PENSIONS PRIORITIES FOR THE FIRST 100 DAYS OF A NEW 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 over £1 trillion in our Government and economy. We believe there are five key areas of the UK pensions system that a new Government can take action on quickly, within the first 100 days of Government, to better secure the financial futures of the millions of savers currently saving towards retirement.

SUPPORT ADEQUATE PENSION SAVING

Thanks to automatic enrolment (AE), 19.4 million people who had not previously saved into a pension scheme are now setting money aside for their retirement. While AE has been successful in getting millions more saving for retirement, too many are excluded, and many of those in auto enrolment are not saving enough. According to PLSA research, more than 50% of savers will fail to meet the retirement income targets set by the 2005 Pensions Commission and without policy intervention, most people in the UK will retire with inadequate pension income. The Government has begun taking action to address this shortfall by introducing some reforms to the AE regime, but more action is needed. To improve retirement incomes for savers, the next Government should:

- **Extend automatic enrolment:** Introduce the secondary legislation needed to enact the powers contained within the Pensions (Extension of Automatic Enrolment) Act 2023 which will allow saving from the first pound of earnings and from age 18.
- **Publish roadmap for raising automatic enrolment contributions:** Set out a roadmap for raising contributions gradually over the next decade. Increases in contributions should be split 50/50 between employers and employees so that each must pay 6%. This means an increase of only 1% for employees and 3% for employers so that total contributions reach 12% by the mid-2030s.
- **Employment Bill – Scope of automatic enrolment:** Bring forth an Employment Bill to reclassify gig economy workers so they can start saving into a pension.

HELP SAVERS NAVIGATE CHOICES AT RETIREMENT

The 2015 pension freedoms offer savers more flexibility and choice, but also more risks for savers to consider. There is still much work to do to ensure people are able to negotiate the path from saving to drawing their pension successfully. Our proposed **Guided Retirement Income Choices** framework provides a basis for reform. There should be a requirement on trustees, set out in legislation, to support their members at the point of retirement with suitable products underpinned by common standards, so that savers can rely on the availability of safe and effective solutions. We believe this is the best way to give providers the confidence they need to innovate and to ensure savers are supported. The Government has already consulted industry on proposals so, after the election, the next Government should act quickly to:

- **Introduce a statutory duty for trustees:** Introduce legislation that will place a statutory duty on trustees to offer decumulation support and guidance for savers.

SUPPORT WELL RUN DB SCHEMES

Defined Benefit (DB) schemes remain of critical importance in the provision of pensions in the UK. We find that nearly 10 million people with access to a DB pension are more likely to be on track for an adequate income in retirement. Government and regulators should therefore ensure a sensible regulatory environment for DB schemes that can help ensure the sustainability of open DB schemes and help closed DB schemes run off more efficiently and ultimately secure member benefits. Superfunds, which are DB consolidators, can potentially provide an affordable additional option for employers, creating an incentive and achievable goal for them to secure member benefits. However, there have been several delays in putting the Superfund regime on a statutory footing. Therefore, a new Government should:

- **DB funding rules:** Ensure that the final funding code that applies to DB pension funds provides greater flexibility over their investments to allow open DB pension funds, and closed DB pension funds with long investment time horizons, to take more investment risk where this is appropriate to protecting member benefits.
- **Superfunds:** Legislate for the introduction of Superfunds to ensure the final Superfund regime offers at least the same level of protection to scheme members as the DB funding regime.
- **Surplus release:** Introduce regulations to support greater surplus sharing among DB schemes with robust protections of member benefits. In our view the appropriate measure of when a surplus exists should be that proposed by the DWP for the "low dependency regime" with an appropriate buffer.

BRIDGE THE PENSIONS AND GROWTH GAP

Today, UK pension funds invest over £1 trillion in the UK through a mixture of UK shares, corporate bonds, government debt, and other asset classes. However, recently there have been many public calls from policymakers for pension funds to play a bigger role in providing additional capital to support growth in the UK economy, especially through increased direct investment in infrastructure, private markets and venture capital. The in-coming Government should look to encourage investment in the UK economy in the following ways:

- **Automatic enrolment DC Market**: Support the ongoing Value for Money regime so there is less focus in DC schemes on cost and more on performance. Importantly making sure that the regimes run by the FCA and TPR truly align and that the retail market is captured.
- **Pipeline of assets:** Work in close partnership with the pension industry to identify a pipeline of investible opportunities which will both support UK growth and achieve the right risk-return and cost characteristics needed**.**
- **Fiscal incentives**: Use the first Budget to introduce fiscal incentives that make investing in UK growth more attractive than competing assets, this could be to allow tax free dividends on investment by pension funds in UK companies, and provide additional tax incentives, like the LIFTS initiative, in UK start-ups and companies requiring late-stage growth capital.

SUPPORT THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The LGPS is the largest DB pension scheme in the UK, and one of the biggest in the world, with assets totalling more than £425 billion. It provides pension benefits to over 7.1 million members, across more than 17,000 employers in a diverse range of essential fields. The LGPS operates in a complex regulatory environment with different parts of the LGPS required to report to a number of disparate bodies as highlighted in our **LGPS: Today's Challenges, Tomorrow's Opportunities** report. A new Government should:

- **LGPS good governance review:** Put into action the recommendations from the LGPS Scheme Advisory Boards's 'Good Governance Project' to develop a common standard on governance, and foster effective relationships between pensions funds and asset pools with a focus on the type and quality of outcomes administering authorities should aim to achieve. Support the success of current pools and work towards greater collaboration of pools.

