



Shaping a stable pensions solution
Final project report

January 2005 - March 2006

Shaping a stable pensions solution: Final project report

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Introduction

This is the end of project report for Nuffield Project Grant AGE/131, *Shaping a stable pensions solution*, which ran from 1 January 2005 to 31 March 2006.

The aim of the *Shaping a stable pensions solution* project was to build up a picture of the possible shape of a consensus pension solution that could work for the long term. The approach was to use a series of seminars in which pensions experts debated papers written by specialists on the most critical and topical pension policy issues. A final report based on the analysis prepared for the seminars and the debates held was published on 29 March 2006.

The first part of this paper contains a summary end of project report covering the research processes, conclusions and outcomes.

The second part of this report looks in more detail at some of the wider issues raised by this project for policy research in general. In particular,

- How this project was different from other pensions policy analysis.
- Why this project was useful.
- The importance of maintaining independence in policy research.

Project summary

The aim of the *Shaping a stable pensions solution* project was to build up a picture of the possible shape of a consensus pension solution that could work for the long term. The approach was to use a series of seminars in which pensions experts debated papers written by specialists on the most critical and topical pension policy issues. A final report based on the analysis prepared for the seminars and the debates held was published on 29 March 2006.

Seminars were well attended. There were around 40 attendees at each seminar and 80 pension experts attended one or more seminars. 3 or 4 experts were discussants at each seminar, which was a successful way to explore different opinion and generate debate. The papers prepared for each seminar have been downloaded extensively from the PPI website (around 10,000 downloads in total), and over 200 printed copies of the final report have been distributed to key policy makers and pension experts.

5 of the 6 seminars were held as originally planned. As part of the mid-project review it was decided to delay the final seminar until after the publication of the Pensions Commission's second report, and to use the last seminar to launch the final report of this series. This placed the research findings in the centre of the pension reform debate.

Engagement with Government policy makers has been high, including at ministerial level. Involving senior Government officials (from the Department for Work and Pensions, HM Treasury and the Pensions Commission) early in the project and in reviewing the papers helped to ensure that the analysis was comprehensive, the selected topics were relevant and that the analysis was seen by policy makers. Senior policy makers (including former and current Ministers and opposition spokespeople) attended seminars, and the Minister of State for Pensions Reform spoke at the launch event.

The main finding of the research is that fundamental to getting pension policy on the right track is clarifying the currently confused role of the state in pension provision. The majority view of the experts contributing to this project was that the role of the state in UK pensions should be clearly delineated into two:

- Deliver better on the one role that only the state can do - poverty prevention, and,
- Enable and incentivise the private sector to do what it does best – provide earnings-related pensions on a voluntary basis.

Consistent with this approach, this project identified the general shape of a consensus solution:

1. The current state pension system should guarantee against poverty more effectively.
2. Fewer people should be means-tested for basic income.
3. More people should qualify for a full state pension.
4. Voluntary earnings-related provision should be encouraged on top of a reformed state pension.
5. Working longer will play a key part in increasing retirement income.

The final report also reported widespread concern that pension policy, once reformed, should be sustainable and stable over time, and offered ways in which this could be achieved.

The findings from this project have already been used in further PPI research (*NPSS policy designs and choices* (April 2006) and the PPI submission to the Work and Pensions Select Committee), and was indirectly referred to in the Pensions Commission's 3rd report. The general consensus solution identified by this project provides a strong comparator for the state pension reforms proposed by the Department for Work and Pensions in the White Paper published in May 2006.

The PPI has assessed this project to be very successful. In particular, the seminar format allowed involvement of many people from different areas of the pensions debate who do not often have the opportunity to meet. Also the papers produced for the seminars allowed some very detailed analysis with engaged review by experts (some of whom were officials). The papers were therefore good research reports in their own right which should continue to add to public debate beyond the scope of this project.

Wider issues for policy research

This part of this report looks in more detail at some of the wider issues raised by this project for policy research in general. In particular:

- How this project was different from other pensions policy analysis.
- Why this project was useful.
- The importance of maintaining independence in policy research.

