

PENSIONS POLICY INSTITUTE

PPI

Pension reform: is there consensus?

Pensions Policy Institute

November 2006

Niki Cleal, Director

Melanie Greenall, Researcher

Pension reform: is there consensus?



- PPI's analysis of organisations' responses to the Government's White Paper proposals

Objectives:

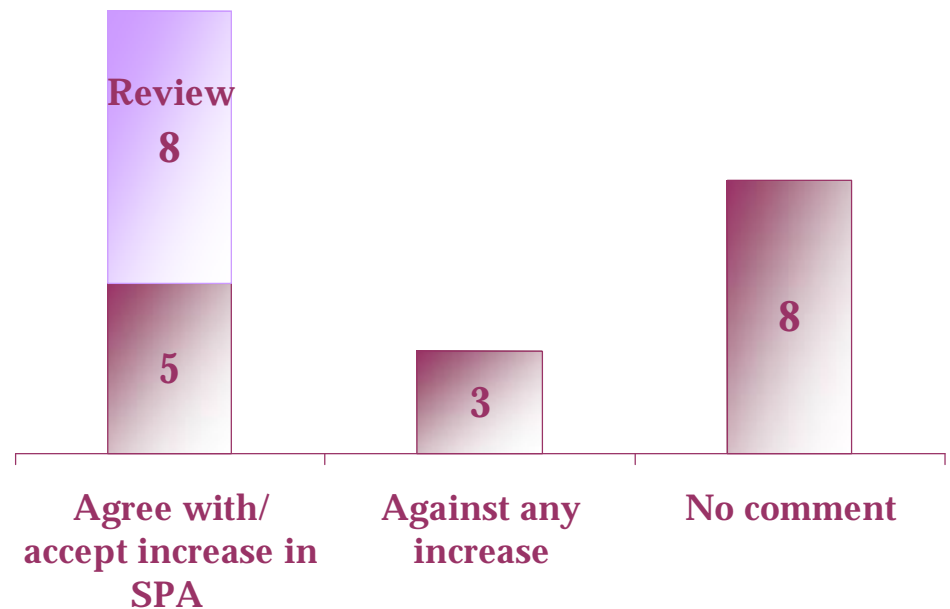
- Identify areas where there is consensus on the reforms
- Identify what more could be done to bring about consensus in areas where there are differences of view

- **State Pension Age**
- **State Pension Reform**
- **Personal Accounts**

- **State Pension Age**
- **State Pension Reform**
- **Personal Accounts**

Number of responses on reform of State Pension Age (SPA)

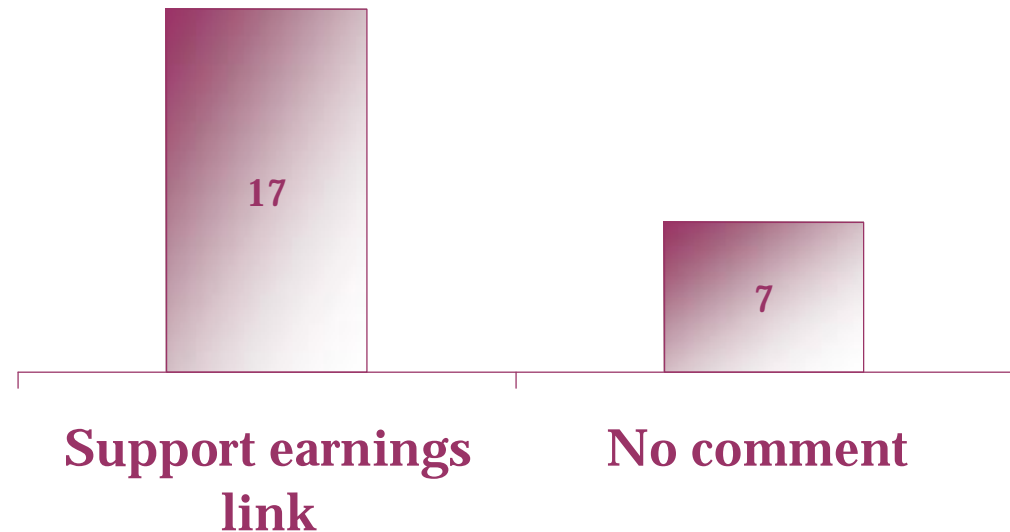
| Agree with Government proposed increases | Accept need for increase, but keep under review | Against any increase | No comment |
|---|---|--|---|
| <ul style="list-style-type: none"> •AEGON •BCC •CBI •Fidelity •SPC | <ul style="list-style-type: none"> •AC •ACA •EEF •EOC •HtA •NAPF •PPI •SW | <ul style="list-style-type: none"> •GMB •NPC •TUC | <ul style="list-style-type: none"> •ABI •AXA •Fawcett •FSA •IMA •NU •SL •Which? |



