

## Roundtable to discuss PPI Briefing Note 101

The Pensions Policy Institute held a roundtable discussion on 11 July to discuss the findings and policy implications of PPI Briefing Note 101 commissioned by StepChange the debt charity. This Briefing Note explored the impact on retirement income of a policy suggestion which aims to reduce the risk of problem debt by building up an Accessible Pension Savings pot.

**Lord Kirkwood of Kirkhope** chaired the roundtable. He welcomed the attendees and introduced the topic.

**Francis McGee, Director of External Affairs at StepChange** described the work that StepChange do and outlined the scale of problem debt in the UK:

- He said that 95% of the people they advise are of working age.
- There are 2.9 million people who are in serious financial distress.
- The cost in damage of financial distress adds up to £8.3 billion a year, including £2 billion in lost productivity as a result of time off or distraction at work.

**John Adams of the PPI modelling team**, summarised the results of the research.

**Joe Surtees Senior Public Policy Advocate at StepChange** responded to the research findings.

- He noted that low earning people are at risk from problem debt because they don't tend to have much savings.
- The pension system is working to encourage savings, by using nudge tactics and matching. The success of the pension system could be used to provide a vehicle for accessible savings.
- He set out possible incentives to retain money within the APS.
- He highlighted that the impact from the APS on the total retirement income is low.

This was followed by a discussion between the attendees. The discussion was held under Chatham House Rule and comments do not necessarily reflect the views of the PPI or the represented organisations. The following topics were raised during discussion.

### **Legislative issues relating to the policy including**

- It was suggested that the policy would require primary legislation. There would be tax relief implications, as well as changes to the pension system.

Therefore legislative requirements to in order to proceed would include a Finance Bill and a Pensions Bill.

- In the course of an impact assessment, other costs may be encountered.

### Design of the Accessible Pensions Savings

- Simplicity is important to engage people. A complex design turns people off. It was suggested that an Accessible Pension Saving should not be overly complicated or add too much complexity to pension savings.
- It was also noted that complexity may lead to higher costs to the pension scheme. Simplicity could keep costs down.

### Accessible Pensions Savings in the context of Defined Benefit pension schemes

- Some thought should be put in to providing a similar saving pot for Defined Benefit pension scheme members, especially for those in the public sector in unfunded schemes where there is no asset backing to access.
- It was suggested that a loan back arrangement from an appropriate provider could be used, using the Defined Benefit scheme as collateral.

### Administration issues relating to Accessible Pensions Savings

- Are there any additional costs to administrating the scheme that would be expected to come out in an impact assessment?
- The benefit system can be slow to react after an event and assessing eligibility and making payments can be slow.
- Access to the money would have to be improved. Currently, opted out people have a difficult time in accessing their refund of contributions.
- Small pots - pot follows member?

### Stakeholder behaviour

- Would allowing access encourage people to save in pension schemes (or discourage opting-out)?
- If there is a legitimate route to access money in an emergency would this help reduce the use of high cost pension access vehicles?
- Employers may be supportive if they understand the impact that problem debt can have on productivity.

### Further research

- Are there any countries that offer a similar scheme? What is their experience?
- What do people over age 55 do now? Do they take advantage of pension freedoms to avoid problem debt?