PENSIONS POLICY INSTITUTE
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The changing landscape of pension schemes in the private sector in the UK

On 26 June MetLife Assurance Limited hosted a seminar to launch a new report, *The changing landscape of pension schemes in the private sector in the UK,* published by the Pensions Policy Institute (PPI) and sponsored by MetLife Assurance Limited.

The research brings together the latest data on the state of private pensions in the UK. The report examines the main factors that have played a role in shaping recent trends in private sector pension provision and highlights how employers sponsoring Defined Benefit (DB) schemes are responding to the challenges of providing workplace pensions. Finally, the report also looks at the future of pension provision and it analyses how forthcoming and potential policy changes could affect pension schemes in the private sector.

Around 100 people attended the seminar, which was chaired by Nick Timmins, Senior Fellow at the Institute for Government and the King's Fund.

Chris Curry, PPI Research Director presented the main findings from the research.

Steve Webb MP discussed his latest thinking about 'Defined Ambition' pensions and the introduction of more risk-sharing.

Adri van der Wurff, Chief Client Officer atAPG Group discussed how risk-sharing in pension provision works in the Netherlands.

Alan Pickering CBE, Chairman of BESTrustees, offered a scheme member perspective on risk-sharing and conditional indexation.

Wayne Daniel, CEO at MetLife Assurance Limited, welcomed the report and gave a perspective on the current trends in risk transfer in the UK.

Discussion session
Following the presentations from the panel, the Chair opened the discussion up to contributions from the floor. The following points raised in the discussion do not necessarily represent the views of the PPI or the PPI seminar speakers, or sponsors of the report.

- It was highlighted that it would be important to assess how much appetite there is among scheme sponsors to introduce more risk-sharing. Although the percentage of open DB schemes has declined in recent years, they still represent an important part of the private sector pension landscape and sponsors of these schemes could be interested in introducing more risk-sharing.

- However, there was also discussion around whether introducing risk-sharing among DB schemes is feasible given that only 16% of schemes are currently open to new members. It was felt that automatic enrolment and the introduction of 'Defined Ambition' pensions might help to open the debate to introduce more risk-sharing within DB schemes.

- There was some discussion about why firms that are currently offering Defined Contribution (DC) schemes would want to move to provide more certainty through risk-sharing arrangements. It was highlighted that companies could be interested in introducing more risk-sharing because they care about their reputation or because they want to be differentiated from competitor companies that do not offer such pension arrangements.

- It was felt that risk sharing cannot be forced to happen just through new legislation. It was suggested that new legislation should be enabling rather than prescriptive.

- The use of conditional indexation in the Netherlands could provide useful lessons on how to share risks between employers and employees and between pensioners and employees. Conditional indexation and cuts in benefit payments have been accepted by all stakeholders in the Netherlands as the setting up of the schemes had involved all the relevant partners. The partners have accepted the long term implications of the schemes.

- This led to discussion as to why the UK has preferred a market solution rather than one agreed with the social partners and whether a market solution was possible. However, in the UK, collective wage bargaining has been in decline over the last thirty years and currently only 2 million workers in the private sector are union members. It was felt that these trends could make active participation of the social partners in pension provision difficult.

- There was discussion about the growth of DC schemes and the implication that good DC products with appropriate governance and regulation are needed to ensure that individuals attain a decent retirement income, as well as improved education and advice.