility Commission have rarely led to policy change.

Lastly, **bodies that decide and/or enforce policy** have executive functions. Their primary role is to enforce legislation and to develop policy within boundaries set out in law. For example, the Equality and Human Rights Commission has a role in enforcing equalities law and also developing legal codes that include requirements and guidance. In the sphere of pensions, both the Pensions Regulator and the Financial Conduct Authority perform this function.

What function for a new pensions commission?

None of the interviewees in our fieldwork suggested that a new pensions commission should perform a policy making or enforcement function. The debate was whether the new arms-length body we are proposing should be strictly about transparency, or also advisory. Some interviewees presented a strong case for a transparency-only function. However, the majority wanted an advisory commission.

Arguments for a transparency body

Some of the interviewees wanted to see a new pension commission that was narrowly focused on the transparency function. Robert Chote noted that the OBR has gained respect among different political parties and government departments

14. Office for Budget Responsibility (2019).

because it is strictly about transparency and does not intervene in policy debate. Lord Willetts was very cautious about arms-length bodies making policy that was inevitably and automatically adopted by the government. He warned against 'contracting out' policy and the 'rise of the technocracy'. He also criticised bodies that entered the political fray. He saw the Social Mobility Commission, for instance, as being too political when he was a minister in the Coalition Government; he believed it did not provide commentary and ideas based on the best data. But others flagged the danger of advisory arms-length bodies losing respect because they are perceived as too close, even beholden, to the agenda of politicians; the Migration Advisory Committee was cited in this regard.

Baroness Drake who served on the Turner Commission was among those who supported a body with a transparency and reporting role along the lines of the OBR, rather than a repeat of the previous pension commission. Indeed, she questioned whether 'commission' was the right word for the authoritative, evidence-focused body she had in mind.

Some interviewees suggested that a minimalist, transparency role might be a good starting point, and that the trajectory of the organisation could evolve over time. Arms-length bodies are not and need not be static. It might be better to gain the understanding and respect of Whitehall first. After building a reputation and maturing, an arms-length body could then become louder about policy. Others who wanted a minimalist transparency role were very wary of such mission creep, however, and warned of advisory arms-length bodies becoming embroiled in interdepartmental conflicts or being overstretched by workload.

> "This is a huge area of expenditure and a difficult policy area. No government is going to hand over a limit on its discretion to decide policy. It's just too big and you have to accept that if you want to create a commission. The role of the commission should be to assess the developments that are going on and make open reports to parliament to track what's happening. What will curtail government is the quality of the work that's produced and the reputation and integrity of the people producing it, which will then make it very difficult for the government to ignore it."
>
> Baroness Drake

Arguments for an advisory body

The majority view of interviewees in our fieldwork was that it would be a wasted opportunity if any new pensions commission did not advise government on new policies. As Chapter Two outlined, there are strong arguments in favour of a new body which presents a policy agenda on pensions for the next few decades, as the Turner Commission did in the early 2000s. However, there was also a recognition that robust advice should not be allowed to morph into political advocacy.

In contrast to Baroness Drake, Lord Turner and Sir John Hills favoured a body with the remit and capacity to undertake a major policy review at arms-length from government, in keeping with the Turner Commission. Pensions

Minister Guy Opperman MP also strongly favours a body that could offer policy recommendations – on the future of AE in particular – with the same decades-long perspective as the Turner Commission. He was a strong supporter of replicating the Turner Commission model, saying: "If it ain't broke, don't fix it."

Interviewees warned of the danger of an advisory commission being both too close to ministers, but also being too distant and combative. They named examples of both tendencies among existing arms-length bodies. The work of any new pensions commission must be clearly distinct from departmental policy making, which means that ministers must always be able to reject advice. But interviewees believed that bodies that went too far from evidence-based advice to full-blown advocacy were seldom successful. Jill Rutter in particular talked of finding a sweet spot between a transparency and advisory role. On the one hand, she worried that bodies focused solely on a transparency function may not feel the need to call out the government on its policy decisions. However, there is also a danger that "politicised leadership and trying to be a 'big player' inevitably leads you into some sort of conflict with ministers."

A permanent or one-off pensions commission?

The Turner Commission recommended that it should be succeeded by a permanent pensions commission. However, when we spoke to interviewees, there was considerable disagreement as to whether a permanent or one-off pensions commission was desirable.

Those who favoured a transparency-focused arms-length body saw this as a permanent institution with an ongoing analytical function that should be placed on a statutory footing. This would facilitate access to the best data and analytical capacity in Whitehall. In fact, putting a permanent commission on a statutory footing could oblige government departments, and even the pensions industry, to cooperate with this new body in the provision of information and data.

> "The quality of data and the quality of debate on pensions … would be greater if the pensions commission has a permanent role as a source of information."
>
> Lord Willetts

In addition, a permanent, statutory body located at the heart of Whitehall could be in a better position to interact and negotiate with government departments. Both Robert Chote and Jill Rutter stressed the importance of relationships in making an arms-length body work effectively, especially with ministers and civil servants. These intra-governmental relationships take time to nurture, and so a body that is permanent would have the opportunity to cultivate them.

In contrast, many of those interviewed for our fieldwork envisaged a one-off, rather than permanent, commission. These interviewees tended to be those who were pushing for a more interventionist, advisory function that could present substantive and bold recommendations. They preferred a periodic or ad hoc process led by a time-limited commission without a legal basis or permanently constituted secretariat. The success of the Turner Commission made the case for repeating the model.

One of the most enthusiastic advocates for this one-off model was the Pensions Minister, Guy Opperman MP. Lord Turner and Professor John Hills also envisaged a one-off pensions commission, in spite of their previous support for a permanent body at the time of the Turner Commission.

A major reason given by many of our interviewees for advocating a one-off commission was that a particular part of the pensions policy landscape needed attending to. A one-off commission needed to focus squarely on a single set of issues. Guy Opperman MP mentioned AE. Nigel Mills MP highlighted pensions decumulation.

Proponents of a one-off commission made several arguments against a permanent body. Nigel Mills MP felt that a permanent organisation would not be able to present radical proposals in the same way that a one-off commission could. He believed permanent bodies tended to be either narrow or timid.

> "If you're there all the time you're bound to be in the nitty-gritty, looking at tweaks rather than wholesale change."
>
> Nigel Mills MP

Chris Curry warned that a permanent commission might create work for itself and"find things to do that don't need doing". Guy Opperman MP was also worried about mission creep and thought a permanent body able to conduct wide-ranging research might drift into new areas of policy that did not really need attention.

There was a strong feeling among some participants that politically-motivated restrictions should not be placed on a future pensions commission's remit or work programme. But Chris Curry thought that a one-off, or at least a cyclical commission, might be more politically acceptable, as each time a pensions commission was chosen the government of the day could make its own appointments.

In summary, most interviewees supported either a time-limited, advisory model, or a permanent, transparency capability. By contrast, the Labour party's 2019 manifesto called for a permanent advisory commission. This begs the question as to whether it might be possible to construct a hybrid, combining the best features of a one-off review and a permanent arms-length body.

A hybrid model?

The design of a pensions commission need not necessarily be a binary choice between a permanent transparency body and a one-off advisory review. We could seek to blend these models.

Interviewees, for example, identified the possibility of a permanent commission undertaking major thematic inquiries. Lord Willetts thought a permanent commission should have the right to choose to do targeted inquiries on specific issues. These could be on the policy issues identified as critical, such as AE or pension decumulation, or on longstanding failings of the pension system such as provision for women or carers. This hybrid model would essentially be a compromise, where there is a permanent analytical secretariat, a cycle of thematic inquiries, and infrequent 'state of the nation' reviews.

Jack Dromey MP and the TUC favoured this hybrid model, supporting a major Turner-style review but then an ongoing process of scrutiny delivered through a body that would measure progress and keep policy and implementation under review. Jack Jones of the TUC suggested a permanent commission that every two years assessed if policy was on track against the goals set by a new Turner-style review, and every ten years conducted an extended study to assess whether the goals were still sensible. Jack Dromey MP wanted a body that monitored outcomes and reviewed progress at least every two to five years.

In all the overseas cases of pension reviews that we examined, independent institutions had played some role in assessing evidence and examining policy, performing both a transparency and advisory role. These case studies show there are a wide range of ways in which permanent institutional capacity can enhance advisory reviews of policy (see box). Further details are presented in Appendix 1.

International pensions reviews

Australia conducted a pensions review in 2009-2010 (the Cooper review) using a one-off freestanding advisory commission that was to an extent modelled on the Turner Commission. This was followed by the similarly structured Financial Systems Inquiry of 2013-2014 (the Murray Review) which included a chapter on retirement income policy. However more recently reforms have been developed by a statutory economic advisory body, the Productivity Commission. It has proposed far-reaching changes to workplace pensions which include 'pot follows member' reforms. A Royal Commission into Financial Misconduct has highlighted scandals in the retail pensions sector, regulatory failures, and governance weaknesses.

Finland develops pensions policy using a social partnership model, involving negotiation between employer and employee representatives. A major package of reforms took effect in 2017. The Finnish Pensions Centre provides evidence, data and analysis to inform these discussions. The centre is a hybrid organisation which administrates the national earnings-related pension scheme and is also an evidence and research body.

The Netherlands also sets pensions policy through social partnership. A five year process of debate and negotiation between employee and employer representatives has just come to a conclusion. It was informed by a series of advisory reports from the Economic and Social Council, a statutory public body bringing together employer and employee interests, which set out options for reform and then carried out detailed technical analysis. The ESC has some limited regulatory functions but is mainly an advisory body.