How this project was different from other pensions policy analysis

1. Compared to most pensions policy analysis, this project had more significant input from a wide group of very experienced pensions experts at every stage of the process:
 - Initial selection of the topics to be covered in research papers, authors for those papers and discussants.
 - Review of the analysis in each research paper.
 - Debate at seminars enabling conclusions to be drawn.
2. External involvement came from a wide range of expertise in the pensions area, covering academia, lobby organisations, politicians, the pensions industry; other research organisations and Government officials. It is more usual that pensions experts meet within each speciality.
3. This external involvement helped to ensure that the research undertaken as part of this project was highly relevant and analytically robust.
4. Another distinguishing feature of this project is that it was designed to find consensus through analysis and debate. Rather than being only a PPI analysis of the issues, this project looked to take PPI and other analysis one stage further, and assimilate the conclusions that pension experts drew from the research reports. The project was therefore able to identify areas of consensus with some degree of robustness, although inevitably not everyone agreed completely with the consensus view.

Why this project was useful

5. By bringing together analysis and individual viewpoints from a wide range of backgrounds in the general pensions arena (academia, lobby organisations, politicians, the pensions industry, other research organisations and Government officials) the project allowed for an exchange of ideas between separate but related constituencies. This provided a rounded and representative outcome, and gave credibility to the findings.

6. By running in parallel to the work of the Pensions Commission, the project also provided a forum for debate for some of the issues raised by the Commission's emerging findings. There were very few opportunities for direct input into the Pensions Commission process (by individual organisations or in wider debate), so the *Shaping a stable pensions solution* seminars enabled a broad discussion among experts that might otherwise not have taken place.
7. The project concluded by identifying a high level external consensus for state pension reform. This helped to contextualise and challenge validate the internally-driven findings of the Pensions Commission in November 2005. It also set a policy context for the White Paper of May 2006.

The importance of maintaining independence

8. The role of the PPI is to provide independent fact-based analysis to feed into the policy making process. Independence is therefore crucial to the PPI. The PPI ensures that it does not propose, or lobby for, specific policy solutions.
9. The PPI does assist organisations in identifying the costs associated with, or the implications of, particular policy options. This should not however be interpreted as PPI 'advocacy' of, or support for, a particular policy solution.
10. For example, some commentators have suggested that the PPI 'champions' the Citizen's Pension, and as a result people presume that the PPI is lobbying for this. But a careful reading of PPI work shows that it has not proposed that the UK should take any particular policy route, and has not proposed introducing a Citizen's Pension.
11. It is the case though that through detailed research and analysis the PPI has built up significant understanding of, and expertise in, the relative advantages and disadvantages of different approaches to state pension reform. This expertise can, and should, be used to:
 - *Challenge inaccuracy and complacency in external analysis.*
 - *Present seemingly complicated issues in a way which is easier to understand.*
 - *Highlight important findings*
 - *Use existing research to 'benchmark' new reform proposals, such as those in the DWP White Paper.*
12. Using detailed and rigorous analysis helps to ensure that important policy decisions can be arrived at using a strong evidence base, and not based on opinion or mis-understanding of potential alternative reforms. This is not the same as lobbying for a particular solution.

Publications in the *Shaping a stable pension solution* series

PPI (2005 SEM1) *What should be the balance between state and private pensions?* April 2005

Emmerson C (2005) *Taxes, benefits and retirement income incentives* May 2005

PPI (2005 SEM2) *Why are incentives to work and save important?* May 2005

PPI (2005 SEM3) *Should state pensions be contributory or universal?* July 2005

PPI (2005 SEM4) *Should earnings-related pensions be compulsory or voluntary?* September 2005

PPI (2005 MPR) *Shaping a stable pensions solution: Mid-project report* October 2005

Hancock R, Pudney S, Barker G, Hernandez M and Sutherland, H (2005) *What should be the role of means-testing in state pensions?* November 2005

PPI (2006 SaSPS) *Shaping a stable pensions solution* May 2006

PPI publications using research findings from *Shaping a stable pension solution*

O'Connell, A (2006 NPSS) *NPSS policy and design choices* PPI

Curry, C and Steventon, A (2006) *Transition trade-offs: Options for state pension reform* PPI

PPI (2006 WPSC) *Submission to the Work and Pensions Select Committee inquiry into pension reform* PPI

PPI (2006) *An evaluation of the White Paper state pension reform proposals* Funded by the Nuffield Foundation

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