THE FUTURE FACING
PENSIONS AND LIFETIME SAVINGS ASSOCIATION

GOOD PENSIONS FOR EVERYONE: PRIORITIES FOR THE NEXT GOVERNMENT

WORKPLACE PENSIONS ARE A VITAL PART OF THE UK ECONOMY

They provide an essential retirement income for millions of workers and drive growth by investing £2 trillion in our economy.

Today more people are saving into workplace pensions and they have more freedom over how to use their savings than ever before. But the future remains uncertain as people don't know how much to save and many defined benefit schemes and their employers face funding challenges.

The next Government must do everything it can to help everyone reach a good income in retirement. We propose four ways to achieve it:

1

ADEQUATE CONTRIBUTIONS:

Increase automatic enrolment contributions to boost savings

2

EFFECTIVE ENGAGEMENT:

Ensure the Pensions Dashboard helps people set and achieve goals

3

WELL-RUN SCHEMES:

Put in place the right funding regime for Defined Benefit schemes, backed with appropriate powers for the regulator to prevent reckless behaviour

4

PENSIONS AND SCALE:

Facilitate new large-scale schemes to protect savers and help employers

1 ADEQUATE CONTRIBUTIONS: INCREASE AUTOMATIC ENROLMENT CONTRIBUTIONS TO BOOST SAVINGS

Since its introduction, automatic enrolment has seen over 10 million people newly saving or saving more for a pension in the UK. This is a genuine success story. However, at the current contribution rate of 8% of automatic enrolment band earnings the majority of savers are unlikely to have a good standard of living in retirement.

THE NEXT GOVERNMENT SHOULD:

◆ **Increase automatic enrolment contributions to 12% of salary by 2030 (split 50-50 between employer and employee) – following the lead of the PLSA's Pension Quality Mark.**

◆ **Implement current Government policy to remove the Lower Earnings Limit for automatic enrolment as soon as possible.**

◆ **Ensure any solution to tackle social care funding should not be at the expense of existing and extra pension savings.**

2 EFFECTIVE ENGAGEMENT: ENSURE THE PENSIONS DASHBOARD HELPS PEOPLE SET AND ACHIEVE GOALS

Savers' engagement with their retirement savings is too low: workers today have multiple pension pots and don't know how much they have saved in total, nor do they know how much they need to save to get the lifestyle they want in retirement.

The current Government has asked its Money and Pensions Service and the pensions industry to develop a Pensions Dashboard so savers can see all their pensions in one place.

THE NEXT GOVERNMENT SHOULD:

◆ **Support the development of the Pensions Dashboard as the initial dashboard solution, ensuring it is non-commercial, has access to data, and protects consumer information.**

◆ **Include the State Pension so people can fully understand their retirement income.**

◆ **Ensure the PLSA's new Retirement Living Standards are included to help people understand the lifestyle their savings could buy them.**

3 WELL-RUN SCHEMES: PUT IN PLACE THE RIGHT FUNDING REGIME FOR DEFINED BENEFIT SCHEMES, BACKED WITH APPROPRIATE POWERS FOR THE REGULATOR TO PREVENT RECKLESS BEHAVIOUR.

The Pensions Regulator plays a vital role in setting standards and preventing reckless behaviour. But while most pension schemes are well-run and managed, high-profile cases like Carillion and BHS damage confidence in the pensions system. The Government's 2018 Defined Benefit White Paper proposed changes that will help make DB pensions more sustainable.

THE NEXT GOVERNMENT SHOULD:

◆ **Legislate quickly to give the Pensions Regulator new powers to take action sooner, impose appropriate fines, and have more oversight of risky corporate transactions in order to prevent reckless behaviour and protect savers' hard-earned money.**

◆ **Take forward the current Government's proposal for a new defined benefit funding code so the Pensions Regulator can set clear funding standards.**

The Cost Transparency Initiative – a partnership between the PLSA, the Investment Association and the Local Government Pension Scheme Advisory Board – is making the costs and charges in investment funds clear, improving the running of pension schemes by providing pension trustees with comparable and accurate data.

4 PENSIONS AND SCALE: FACILITATE NEW LARGE-SCALE SCHEMES TO PROTECT SAVERS AND HELP EMPLOYERS

11 million people in the private sector schemes rely on the benefits from defined benefit pension schemes for a secure pension in retirement. However, despite employer contributions of £400 billion over the last decade, 3,500 DB schemes have a combined £188 billion deficit and 3 million people in have just a 50/50 chance receiving their benefits in full.

We campaigned for the new Master Trust authorisation regime and we support further initiatives that facilitate high quality governance and improve value for savers.

THE NEXT GOVERNMENT SHOULD:

◆ **Take forward the proposals from its 2018 White Paper to strengthen protection for savers by allowing consolidation and the creation of Superfunds to protect member benefits and create an incentive and achievable goal for employers to accelerate funding into schemes.**

◆ **Enable DB Schemes to enter into a superfund at a lower cost than insurance buyout, giving employers greater flexibility while also protecting savers.**