New Zealand has a permanent Retirement Commissioner who heads the Commission for Financial Capability. The commissioner is charged with conducting an advisory review every three years. The commission has limited analytical capabilities but consults widely and draws on official and academic analysis and research. It places particular emphasis on public engagement and debate.

Conclusion

The majority of our interviewees thought that a one-off pensions commission was the priority. But we believe there is value in finding a compromise between the two main preferred choices.

We need to find the sweet spot, as Jill Rutter put it, between a transparency and advisory body. It needs to be a commission that is a trusted source of facts, figures and forecasts. But, equally, it needs to be able to propose changes to pensions policy. Now the recommendations of the Turner Commission have come to a conclusion, some parts of the pensions landscape need urgent policy attention and consensus building, especially the future direction of AE, in terms of contribution rates, and retirement income policy since 'pension freedoms'.

Equally, we believe that choosing between a permanent and one-off commission is a false choice. We can do both, with a hybrid model. Politicians can start by establishing a successor to the Turner Commission, to develop bold policies for the next few decades. A new arms-length body can then evolve into something more permanent, tracking progress on policy aims, and providing evidence and analytical capacity for future policy makers. This hybrid model, we believe, could be the best way of institutionalising cross-party policy-making on pension policy in the future.

Our recommendations are as follows:

- Immediately establish a successor to the Turner Commission: a one-off, time-limited pensions commission, which undertakes a strategic review of urgent pensions policy issues and proposes a consensual direction of travel for the next few decades.
- This new, one-off pensions commission should be established in 2020, once we have all the data on how the public have responded to the new auto-enrolment contribution rates in place since April 2019. It should last until 2022 at the latest.
- As part of its work, this one-off pensions commission should be asked to develop plans for how it might be succeeded. One model for it to explore is, from 2022, the introduction of a new permanent pensions commission, which would as a minimum carry out a transparency role of regular forecasts on the sustainability of retirement incomes and pensions provisions based on changes to the economy and public policy.
- A future permanent commission could also be tasked with performing regular one-off inquiries into thematic pension policy issues. Every 10 years or so it should conduct a Turner-style strategic review to reset the long-term direction and build cross-party support. ■

CHAPTER FOUR: The policy focus of the commission

The previous chapter made the case for both an initial one-off review and a subsequent permanent pensions commission, both with an advisory function. This chapter assesses the policy focus that any new pensions commission should advise on, identifying the issues that should be investigated by it.

There was a shared sense that a new pensions commission needed to generate new policy ideas and consensus for the next few decades for three main reasons. First, the main proposals from the Turner Commission – especially on AE – had reached their conclusion, but those policies needed building upon. Second, new pensions policy issues had become more pressing in recent years, which were not touched upon by the Turner Commission, for example the growth of self-employment. Third, there were some issues where consensus had broken down, for instance around pensions decumulation.

Wide or narrow policy remit?

Whether a future pensions commission should have broad or narrow policy coverage was a source of disagreement in our fieldwork.

A number of interviewees thought that the whole point of a pensions commission was for it to have a wide remit. For example, Chris Curry said that the gap in the institutional landscape was for a body that looked broadly at pensions issues in the round. He warned against artificial politically-motivated constraints on a commission's remit. Adair Turner and John Hills both wanted to see a remit as broad as that of the original Turner Commission. The TUC also wanted to see a wide policy remit.

Generally, those interviewees who identified major problems with the current pensions settlement wanted to see a broader remit. The issue of pensions decumulation is a key example. The TUC and John Hills indicated that decumulation should be examined from first principles.

On the other hand, those interviewees who were broadly happy with the direction of existing pensions policy tended to favour a narrower remit, focused on addressing specific outstanding policy questions. For example, the current Pensions Minister Guy Opperman MP wanted fairly tight constraints on any future pensions commission. Specifically, he wanted it to focus on the next steps for AE, now the contribution rate of 8% had been achieved. Once all the data on how people have responded to the new higher minimum contribution rate has been published, he believed that a new pensions commission should examine how best to boost contributions rates in the coming decades. Likewise, in pensions decumulation, he felt the focus should be on making existing policy work better, since the future of SPA has been set by the Cridland Review, so there is no need for any new pensions commission to focus on that.

Guy Opperman MP also, in further conversation, suggested the commission should make recommendations on:

- How to simplify pensions statements, for example by producing a standard annual statement like Sweden's 'orange envelope'.[15]
- New digital statements, to use the information being developed by the 'Pensions Dashboard' initiative.
- Advice and guidance in the decumulation stage, to support savers following the 'pension freedoms' reforms.

Other interviewees who preferred a narrower remit also stressed the need for new ideas and consensus around the decumulation stage, since 'pension freedoms' had broken the consensus that formed from the Turner Commission.

Some interviewees such as Lord Willetts wanted very clear boundaries to be established at the outset by ministers. Others thought the policy scope of any new pensions commission could be honed once a body was in place and that it would be wrong to impose too much definition at the start. When discussing new arms-length bodies, Robert Chote commented on the advantages of establishing an interim or shadow body for "learning by doing", but also warned against mission creep. Jill Rutter suggested that institutions are not static. A body with a tightly-defined remit could later expand into new policy areas after it had demonstrated credibility and utility. However, she further noted that some bodies that had expanded their functions too far ended up losing focus on their original rationale and in some cases were closed down.

Other considerations with respect to policy coverage include the overall resources available to any new pensions commission. Some interviewees also felt there was a risk that a broad remit might entangle a pensions commission in interdepartmental disputes, although of course this concern might also be a reason why a commission was needed in the first place. The latter point is particularly relevant to pensions where policy is shared between the Treasury and DWP and a commission would have to establish independence and equidistance between the two departments. Chris Curry commented that establishing cross department consensus is in some ways more difficult than establishing cross party consensus.

Policy issues to focus on

There were common issues that interviewees wanted a new pensions commission

15. Arne Paulsson, "Pension information in Sweden", http://ec.europa.eu/social/BlobServlet?docId=8390&langId=en.

to focus on, but also a considerable spread of views. The single issue identified most widely was the future of AE, but across the interviews a wide range of topics were proposed. Almost all interviewees wanted to see a pensions commission cover both state and private pensions.

Contributors identified the following key topics:

Private pensions

Automatic Enrolment (AE) workplace pensions. There was agreement from the fieldwork that this was the core issue for the pensions commission to consider. The UK's new opt-out system of occupational pensions has been successfully implemented but minimum contribution levels through AE are insufficient to provide most people with an adequate retirement income. All interviewees who expressed a view wanted a pensions commission to review coverage and minimum contribution levels, building on the 2017 review of auto-enrolment. A key issue identified by Guy Opperman MP and the TUC, for instance, is the appropriate future split between employer and employee contributions. Another potential reform to AE that was raised by the OECD was government matching contributions. A notable example of this is New Zealand's 'KiwiSaver' scheme, which offers an initial tax-free 'kick-start' payment of $1,000 to members who joined before May 2015.[16] Interviewees also wanted to consider broader evidence on under-saving.

Pensions decumulation. Some interviewees wanted a pensions commission to focus quite narrowly on improving existing decumulation policy – for example, how to improve information, advice and choice for people in their fifties and beyond. Others, such as John Hills, challenged the whole premise of the recent decumulation reforms and wanted defaults with opt-out arrangements that would provide a lifetime income, although not necessarily via an annuity, in the context of low interest rates. Andrew Reilly and Hervé Boulhol of the OECD raised concerns around the potential longevity risks presented by the ability of individuals to now take out their pension pot in a lump sum. Boulhol in particular argued that "the annuity market was working fairly well in the UK [before pension freedoms] … [the market] has been … negatively affected by the freedom to take lump sums early on."

Collective Defined Contribution (CDC) pensions. CDC pensions offer the possibility of higher and relatively stable pensions but without a guaranteed level of payment. Such schemes have attracted the attention of government, with a recent commitment to "[Provide] a framework for the establishment, operation and regulation of collective money purchase schemes (commonly known as Collective Defined Contribution pensions)" in the October 2019 Queen's Speech.[17] The 2019 Conservative and Labour manifestos both committed to facilitating and supporting

16. KiwiSaver, "$1,000 kick-start payment", https://www.kiwisaver.govt.nz/new/benefits/kick-start/.

17. Prime Minister's Office, "The Queen's Speech 2019", https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839370/Queen_s_Speech_Lobby_Pack_2019_.pdf (2019).

this new type of pension. There was considerable interest among our interviewees in examining how to create the conditions for CDC pensions to be adopted by large employers and across industrial sectors. More generally, some interviewees wanted a new commission to focus on increasing risk sharing and supporting good employers to go beyond the minimum. Jack Dromey MP saw "immense potential" in CDC and warned against "a world dependent on DC". Nigel Mills MP agreed, saying that CDC pensions are a way of improving risk-pooling.

Pension scheme regulation. Interviewees wanted a new pensions commission to examine reforms to the private pensions market to increase value for money and better serve the interests of savers, by reducing costs and delivering better scale and transparency. Lord Turner wanted to explore single lifetime pension pots and to assess whether NEST should play a larger role in the emerging pensions market. As outlined above, Guy Opperman MP supported a new pensions commission considering major reforms to the presentation of pensions information.

Pension tax relief. Of those who expressed a view, interviewees mostly wanted to see a flat-rate system of pensions tax relief where contributions are matched with the same percentage of government support, up to a limit, regardless of the saver's earnings. However, interviewees including John Hills and the TUC flagged the risk of unintended consequences with respect to this tax reform, citing the recent pension tax relief problems facing senior NHS employees.

