PENSIONS AND LIFETIME SAVINGS ASSOCIATION

May 2017

PRIORITIES FOR PENSIONS

A MANIFESTO FOR GOVERNMENT

from the Pensions and Lifetime Savings Association

The next Government must do everything it can to help everyone reach a good income in retirement. Ahead of the 2017 General Election, our manifesto outlines how it can achieve this.

Our six priorities aim to get more money into retirement savings, to get more value out of those savings and to build the confidence and understanding of savers.

1

STATE PENSION

The State Pension is a solid base from which to build private savings towards an adequate income in retirement.

The State Pension, set at its current value relative to average earnings, is affordable without further increases to the State Pension age. The UK is already set to have, at 68, the highest State Pension age of any OECD country.

The triple lock has been valuable in raising the relative incomes of pensioners but, if it is maintained in future, it will add around 1% of GDP to the cost of the State Pension. ***A simpler, fairer and more affordable uprating mechanism should be introduced,*** linking to earnings growth, enabling the State Pension to keep pace with working age incomes, with a floor to protect against any periods when wages fall. Indexing in line with earnings will allow the State Pension to maintain its current value of around 30% of average earnings.

2

AUTOMATIC ENROLMENT

Automatic enrolment will deliver a real improvement for millions of people's retirement incomes.

But there is still much more to do, with 90% of savers in Defined Contribution pensions at high risk of not achieving an adequate replacement income.

The PLSA believes that the Government can build on the success of automatic enrolment. To do this, it is essential that ***minimum overall contributions increase to at least 12% of salary by 2030, with steps taken now towards this goal.*** The Government should also ***extend automatic enrolment to include 18-21 year olds, self-employed people and those in multiple jobs paying low salaries totalling £10,000 or more.***

3

DEFINED BENEFIT

The UK's DB pensions are underfunded, with around three million people having only a 50:50 chance of seeing their benefits paid in full.

That's an unacceptable risk. It leaves them – and the Government - with no certainty when it comes to the future for DB savers and the future of the DB system. For employers, it means paying billions into their schemes every year, but barely keeping up.

The Government should ***bring forward legislation to reduce burdens and enable pension schemes to share services or to merge, delivering better returns, saving money and improving governance.*** This will mean a greater chance of members receiving their benefits. It will free employers to focus on corporate growth and it will return public confidence to the system.

4

PENSION SCAMS

Pension scams damage people's retirement incomes.

A typical scam involves a pension scheme member being offered too-good-to-be-true investment opportunities if they move their pension to another scheme.

Under current law, the scheme trustees are powerless to stop the transfer even if they have grave concerns about the risks to the member involved.

To protect people from pension scams, ***the Government should legislate to establish an authorisation regime for pension schemes.*** An individual would only have the right to transfer to an authorised scheme.

5

HELP AT RETIREMENT

Decisions made at retirement are some of the most important, yet difficult, decisions to make.

The 'at retirement' market needs to be reformed in order to better meet people's needs at the end of their working lives. It took concerted policy effort in the shape of automatic enrolment to ensure people were saving into pensions. When it comes to making difficult decisions at retirement, a similar solution is needed to allow people to access their pension, making the line of least resistance the right financial choice for most people.

The Government should ***make it easier for trustees to signpost good quality and good value schemes or products.*** This will ensure that those who are unwilling or unable to make a choice have their interests safeguarded.

6

TAX RELIEF

Savers must continue to be incentivised to save, and any tax reform should harness incentives to save, not remove them.

Further piecemeal cuts will undermine the stability of – and public trust in – the system of pensions tax relief. A move to 'taxed, exempt, exempt' (TEE) system would also be bad news for savers, employers and ultimately Government. It would reduce the incentive to save for millions of people and their employers and add cost and red tape for employers, threatening the success of automatic enrolment and the prosperity of future pensioners.

The Government should undertake a thorough, independent review of tax and incentives to save seeking sustainable solutions which continue the alignment of Government (both current and future), savers, employers, industry and broader society which has driven the success of automatic enrolment so far.

WHAT DO BRITISH PENSIONS NEED FROM BREXIT?

The UK has the largest pensions sector in the EU. The right kind of Brexit for pension schemes is one that ensures the best possible access to people, goods, services and financial services but which protects pension schemes from a damaging EU solvency regime in the future. Such a regime could cost UK businesses hundreds of billions of pounds.

If negotiating the new arrangements takes longer than the two years available under Article 50, then a transitional system will be essential to avoid major economic disruption – both to pension schemes as investors and to the companies that sponsor them as employers.

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