Self-employed workers. Pension coverage for self-employed workers was viewed as an unsolved problem by Adair Turner, Nigel Mills MP and several others. Interviewees did not have ready answers but were clear that provision for the self-employed should be a key element of any new pensions commission.

State pensions

State Pension Age (SPA) and retirement transitions. Some interviewees, including Guy Opperman MP, wanted to exclude consideration of the SPA, since this was covered by the 2016-17 Cridland Review. Others, however, including Lord Turner, Lord Willetts and John Hills, wanted SPA within the remit of any new commission, especially given recent choppiness in longevity data. John Hills cautioned against fixing the SPA decades in advance, when there is so much uncertainty. There was also strong support for looking at improved access to social security and part-time work in the period leading up to SPA.

The affordability and design of pensioner benefits. Some, including Lord Willetts, suggested assessing the long-term desirability of the state pension 'triple lock'. There was some support for reviewing the design of all pensioner social security, to assess whether the state system is striking the right balance between preventing poverty, providing a financial platform for all, and financial affordability for the taxpayer. Frank Field called for policy makers to re-assess the efficacy of means-testing in fighting pensioner poverty.

Lack of dedicated pension contributions. Andrew Reilly and Hervé Boulhol of the OECD picked up on the lack of earmarked or hypothecated contributions for pensions as an unusual feature of the UK system. Pensions are funded via general taxation and National Insurance Contributions (NICs). And NICs are used to fund a range of other benefits besides pensions, such as Maternity Pay. The UK is highly unusual in this respect: out of 36 OECD countries, there are only three (the UK, Ireland and Spain) where contributions for pensions are not segregated. This lack of earmarking adds challenges to analysis and projections.

General issues

Adequacy of retirement income. Interviewees such as the TUC wanted a new pensions commission to rebuild consensus regarding the overall aims of the pension system and what level of retirement living standards it should seek to deliver for people with low, medium and high lifetime earnings. Furthermore, a pension commission should examine whether it is better to focus on a stable income for life or the flexible decumulation of assets (including but not limited to pension pots). In terms of the adequacy of pensioner income from mandatory pension provision, the UK is an outlier internationally: Hervé Boulhol noted that the pension replacement rate for private sector workers is the lowest across all OECD countries.

Inequality and gender. Nearly all interviewees mentioned the need to apply a gender lens to assess how to improve pensions for women and carers. The gender pensions gap in the UK currently stands at around 35%, well above the OECD average.[18] The gap is largely driven by earnings-related pension benefits, of which auto-enrolment workplace pensions are an example. A reliance on earnings-related benefits means that women's lower earnings feed through into lower pensions. Admittedly, as Andrew Reilly of the OECD noted, improvements in labour market outcomes for women over the last few decades point to a reduced gender pensions gap for future generations of retirees. There was also widespread discussion of the need to respond to inequalities with respect to life expectancy, lifetime earnings and saving that affects other socio-demographic groups, such as minority ethnic communities, disabled people and those on low incomes – and to take account of geographic differences and the balance between generations.

> "I think there's a real question of being able to get into quite granular areas, because if you look at averages and trends, a lot of the problems will be among people who don't move the averages that much, people who've been in informal work, in and out of the labour market, there's a big gender divide, the impact of divorce … there's a danger you might go in at too high a level and not then be able to expose some of the issues underneath."
>
> JILL RUTTER

Beyond pensions?

> "Public policy issues are best dealt with by keeping them

18. OECD, "Pensions at a glance 2019", http://www.oecd.org/pensions/oecd-pensions-at-a-glance-19991363.htm (2019).

somewhat separate rather than getting into everything being linked together."

LORD TURNER

Several interviewees discussed the pros and cons of a pensions commission that also looked beyond pensions issues. There was both an appreciation that a new body would need to cover the whole policy landscape, but also a wariness of spill-over into related areas. For example, most interviewees felt that including social care funding would be a mistake.

"A well-defined remit where you think at least as much about what you want to tell this body not to do as what you want it to do is helpful … there's a danger in these bodies of empire-building."

ROBERT CHOTE

Nevertheless, some interviewees spoke in favour of a commission looking more widely than just pensions. Baroness Drake suggested a new commission should look at longevity issues from a cross-government perspective, not just pensions. Nigel Mills MP said that, if there were to be a pensions commission, there was a case for it to cover all forms of saving. He believed that the current AE system is very geared toward middle-class, middle-aged people. He pondered whether asking people to save so much from their pay packet for retirement later in late was realistic and fair for younger workers and those on modest incomes.

Chris Curry proposed that a new commission should cover all retirement finance issues, including income and assets, but exclude broader questions of health and wellbeing in retirement. Following the recent decumulation reforms, Curry believed that incomes and assets need to be considered together, which means that issues of employment in later life and housing wealth need to be within the scope of any new commission.

"In order to really address the key issues and take the long-term view it's got to be looking at broader questions than just pensions."

CHRIS CURRY

Lord Willetts felt that it would be good for a pensions commission to look at how other policy areas affect private and state pensions. He noted, specifically, how changing patterns of housing tenure will affect pensions in the long-term.

Conclusion

Our fieldwork exposed strong views on the types of policy areas any new pensions commission should focus on.

The proposals that emerged from our fieldwork differed a little depending on whether interviewees envisaged a permanent or one-off commission. But the ideas presented were applicable for both versions.

Our recommendations are as follows:

- A new one-off pensions commission, from 2020 to 2022, should have a defined policy focus, investigating and suggesting ideas for the future of private pension accumulation and decumulation. The principal topics should be the future of AE and pension decumulation, but it should have a mandate to make recommendations regarding overall retirement outcomes and cover private pension regulation and CDC pensions. The future of the SPA should be excluded, as a separate review process already exists for this.
- The subsequent permanent commission, from 2022 onwards, should have a much broader remit, providing facts, figures and forecasts on both private and state pensions.
- The future permanent pensions commission should have a right to launch inquiries and propose policy solutions on any pressing public policy issues affecting state or private pensions. It should look to conduct such inquiries at least every two years.
- The permanent commission should provide the institutional home for the six-yearly statutory review of the SPA; and, also undertake other reviews requested by ministers.
- Any work or output from the pensions commission should always have a focus on pensions policy, although it could of course explore the way other policy issues interact with pensions. ■

CHAPTER FIVE: Organisation of a new pensions commission

Having proposed the function, duration and policy focus of a new pensions commission in previous chapters, this chapter considers how a new pensions commission should be organised, focussing on its funding, governance, staffing and location.

There was considerable consensus in our fieldwork of the importance of the commission being organised in a way to reinforce independence, expertise and transparency.

However, ideas that emerged from our fieldwork differed depending on whether a permanent or one-off commission was envisaged. Since this report recommends a dynamic hybrid model, insights from both perspectives are sifted.

Funding

Arms-length bodies are typically funded by taxpayers. Sometimes, they can be funded by levies on industry organisations.

The widespread assumption from our fieldwork was that a pensions commission should have allocated resources from central government over which it has a level of autonomy, much like most arms-length bodies. There should be clarity about funding beyond a single year, either a confirmed total budget in the case of the initial one-off commission, or a clear indication of resources over the medium-term for a permanent body.

The Pensions Minister, Guy Opperman MP, confirmed that the Secretary of State for Work and Pensions would require further evidence before making the decision to recommend a new pensions commission to Cabinet with a suggested budget. Cabinet would have to ultimately decide whether to approve and allocate new funding for a pensions commission.

Without allocated funding from central government, any new pensions commission runs the risk of being born as a weak organisation like the Commission on Fuel Poverty (CFP). The CFP has no budget and must apply for funding from the Department for Business, Energy and Industrial Strategy (BEIS) on a project-by-project basis. This funding set-up may have contributed to the low profile of the CFP, which has struggled to influence government since its creation in 2015.

The prevailing assumption from our fieldwork was that taxpayer funding for any new pensions commission would come through a sponsor department, most likely the Department for Work and Pensions (DWP). This would mirror the Turner Commission. However, Robert Chote suggested an industry-levy as an alternative funding source.

Transparent funding was commonly cited in our fieldwork, which Chris Curry argued would be an important factor for long-term success. To reinforce an atmosphere of openness, any new pensions commission should follow the example of the OBR, Robert Chote argued, and publicly announce its budget and funding sources.

Governance

Governance issues were also discussed extensively in our fieldwork. It was widely felt that the pensions commission must have a board that is independent, impartial and respected. However, Lord Willetts noted that the commissioners will have to be appointed by ministers.

There is a wide variety of rules around the governance structure of arms-length bodies. Some have very prescriptive requirements such as the Law Commission, which specifies the occupational background commissioners must have. The chair must either be a High Court or Appeal Court judge and the other four commissioners must be experienced judges, barristers, solicitors or teachers of law. Other bodies have few stipulations. For example, the Life Chances Act 2010, which created the Social Mobility Commission, does not stipulate any prescriptive conditions on appointments, save the appointment of one member by the Northern Ireland government.

There is also a middle ground. The Low Pay Commission was held up by many of our interviewees as an example of a good, well-functioning board, with its makeup of employee, employer and academic representatives. The 2019 Labour manifesto also suggested it should be a model for a pensions commission (see box below).

The Low Pay Commission's governance model

The LPC's board consists of a chair and eight other members.

- The Secretary of State is legally obliged to have due regard for ensuring a balance between commissioners with employer, union and independent backgrounds when making appointments.
- Meetings of the LPC require, as a minimum, five commissioners including an independent, an employer and an employee commissioner.
- If the LPC chair is absent for any formal meeting, one of the independent commissioners chairs instead.

The composition of the Turner Commission mirrored somewhat that of the Low Pay Commission. The Turner Commission had three commissioners: Lord Adair Turner (employer background), Baroness Jeannie Drake (employee background) and

Professor John Hills (independent academic). Guy Opperman MP remarked how successful this composition was. In particular, it was felt to be very important that the competing demands of employers and employees were represented. Guy Opperman MP saw no need to change this model, stating: "If it ain't broke, don't fix it."

But our fieldwork also exposed a desire for a broader set of stakeholders to be represented in the governance of any new pensions commission. Lord Willetts mentioned that there could be representatives from both public and private sector pension providers. Nigel Mills MP also noted that the pensions industry needed to be involved in the pensions commission, providing ideas and evidence for example, but there might be a risk of undermining the organisation's independence if they were represented on the board. Criticism of 'producer capture' needed to be avoided. The TUC raised a similar concern, but recognised that industry experts had a role to play in informing the work of the commission. It wanted to see representation for pension scheme members over pension providers.

Considering the rise in self-employment in recent decades, and the challenges in ensuring decent pensions for self-employed people, Nigel Mills MP thought that there should be a representative of this community on the board of any new pensions commission.

> "I think you clearly would need those same three groups [employers, employees and academics] represented on there ... I don't know how you fix the self-employed in this situation. There is that big question of what do we do for those millions of people and increasing who are not auto-enrolled ... the question then is what role does the industry have? If you're trying to make sure you've got pathways or products ... you need to have people there who can work out whether those products can be made to exist ... if you have them on the commission people will just think it's a money-making stitch-up."
>
> Nigel Mills MP

The TUC very firmly supported a social partnership model like the Low Pay Commission that would bring together employer and worker representatives alongside independent experts, and emphasised the importance of having an independent chair. Participants argued that the skills and personalities of the chair and key commissioners were more important than formal composition requirements, and that helped to explain the success of the Turner Commission. In this context, Baroness Drake stressed that commissioners were not representatives or delegates and must be independent-minded. She described the robust conversations she had with fellow trade unionists as the Turner Commission was developing its recommendation for increasing the SPA.

There was broad agreement that, notwithstanding the need for a little more stakeholder representation, an overly large board of any pensions commission should be avoided. It was felt that a new pensions commission should be kept simultaneously as lean and representative as possible. Lord Turner stressed the effectiveness of a small but representative body with a maximum of five members on the board. In the context of a permanent commission, interviewees also said there should be regular turnover of commissioners, with a maximum of five or six years of service, to maintain a fresh perspective.

Staffing

To be successful, the staffing of any new pensions commission needs to possess high-quality analytical skills and have the capacity to build good relationships with government departments and other stakeholders. It was assumed by most interviewees that a new pensions commission would be predominantly or wholly staffed by current civil servants, based either within a government department or a new arms-length body located in Whitehall.

Independence was of prime concern to our interviewees. The board of the new pensions commission would be strictly independent, albeit appointed by ministers, but it would be supported by staff that belonged to the civil service. As a minimum, it was generally felt that a dedicated team that does not have other departmental responsibilities or accountabilities was important.

Lord Turner and John Hills emphasised that the success of the Turner Commission had depended on a small, relatively junior secretariat that was directly responsible to the commissioners and supported their independence. Most of these employees were secondees from DWP, but this was not seen to have undermined the commission's autonomy. The Pensions Minister, Guy Opperman MP, again suggested that a new pensions commission should just copy the Turner Commission model, with the DWP providing resources and support. However, he was clear that the DWP should not run the team and that the commission must be independent.

If it is to become a trusted and esteemed body, the pensions commission will need civil servants with strong knowledge of pensions policy, and strong data analysis skills. Nearly all interviewees stressed the need for any new pensions commission to be able to access and use the best data on pensions. That would often require extracting data from other government departments and public bodies, but also using the DWP's world-leading PenSim2 model. For this reason, locating a new one-off commission within the DWP, or at least using secondees from it, would be a major advantage.

In the case of a future standing commission, permanent staff would have to be recruited. Robert Chote spoke of the benefits of using existing departmental resources and staffing, in the context of creating a new, permanent arms-length body. He pointed out that his team at the OBR was effectively transferred from the Treasury, which had helped the OBR in its analysis and in terms of its relationships with other departments.

Staff with strong analytical skills will be essential. But, so will relationship-building skills if a new pensions commission is to extract data from and harness the expertise of individuals and organisations inside and outside of government. If a permanent body is put on a statutory footing, this will ensure others – within government, but also possibly outside – are obliged to cooperate with a new pensions commission.

Interestingly, Jill Rutter raised the idea of placing secondees from the financial services and pensions industries into the secretariat, and not just civil servants from relevant departments. This could broaden the skills and experiences of staff.

Location

All interviewees were unanimous in their view that any new pensions commission needs to be at the heart of Whitehall. This was felt to be vital to developing the relationships, gaining the data, and building the reputation the commission needs in order to succeed. But more careful consideration over two matters relating to the location of any new pensions commission are required. First, whether a new pensions commission should physically sit inside or outside a specific government department. Second, whether it should be sponsored by one or several government departments.

On the first issue, becoming a permanent arms-length body would likely necessitate being physically located outside a particular department. This would help with the perception and reality of independence. But, drawing on the personnel of existing civil servants, especially from the DWP, will be essential. So, there is debate about whether an initial, one-off commission should be physically located within a government department, most likely DWP, or not. Guy Opperman MP saw no need to deviate from the Turner Commission model, which was located in the DWP. This was preferred by interviewees involved in the original Turner Commission, too.

Some interviewees felt that having access to the best personnel and data inside the DWP was more important than perceptions of independence. As long as any new pensions commission had clear rules which stressed its independence, its location was immaterial.

Location within a government department such as the DWP may mean that our proposed nascent body runs the risk of being seen as 'owned' by it. The example of the Migration Advisory Committee was cited by Jill Rutter who pointed out that this body, located in the Home Office, is seen as being 'owned' by that department and, as such, to have limited independence. Similarly, the Commission on Fuel Poverty, which is situated within BEIS, is also seen as weak and overly dependent on BEIS.

However, there are also bodies such as the National Infrastructure Commission (NIC), which is situated in the Treasury and has no power to issue binding decisions. It is seen to be a credible arms-length source of long-term advice and since 2015 has had 42 of its 45 recommendations accepted by the government. Similarly, the Turner Commission was based in the DWP and is held-up as an example of a fearlessly independent policy review.

This first issue affects, in part, the second: whether a commission should have one departmental sponsor, or several. If a one-off commission is located within the DWP, the assumption might be that the DWP would be its sole sponsor. But it need not be.

In our fieldwork, interviewees frequently raised the relationship between the Treasury and the DWP as a key issue for a pensions commission. Those involved in the Turner Commission also discussed the importance of Number 10, in the context of the difficult relationship between Tony Blair and Gordon Brown in the early 2000s. Then, the DWP was seen as a bridge between these warring departments.

> "What worked well ... is we were set up with buy-in between the Treasury, Number 10 and DWP, but we were given independence and we did have a very independent minded chair... we established our credibility as being independent... that we were prepared to look at awkward questions that were politically difficult."
>
> PROFESSOR JOHN HILLS

Several interviewees suggested that any new pension commission must answer to both the Treasury and DWP to be effective. The body "must have two masters", as Nigel Mills MP put it. However, this must be to gain recognition and respect from both, rather than being caught in a crossfire between them.

> "Whether DWP or the Treasury thought that this institution was helping or hindering in the relationship between the two ... could turn out to be important"
>
> ROBERT CHOTE

Conclusion

Our fieldwork unearthed strong interest in and views on how any new pension commission was organised.

The two prime considerations when discussing different aspects of the organisation of any new pensions commission were independence and expertise. It was felt that any new pensions commission should be as independent as possible from government, especially its governance. But there was also a strong awareness that being at the heart of Whitehall, especially in some government departments such as the DWP and Treasury, was essential to accessing the best personnel and information.

Of course, the ideas that emerged from our fieldwork differed a little depending on whether interviewees were referring to a permanent or one-off commission. Our recommendations for how our dynamic, hybrid model for a pensions commission should be organised balance the prime considerations of independence and expertise.

Our recommendations are as follows:

- The funding of our proposed new one-off pensions commission between 2020 and 2022 should come entirely from central government for the duration of its existence.
- The funding granted to a future permanent commission should be predominantly funded by central government, guaranteeing three-year funding settlements. But the initial one-off commission could consider and consult on the introduction of a new levy on pension providers to partially fund a future, permanent pensions commission.

- The new board of the initial one-off and future permanent pensions commission should be appointed by Ministers. In this case of the permanent commission, terms should last three years each time.
- The new board of the initial one-off and future permanent pensions commission should be strictly independent and have around five members, representing the following stakeholders fairly: employers; employees; the self-employed; other pension stakeholders; independent experts.
- The chair of the initial one-off and future permanent pensions commission should be independent and not be seen to represent employers, employees, the self-employed or the pensions industry.
- The initial one-off commission should sit in the DWP. It should be staffed primarily with civil servants from both the DWP and Treasury.
- The future permanent pensions commission should be established as a new arms-length body on a statutory footing, located at the heart of Whitehall but outside the DWP and the Treasury. It should be accountable to both the Treasury and the DWP. It should be staffed by civil servants and a small proportion of secondees from the research community and the private sector with the necessary technical knowledge and skills.
- The initial one-off and future permanent commission's secretariat must be independently managed by the commissioners and staff should not have other departmental responsibilities. ■

CHAPTER SIX: Achieving impact

PREVIOUS CHAPTERS DETAILED proposals for how our new hybrid pensions commission model should be organised and what it should focus on. This chapter investigates how a new pensions commission could best achieve impact.

Some government commissions or reviews are fortunate with their timing and political context and make a big impression. Others gain little traction and sink without a trace, sometimes for no very clear reason. For example, John Hills compared the fortunes of the Turner Commission and the 2010-2011 Dilnot commission on the funding of care and support. Most of the recommendations of the latter were initially accepted but then shelved after the 2015 election.

But while political exigencies will always exist, there is much that can be done in designing and establishing a new commission to maximise the possibility that it achieves impact. Our fieldwork revealed a common and strong belief that the Turner Commission was highly influential. In this chapter, we unearth specific suggestions, including from the Turner Commission, to make any new pensions commission impactful. The six main factors identified to best achieve impact include:

- Access to and use of data.
- The choice of chair.
- Commitment from senior politicians.
- Robust independence.
- Consensus building.
- Public engagement.

Again, the recommendations offered by our interviewees varied slightly depending on whether they envisaged a one-off or permanent pensions commission, but all of these are valid considering the hybrid model we are recommending.

Access to and use of data

One of the hallmarks of the Turner Commission was the depth and rigour of its data, analysis and modelling. In our fieldwork, contributors were in strong agreement about the importance of high-quality data and modelling from any new pensions commission. In fact, access to and use of high-quality evidence was considered the most important factor for any new pensions commission, adding value, achieving legitimacy and creating impact. This is for two main reasons.

First, access to high quality data – from governmental or private sources – will be vital in ensuring that any pensions commission is able to add value in the crowded market of policy analysis, described in detail in Chapter Two. Interviewees noted that a pensions commission on a statutory footing would find this much easier. Lord Willetts remarked that "there is some data… that departments may not share with everyone but they might share with a statutory body". Indeed, the OBR enjoys a legal right of access to information and modelling, meaning it can access data that non-statutory bodies cannot.

> "The necessary starting point is you have to build your reputation ... for being the people who have the data, the analytic capacities ... you have to be unimpeachably robust."
>
> JILL RUTTER

Interviewees touched on the question of how, specifically, a new commission could conduct effective analysis. In particular, they cited the DWP's PenSim2 model as a highly sophisticated and world-class analytical tool for scrutinising pensions policy. This model is, however, difficult to access outside of government.

What is PenSim2?

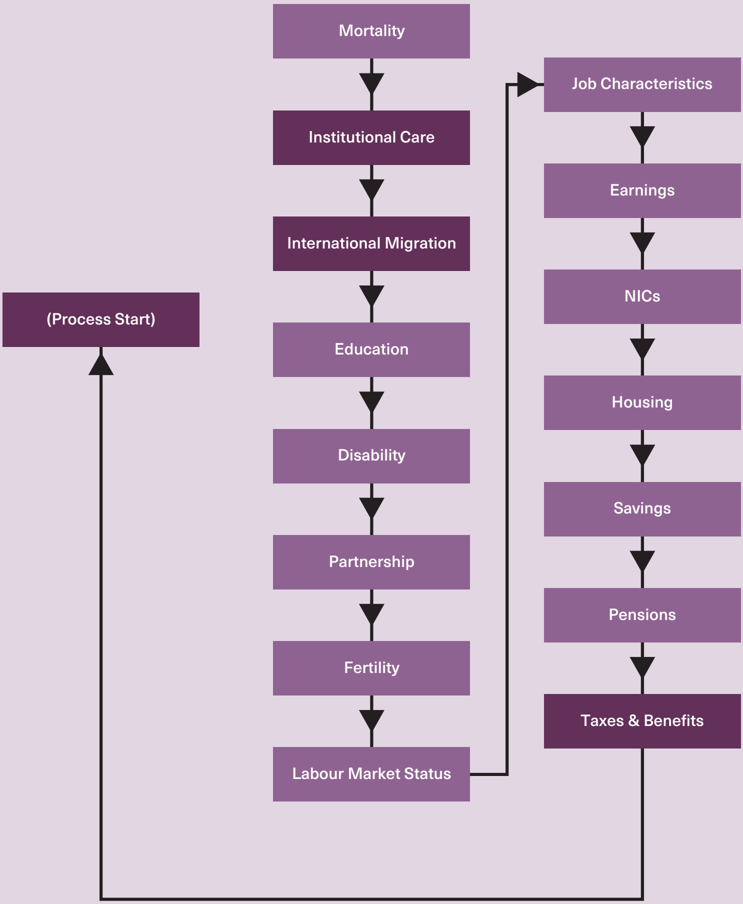
PenSim2 is a dynamic microsimulation model used by the DWP to estimate future pensioner incomes. It has been used to analyse a range of different policies including the implications of the Single Tier State Pension, AE, and undersaving.[19] There are also other possible uses for PenSim2 beyond pensions, such as analysing student loans or examining the impact of specific life events.[20]

The model uses the Family Resources Survey, in conjunction with earnings history from National Insurance records and DWP administrative data, to build a picture of the finances of 20,000 households. Additional data sources, including the English Longitudinal Study of Ageing, the British Household Panel Survey and the Annual Survey of Hours and Earnings, are used to estimate the probabilities of certain life events (such as losing a job) occurring.[21]

19. Tim Knight, "Model Development Division -our models and our data", https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/294160/dwp-open-data-group-presentation-14-01-22.pdf (2014).
20. Chris Drane, "Analysing the effect of government policy in the long-term" https://www.pensionspolicyinstitute.org.uk/media/2563/20060615-ppi-modelling-seminar-dwp-presentation.pdf.
21. Tim Knight, 2014.

The model is divided into 'modules', each of which determines a number of economic outcomes. A representation of the modules used in the PenSim2 model, and the order in which they are estimated, is shown below:

The PENSIM2 model



Source: Carl Emmerson, Howard Reed and Andrew Shephard, "An assessment of PENSIM2", https://www.ifs.org.uk/wps/wp0421.pdf (2004).

The model can then 'age' the sample of data, in effect simulating the future lives of each household in the sample. This allows accurate modelling of the distributional effects of policy and provides a highly granular analysis. As a

2004 IFS audit of the PenSim2 model makes clear, this "is an improvement on the previous generation of long-run models which relied on aggregate data." [22] Another notable advantage of PenSim2 is that it allows the user to specify certain parameters – meaning that the model is able to produce analyses of what will happen to the pensions system under different assumptions about how the economy will behave.[23]

PenSim2 does have its limitations. It does not account for social care, and as the IFS highlighted, it does not examine the accumulation of housing wealth or intergenerational transfers of resources – both of which are important pieces of the puzzle when it comes to post-retirement income.[24] Nevertheless, incorporating additional variables into the PenSim2 model raises technical challenges, and in any case the IFS concluded that: "It seems fair to say that PenSim2 captures most, and perhaps all, of the processes necessary to simulate the pensions system over the next 50 years." [25]

Lord Willetts stressed the difficulty of obtaining earnings and tax data from HMRC, which will be essential for any impactful new pensions commission. Outside research bodies can obtain trusted status, as the IFS has with the Longitudinal Education Outcomes dataset which combines personal financial information with education data, but this is a very bureaucratic and difficult process. A statutory commission will find the extraction of such data much more straightforward. For example, Lord Willetts suggested that a pensions commission should seek to identify data on the number and profile of consumers with private pension pots, rather than just report on the total number of private pension pots that exist. Robert Chote saw an opening for a new pension commission: the OBR currently only talks to, and extracts information from, public pension providers, rather than private pension providers.

> "There are… bits of information which may be more timely, more detailed, that we [the OBR] can access via HMRC that the outside world can't."
>
> Robert Chote

Interviewees especially wanted to see data, analysis and modelling with respect to different population groups. Adair Turner and Jill Rutter were among those who called for a very clear focus on gender, while Lord Willetts mentioned the need to examine the rise of renting in old age.

22. Carl Emmerson, Howard Reed and Andrew Shephard, "An assessment of PENSIM2", https://www.ifs.org.uk/wps/wp0421.pdf (2004).
23. Ibid.
24. Ibid.
25. Ibid.

The consensus from the fieldwork was that, for any new pensions commission to add value, it would have to access and present data in a way that moves beyond what is possible with the existing institutional landscape. A statutory commission could be given the power to extract important data both from government and even private sources.

The second reason why access to and use of data is so important is that building a high-quality evidence base is vital to ensuring any new pensions commission's conclusions carry weight. The Turner Commission involved a long period of analysis and exploring policy options using data to ensure that the evidence behind its recommendations was indisputable. By the time the Turner Commission put forward its proposals, stakeholders broadly agreed on the facts and therefore were able to accept recommendations even if they were uncomfortable. To quote John Hills, the reason the Turner Commission had so much influence was because "the evidence was overwhelming and the analysis was very good."

> "I remember in 2002/2003 ... when Andrew Smith was Secretary of State for Work and Pensions ... I remember him making a speech saying there will never be an increase in state pension age. Then by the time you get to the end of the pensions commission in 2005, they'd shown such so much strong evidence ... that no one was surprised at all when increases in state pension age were recommended and it wasn't really controversial."
>
> Chris Curry

Contributors made similar points with respect to the OBR and the Low Pay Commission. Both are seen as highly credible institutions due to the quality of their evidence. External reviews of the OBR, such as a 2014 review conducted by Kevin Page, have found that the OBR's approach to analysis has successfully reduced perceptions of bias in economic forecasting and ensured stakeholder confidence in its outputs.

In contrast, Lord Willetts highlighted the example of the Social Mobility Commission as a body whose reputation was undermined by insufficiently rigorous evidence, as well as a politicised leadership. Lord Willetts said: "I don't think researchers found it a useful source of authoritative data on social mobility."

Some interviewees, however, felt that analytical strength was not in itself enough to achieve success. Jill Rutter felt that the OBR does not go far enough in critiquing government policy. In fairness, the OBR is currently prevented by legislation from promoting or analysing alternative policy recommendations, however it could be given the ability to do so were the legislation to be revised. Nigel Mills MP went further in his criticism of the OBR, suggesting that because it used the Treasury's economic models and assumptions, it had not substantially improved the quality of government forecasting.

Rutter also questioned the effectiveness of the Low Pay Commission. Despite being a very well-respected body, it was "batted aside" by former chancellor George Osborne when he introduced the National Living Wage. In essence, this intervention by the Chancellor"removed [the LPC's] reason for being."

So, there are other factors which are required to make any new pensions commission successful. That is the focus of the rest of this chapter.

The choice of chair

A key factor on the impact of any new pensions commission is the choice of chair. Several interviewees put part of the success of the Turner Commission down to Adair Turner's personal qualities, particularly his analytical clarity and ability to sell the work of the commission. Leaders need to have external credibility and authority as well as the ability to strike a careful balance between independence and influence with respect to government.

This is a particularly important consideration for a one-off review and the initial chair for a new standing body.

Commitment from senior politicians

Senior politicians must be committed to the process and serious about acting on any new pensions commission's evidence or recommendations. Lord Turner emphasised that the direct engagement of Number 10 was an essential factor in the success of the Turner Commission. Lord Willetts noted that the Turner Commission was highly successful because of the active support from frontbench spokespeople from all of the main political parties at the time, including himself.

The enthusiasm of Guy Opperman MP, the current Pensions Minister, for a new pensions commission will need to be transmitted upwards, especially to the Chancellor and Prime Minister, for it to succeed. Interestingly, Guy Opperman MP made clear that a previous Secretary of State for Work and Pensions had been welcoming of the idea of a new pension commission but wanted further evidence before endorsing it and proposing a budget for it. In addition, the Pensions Minister made clear that the Cabinet would need to endorse the introduction of a budget for a pensions commission.

Robust independence

Independence from government instruction and interference is essential for securing external credibility. Some interviewees, for example, commented on the need to avoid the circumstances where supposedly independent recommendations are 'negotiated' with government departments. In the case of the Turner Commission ministers had no direct influence on the proposals and were informed of recommendations just prior to publication. Professor John Hills commented that it must be also be the case for a new commission, otherwise it will only ever publish ideas that ministers have already agreed to.

Consensus building

The Turner Commission succeeded because it built strong stakeholder understanding and support. The Turner Commission's interim report set out strategic options and launched a sustained stakeholder debate where tensions and trade-offs were explored over a long period of time. According to those interviewees involved with the Turner Commission, its success depended on securing agreement on the nature of the problems and the broad choices available, before then securing support for specific solutions. As Chris Curry put it, all the key players were on a journey together and there were no surprises at the end. Baroness Drake contrasted this to the Dilnot Commission on Funding of Care and Support from 2010-2011, which she felt dedicated less time to engagement and consensus building, so was ultimately unsuccessful in securing a strong buy-in and lasting settlement for social care. She said that any new pension commission's remit should include a requirement to engage and seek to build consensus.

The TUC commented that, in the case of any new one-off pensions commission, it should have an extended duration, to build understanding and support, establish compromises and bind stakeholders into the direction proposed.

Interviewees such as Jack Dromey MP, Chris Curry and the TUC were positive about the prospects for cross-party consensus on many of the issues that any pensions commission would consider, reflecting what Bright Blue and The Fabian Society found in our earlier work on pensions policy.[26] Lord Turner proposed that cross-party engagement could be a formal requirement of the pensions commission.

> "We were very aware that we had to build a cross-party consensus. We were continually talking at that stage ... with ... the Lib Dems ... the Tories ... we were trying to keep avenues open ... They were invited to the stakeholder discussion groups. I think it would be better to, even more, formalise that."
>
> Adair Turner

Securing long-term cross-party support depends on arriving at solutions that accommodate the perspectives of employer and employee interests. Some interviewees felt that the recent Cridland Review of the SPA had perhaps failed this test, because a social partnership model was not adopted. Some interviewees saw the greatest achievement of the Turner Commission as securing an increase in the SPA without a backlash: 15 years later, that consensus has broken down, with the 2019 Labour manifesto rejecting future rises in the pension age. It is a sign of failure that the broad aims of pension age policy – not just the detail – are now strongly contested.

Public engagement

John Hills suggested that commissions need to be far more concerned with public engagement than might once have been the case, both in forming their conclusions and in how they communicate. With the views of experts now

26. Ryan Shorthouse and Andrew Harrop, "Consensus continued? The next staged of pension reform", https://brightblue.org.uk/ryan-shorthouse-and-andrew-harrop-consensus-continued-the-next-stage-of-pension-reform/ (2018).

treated with greater suspicion, he suggested there is a strong case for building public deliberation or co-design into the work of commissions, such as citizens' assemblies or citizens' juries.

> "We're also in a new world where we've had enough of experts, and that's far harder to operate in because communication is so much more difficult with social media ... if you really want people to accept whatever idea it is that has short term pain for long term gain, getting that established is a vastly harder political challenge now, and that's not necessarily the job of a technocratic commission ... the sort of things that worked [before] may only get you part of the way now."
>
> PROFESSOR JOHN HILLS

Jack Dromey MP also called for a major focus on public engagement, urging "A nationwide exercise… on a grand scale". With the likelihood of higher employee AE contributions in the future, he argued that engaging with citizens was of the highest importance. Public dialogue and engagement is also a top priority for the New Zealand retirement commissioner, in conducting three-yearly reviews of retirement income policies.

When it comes to promoting recommendations, John Hills felt that commissions need to consider how to effectively communicate directly with the public now that relationships with a handful of media outlets are insufficient to promote proposals. He felt that communication about long-term debates and difficult trade-offs is probably harder than ever.

Other interviewees felt that any new pensions commission should work to promote financial literacy and awareness of pensions issues among the public. Echoing Guy Opperman MP, Andrew Reilly from the OECD cited Sweden's 'orange envelope' scheme as an effective intervention to improve financial literacy among members of the public. The 'orange envelope' is a standardised pensions statement sent out to members of the public at the same time each year, outlining how much a person can expect to receive in retirement. The envelope also gives examples showing what would happen under different contribution rates.

> "Another element that would be important ... is to provide information, not only to policymakers but to the general public ... to make sure that they can use that information to take the best decision for them and to prepare for retirement. This is something of primary importance."
>
> HERVÉ BOULHOL

Conclusion

Our fieldwork showed that there is lots to learn from other arms-length bodies, and the original Turner Commission, to make any new pensions commission successful.

Perhaps the strongest aspect of any new pensions commission should be its access to and use of high-quality data. Interviewees were almost universally united in believing this to be paramount for any new commission earning respect and building support for its outputs.

We believe the suggested attributes of any new pensions commission that emerged from our fieldwork could be applied to both the initial one-off and subsequent permanent commission we are proposing in our hybrid model.

Our recommendations are as follows:

- The initial new pensions commission, lasting from 2020 to 2022, should be launched by and report to the Prime Minister, and be accountable to Number 10 (even though it would be located in the DWP and staffed by civil servants from both the DWP and the Treasury). This will help drive respect and cooperation from other government departments and the wider stakeholder community.
- The future permanent pensions commission should be launched as an independent arms-length institution, but accountable to both the DWP and Treasury
- The future permanent pensions commission should be placed on a statutory footing, so other government departments and even outside and private organisations are legally obliged to provide data to it.
- Both versions of the pensions commission must have automatic access to government administrative data sources and restricted datasets, especially the PenSim2 model located in the DWP.
- Commissioners for a permanent pensions commission should be recruited through an open and competitive process.
- The analysis and recommendations of both versions of the pensions commission should be totally independent of any ministers. The government should not respond immediately to the findings of any reports from the different pensions commissions.
- The remit of both versions of the pensions commission should include extensive public engagement and a requirement to consult opposition political parties.
- Both versions of the pensions commission should be tasked with building shared understanding and consensus, and should be expected to publish interim reports featuring explanation and analysis with the explicit aim of building consensus. ■

APPENDIX ONE: International reviews of pensions policy

We reviewed four recent examples of pension policy reviews in overseas jurisdictions. We were particularly interested in understanding the different roles permanent public institutions can play in hosting, informing or scrutinising major inquiries on pensions policy.

Australia

Australia has a long track record of instigating thorough analytical reviews of aspects of pensions policy. Unlike in the UK, Australia's reviews have usually examined policy for state and private pensions separately, probably because Australia has a well-established system of compulsory workplace pensions. In the last decade the Australian government has initiated both freestanding time-limited policy reviews and inquiries under the auspices of the Productivity Commission, a permanent, statutory body.

The **Super System Review** of 2009 to 2010 was a 13-month freestanding review of the governance, efficiency, structure and operation of Australia's superannuation system commissioned by the Australian Treasury. The review was chaired by Jeremy Cooper (a former regulator) who was supported by an expert panel of 7 people, who mainly had a financial services background. In its short life the review issued 9 reports and discussion papers and then an extensive final report. The review's secretariat was drawn from the Australian Treasury, the private sector and regulators, and the review had access to Treasury modelling and data. The review's main focus was on establishing good value default pension funds for the majority of workers who do not want to make choices (called 'MySuper').

Other recent reviews of workplace pensions have been carried out by the statutory **Productivity Commission**. The commission was established in 1998 and is the Australian government's main body for reviewing and recommending microeconomic policy and regulation. It operates on the basis of the Treasury commissioning specific projects and it aims to provide impartial and high-quality analysis for policy makers. It conducts full scale inquiries and smaller research projects (including research reports on an ageing society in 2014 and on superannuation in post-retirement in 2015). It is required to take a broad view and consider community interests as well as economic ones.

There is no requirement for the government to follow the recommendations of the commission, but its advice has very often been embraced by policy makers. The commission's reputation is probably its main asset, and the body has been keen to engage directly with the public and look beyond ministers to help foster good debate around issues. It has a statutory requirement to promote public understanding of policy issues, so its reports and other communication activities are directed at the wider community.

The Commission's independence is established under the Productivity Commission Act through the Chairman, Deputy Chairman and Commissioners, who are appointed by the Governor-General. The commission has its own budget (around AU$32m) and staff (around 165 people). While the government largely determines its work program, the commission's findings and recommendations are based on its own analysis. The commission reports through the Treasurer (finance minister) to the Australian Parliament.

The advantage of having a permanent commission is that it can return to issues whenever there is a need and the Productivity Commission has frequently conducted inquiries on pensions issues. Inquiries can also grow out of or run in parallel to each other. From 2016 to 2019 the commission carried out a 3-stage **inquiry into superannuation efficiency and competition**. This in turn grew out of a 2014 recommendation from the financial system inquiry and ran in parallel to an inquiry on competition in the Australian financial system from 2017 to 2018. Similarly, in 2012 the Productivity Commission carried out an inquiry on a detailed aspect of the Cooper Review recommendations, on the selection of default schemes for sectoral employment conditions.

The 2016 to 2019 superannuation efficiency and competition inquiry ended up being similar in ambition to the Cooper Review. It started by developing a framework to measure the efficiency and competitiveness of the superannuation sector and then examined how to improve how people are defaulted into pensions if they make no choice. It proposed reducing the role of employers in choosing pensions by automatically allocating people who do not engage to a best-in-class pension, which would then follow them between jobs. Other recommendations included the automatic consolidation of small dormant pots and the tighter regulation of fees and commissions.

The review concluded by calling for Australia's financial regulators to produce a 'state of superannuation' report every two years and for a one-off 'independent inquiry into the retirement incomes system' covering both public and private pensions.

New Zealand

New Zealand has a cycle of independent statutory **reviews of retirement income policies**, which take place every 3 years. They are conducted by the New Zealand Retirement Commissioner who is the head of the Commission for Financial Capability.

CFFC is an interesting hybrid organisation with a remit to review pensions policy but also to promote consumer financial capability and to safeguard residents in the retirement housing sector. Most of the commission's work is research- and public engagement-focused, but there it has some complaint handling functions in relation to retirement villages. In addition to the triennial policy reviews its main task is leadership of a national strategy for financial capability. The commission has no powers to set regulation or policy, with the commissioner's role being to provide challenge and advice to legislators, government, the public and industry.

The commissioner and commission were established by law under the New Zealand Superannuation and Retirement Income Act 2001 and are required to fulfil functions under this act and also the Retirement Villages Act 2003. The commissioner is appointed by the Minister of Commerce and Consumer Affairs on a three-year term. CFFC is the Commissioner's office, a Crown Entity in New Zealand law, and has a staff of around 25 people and an annual budget of around NZ$6m.

The commissioner's reviews of retirement income policies have been very focused on public engagement and education, which is probably the result of situating these responsibilities within an organisation with a strong consumer-facing remit. The 2016 review included video interviews with the public, a very large consumer survey and quirky animated videos presenting key issues. It worked on the basis of 7 themed months, which covered pension accounts ("KiwiSaver"), decumulation, the ageing workforce, who pays for what, vulnerable groups, who gets what and the international picture. With limited in-house analytical capabilities, the review drew on existing official data and analysis and commissioned third-party research to fill gaps.

The 2016 review's key recommendations were to raise the pension age to 67 and to increase the rate of employee and employer contributions in Kiwi Saver. The New Zealand government accepted the first proposal (on a slower timescale) and rejected the second. The review also proposed a range of changes to the design of the state pension and to KiwiSaver, some of which were accepted.

Finland

In Finland major changes in pensions policy are agreed by social partners through collective agreements. The Finnish government inputs into discussions and is then responsible for enacting legislation that is prepared in collaboration with the social partners. In 2014 the central labour market organisations (i.e. the national trade union and employer umbrella organisations) reached the **agreement on 2017 earnings-related pension reform**. The key change was an increase in the retirement age to reach 65 by 2027 and to then rise in line with life expectancy. Adjustments were also made to the accrual rate for the main earnings-related pension and two additional pensions were introduced.

Analysis and evidence to support the negotiation and implementation of the reforms was provided by the **Finnish Centre for Pensions** (ETK) which also plays a key role in the ongoing evaluation of pensions policy. ETK is the administrative body of the statutory national earnings-related pension scheme and a centre of expertise on pensions policy. It is therefore a hybrid between a government agency providing pension services and a research organisation that evaluates policy and develops evidence.

ETK is established by statute and holds significant responsibility for ensuring the operation of pensions in Finland and its broader impact comes through its research and reputation. It has no regulatory power, but it is subject to considerable regulation itself, to ensure that risk is managed properly. As a statutory co-operation body, ETK works with pension providers in the private and public sectors, the social insurance institution, public bodies, decision-makers, researchers, educational institutions, the media, as well as the insured and policyholders.

ETK's chairman and vice-chairman are appointed by the Ministry of Social Affairs and Health alongside 'representatives', who are drawn from various categories (employees, the self-employed, private employers, public sector employers, farmers, insurance funds, company pension funds, pension providers). The representatives then appoint another 13 people to the board. ETK is responsible to the government in fulfilling its statutory functions but its research is impartial. It delivers regular research into all elements of the pension system but is especially concerned with ensuring the earnings-related system is reliably and effectively managed and that public trust is maintained and expanded. ETK also has a public communications role to ensure that people are familiar with pensions and kept informed about any changes, including the 2017 reforms.

The Netherlands

The Netherlands has a tradition of developing pensions policy through social partnership agreements and for the last 5 years the Dutch government has been seeking consensus on occupational pension reform.

In 2014 it launched a **National Pension Dialogue** to review the future sustainability of the employee pension system. The dialogue included a nationwide series of meetings and consultation with key stakeholder organisations. In parallel the government requested that the Netherlands **Social and Economic Council (SER)** produce an advisory report on the future of the Dutch pension system. This 2015 report was based on further consultation with stakeholders and its purpose was to develop and analyse alternative paths for reform rather than to choose between them. Having said that, the commission expressed a clear preference for one of the four models it presented – i.e. collective defined contribution pensions.

The CER carried out another study in 2016 to explore the feasibility of this option and opened consultation to test support for it as a potential reform. This led to further negotiations involving the government and social partners, which achieved agreement in principle. The SER was then tasked to prepare an advisory report to present key details of the new system which was published in summer 2019 alongside an announcement that agreement had been reached between the social partners.

The SER's role in providing advice on pensions reform has therefore played an essential part in supporting debate and negotiation between the social partners. The commission is the principal economic advisory body to the Dutch government and is the apex of the Dutch corporatist economic model, which seeks agreement on social and economic policy through consultation. Respect for, and trust in, the institution is fundamental to its successful operation. It advice is both solicited (i.e. commissioned by government, industry, or trade unions) and unsolicited (i.e. independent research and analysis).

The SER was created in 1950 as a compromise between a free market and a planned economy and it aims to bring together government, employers and employees in policy making. The commission has formal regulatory powers, although these are emphasised less than its role as a consultative and expert-led advisory body. Nonetheless, formal power is wielded in the form of employment inspections and through enforcement of negotiated agreements. It is also responsible for some executive functions such as promoting employee participation.

The SER has 33 members in three sections of 11 (government appointees, trade union representatives, and employer organisation representatives). These members appoint a Board consisting of four members from each section and the Chair is appointed by government. SER has the broadest remit of any social institution in the Netherlands and crosses the entire economy. Beyond direct economic issues, it also advises on healthcare, the environment and energy. ■

APPENDIX TWO:
Arms-length advisory bodies

Advisory Board for Safer Gambling

Founded	2008, renamed 2019
Role	Advice
Policy coverage	Narrow
Legal status	Non-statutory committee
Governance	9 members
Resources	None
Sponsor	Gambling Commission
Powers	None

The ABSG is a source of advice to the Gambling Commission not central government. It monitors and advises on the implementation on the national strategy to reduce gambling harms. It also promotes good practice and conducts research. Until 2019 the board was responsible for developing and delivering the strategy, but this role has been passed to the Gambling Commission because it has regulatory powers.

Bank of England Financial Policy Committee

Founded	2012
Role	Monitoring risk, policy maker
Policy coverage	Medium
Legal status	Created by statute, part of the Bank of England
Governance	13 members, including 6 BoE employees, chaired by the Governor
Resources	Part of the Bank of England
Sponsor	Treasury
Powers	Directions to the Financial Conduct Authority and Prudential Regulatory Authority (which in turn can direct financial institutions). Also power to make recommendations on a 'comply or explain basis'

The Bank of England Financial Policy Committee was created to identify, monitor and act against risks to the UK financial system. It directs the Bank of England with respect to stress tests and cyber-attack tests of large financial institutions and directs the level of risk financial institutions may assume. It also produces the Financial Stability Report twice a year which sets out key risks to financial stability, the preparedness of the financial sector and actions the committee is taking. As part of the Bank of England the committee is independent from government but receives annual direction from the Treasury setting out economic goals.

Building Regulations Advisory Committee

Founded	1962
Role	Advice
Policy coverage	Narrow
Legal status	Statutory NDPB
Governance	Chair and 16 members
Resources	None
Sponsor	Ministry for housing, communities and local government
Powers	MHCLG is required to consult on building regulations

BRAC is a technical committee that advises on revisions to building regulations. It is made up of planning and construction specialists and it works through standing groups and working parties convened on specific issues. It is a reactive sounding board for government policy making that does not propose reform.

Children's Commissioner for England

Founded	2004
Role	Analysis, scrutiny, advice
Policy coverage	Broad
Legal status	Statutory NDPB
Governance	1 commissioner, plus advisory board
Resources	£2.5 million, 30 staff
Sponsor	Department for Education
Powers	Data access and right of entry to services

The Children's Commissioner is mandated to represent the interests of children, and in particular children who are vulnerable or in care. The commissioner conducts inquiries and research projects and feeds into government consultations. The office also provides a helpline to children in the care system. A recent government review concluded the office was an effective advocate for the interests of children.

Committee on Climate Change

Founded	2008
Role	Analysis, monitoring, advice, policy development
Policy coverage	Broad
Legal status	Statutory NDPB
Governance	Chair and 7 members, plus an adaptation sub-committee

Resources	£3.4 million, 30 staff
Sponsor	Department for business, energy and industrial strategy, Department for environment, food and rural affairs
Powers	None

The CCC is a powerful advisory body which proposes successive carbon budgets and provides advice and scrutiny in relation to meeting these targets and on climate change more widely. Its recommendations for climate budgets have always been accepted and its policy advice is frequently implemented. The CCC has also been influential in shaping public opinion and providing advice overseas. The Adaptation Sub-Committee advises on the impacts of climate change for the UK and on the implementation of the national adaptation programme.

Committee on Fuel Poverty

Founded	2001, renamed 2016
Role	Monitoring, advice
Policy coverage	Narrow
Legal status	Non-statutory NDPB
Governance	Chair and 5 members
Resources	None
Sponsor	Department for business, energy and industrial strategy
Powers	None

The committee monitors progress towards fuel poverty targets established in the 2015 fuel poverty strategy and provides advice and scrutiny on the delivery of the strategy. The committee has no freestanding budget to commission research and the government has not responded to its recent reports.

Equality and Human Rights Commission

Founded	2007
Role	Analysis, monitoring, advice, regulation
Policy coverage	Broad
Legal status	Statutory NDPB
Governance	11 commissioners, including a Scotland, Wales and disability commissioner
Resources	£18 million, 190 staff
Sponsor	Government Equalities Office
Powers	Regulatory and enforcement powers

The EHRC is both the regulator for equality legislation and a source of strategic advice on equality and human rights issues. It carries out thematic inquiries and is Great Britain's UN-recognised national human rights institute with responsibility for monitoring the government's compliance with international human rights instruments. A 2018 government review concluded that the ECHR was not sufficiently effective and called on it to refocus towards its enforcement role.

Independent Commission on Civil Aviation Noise

Founded	2019
Role	Advice
Policy coverage	Narrow
Legal status	Non-statutory NDPB
Governance	5 commissioners
Resources	Not yet announced
Sponsor	Department for Transport
Powers	None

The commission was recently created, initially with a 2-year remit, to provide an independent source of expertise and advice. Its initial focus is research and good practice, but the government has said it will review whether enforcement powers are needed when its current mandate expires.

Law Commission of England and Wales

Founded	1965
Role	Advice, policy development
Policy coverage	Broad
Legal status	Statutory NDPB
Governance	Chair, 4 commissioners, 2 non-executive members
Resources	£2.3 million, 60 staff
Sponsor	Ministry of Justice
Powers	Government requirement to respond

The Law Commission is tasked with developing proposals for improving law without changing underlying policy. It makes recommendations for simplification, codification, consolidation and removing anomalies and obsolete law. It consults on a work programme every 3 to 4 years and then develops draft legislation for consideration by the Lord Chancellor and Parliament. More than two thirds of the commission's recommendations have been implemented.

Low Pay Commission

Founded	1997
Role	Analysis, advice
Policy coverage	Narrow
Legal status	Statutory NDPB
Governance	Chair and 8 members
Resources	£900,000, 8 staff
Sponsor	Department for Business, Energy and Industrial Strategy.
Powers	None

The Low Pay Commission advises government on rates for the National Minimum Wage and (since 2015) the National Living Wage. The board must have a mix of members with employee, employer and other backgrounds. The government provides a tight policy remit to the commission (especially since the introduction of the NLW) and almost always accepts its recommendations. The value of the LPC was called into question following the introduction of the NLW, without the commission's involvement or any negotiation between social partners.

Migration Advisory Committee

Founded	2007
Role	Analysis, advice, technical policy development
Policy coverage	Medium
Legal status	Non-statutory NDPB
Governance	Chair, 5 members
Resources	£800,000, 11 staff
Sponsor	Home Office
Powers	None

MAC is best known for proposing Shortage Occupation Lists for skilled migration, but it also provides wider advice on migration policy. Reports are mostly commissioned by ministers, but it has the power to conduct research at its own initiative. Technical and policy recommendations are usually accepted by ministers.

National Infrastructure Commission

Founded	2015
Role	Analysis, scrutiny, advice
Policy coverage	Broad
Legal status	non-statutory executive agency
Governance	Chair and 8 commissioners
Resources	£5.3 million, 40 staff
Sponsor	Treasury
Powers	HM Treasury requirement to respond (non-statutory)

The NIC advises government on all areas of economic infrastructure including energy, transport, water, waste, floor risk and digital communications. It produces the National Infrastructure Assessment at least once in each parliament, which presents long-term needs and recommendations for meeting them. It also publishes thematic studies and monitors government progress on delivering its recommendations. The government has accepted most of the NIC's recommendations.

Office for Budget Responsibility

Founded	2010, statutory body from 2011
Role	Analysis, scrutiny
Policy coverage	Broad
Legal status	Statutory NDPB
Governance	3-person Budget Responsibility Committee, 2 non-executive members

Resources	£2.8 million, 31 staff
Sponsor	Treasury and Parliament
Powers	Right of access to official information required for forecasts, ministerial duty to respond to some reports

The OBR is a highly respected source of analysis and scrutiny on economic and public finance issues which is perceived to be independent from government, including by international observers. It produces economic forecasts and reports alongside each Treasury fiscal event as well as freestanding reports on long-term public finances, social security and fiscal risks. Its remit has slightly expanded in recent years and it has broad flexibility in what it does and how it does it.

Small Business Commissioner

Founded	2017
Role	Investigation, information
Policy coverage	Narrow
Legal status	Statutory NDPB
Governance	1 commissioner
Resources	£1.3 million, 10 staff
Sponsor	Department of business, energy and industrial strategy
Powers	Weak regulatory powers

The small business commissioner exists to support small businesses to secure prompt payments. It provides information to SMEs and conducts investigations into large businesses, but without any freestanding enforcement powers. Surprisingly the commissioner's office does not have a mandate to advise government and does not comment on broader issues affecting small business.

Social Mobility Commission

Founded	2010, name changed twice in 2012 and 2016
Role	Analysis, advice
Policy coverage	Broad
Legal status	Statutory NDPB
Governance	Chair and 12 commissioners (number has varied over time)
Resources	£2 million, 9 staff
Sponsor	Department for Education
Powers	None

The SMC was originally established in law as the Child Poverty Commission, but its name was changed to the Social Mobility and Child Poverty Commission and then the Social Mobility Commission by further legislation. The SMC monitors progress towards better social mobility, including through an annual 'state of the nation' report and has broad flexibility over the issues it examines. It has had little impact on government policy. In 2017 all its commissioners resigned citing government inattention. The commission was reconstituted in 2018 but ministers rejected reform proposals from the House of Commons education committee.

Social Security Advisory Committee

Founded	1980, replacing previous bodies
Role	Scrutiny, advice
Policy coverage	Medium
Legal status	Statutory NDPB
Governance	Chair and 10-13 members
Resources	£350,000, 6 staff
Sponsor	Department for Work and Pensions
Powers	DWP is required to refer proposed regulations and then publish SSAC advice and department response

SSAC has a general remit to advise the DWP on social security issues but its main function is to scrutinise secondary legislation. It therefore mainly responds to government policy development rather than providing freestanding advice. Typically, around half the recommendations it makes are accepted, but this varies greatly depending on the subject matter. ■

The People's Pension is part of not-for-profit B&CE Holdings. B&CE was set up in 1942, and is run by a board drawn from construction federations and trade unions to deliver employee benefits. We provide low cost, high quality pensions focused on the needs of low and moderate earners.

Bright Blue is an independent think tank and pressure group for liberal conservatism. Its work is guided by five research themes: social reform, immigration and integration, energy and environment, an ageing society, and human rights. As a community of liberal conservatives, Bright Blue is at the forefront of thinking on the centre-right of politics.

The Fabian Society is Britain's oldest political think tank. Founded in 1884, the society is at the forefront of developing political ideas and public policy on the left. The society is alone among think tanks in being a democratically-constituted membership organisation and was one of the original founders of the Labour party.

This report represents not the collective views of the organisations involved but only the views of the individual authors.

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