- State Pension Age
- State Pension Reform
- Personal Accounts

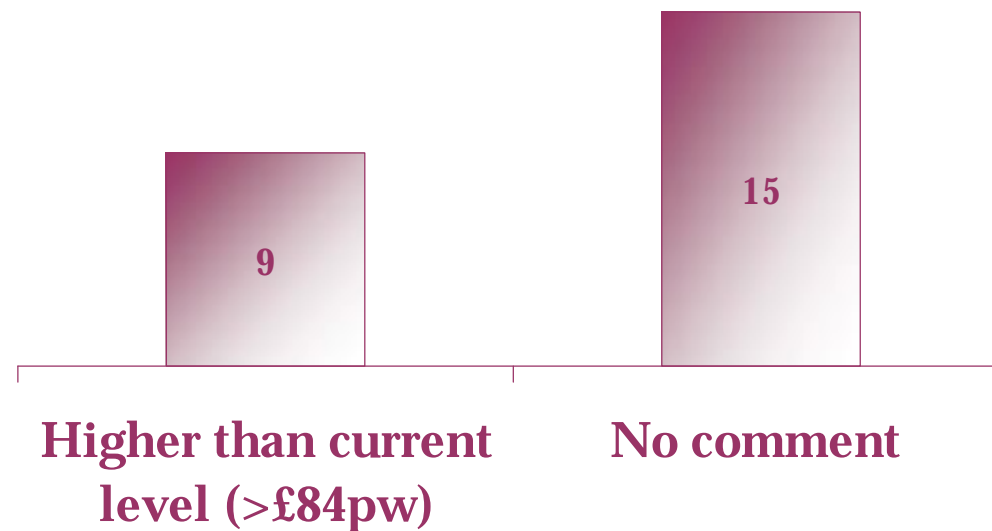
Number of responses on BSP indexation

| BSP Indexation | |
|--|---|
| Earnings | No comment |
| <ul style="list-style-type: none"> •AC NU •ACA PPI •AEGON •AXA SPC •CBI SW •EEF TUC •EOC •Fawcett •GMB •HtA •NAPF •NPC | <ul style="list-style-type: none"> •ABI •BCC •Fidelity •FSA •IMA •SL •Which? |



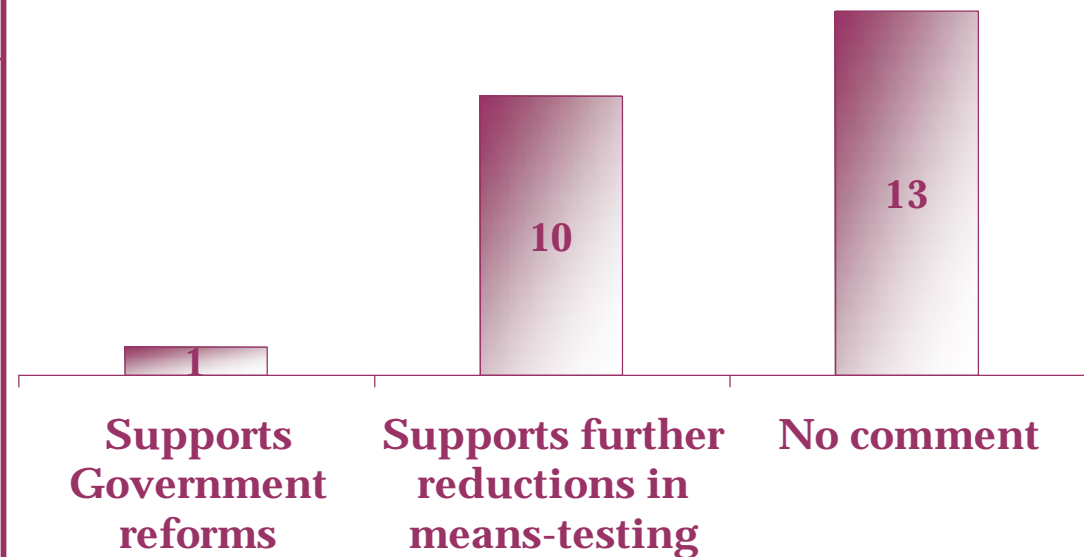
Number of responses on BSP level

| BSP level | |
|--|---|
| Higher than current level (>£84pw) | No comment |
| <ul style="list-style-type: none"> •AC •AXA •BCC •EEF •Fawcett •GMB •NPC •NU •TUC | <ul style="list-style-type: none"> •ABI PPI •ACA SL •AEGON SPC •CBI SW •EOC •Fidelity •FSA •HtA •IMA •NAPF •Which? |



Number of responses on extent of means-testing

| Means-testing | | |
|--|---|--|
| Supports Government proposals | Further reduction | No comment |
| <ul style="list-style-type: none"> •CBI | <ul style="list-style-type: none"> •AC •ACA •AXA •BCC •EOC •GMB •HtA •Fawcett •NPC •TUC | <ul style="list-style-type: none"> •ABI •AEGON •EEF •Fidelity •FSA •IMA •NAPF •NU •PPI •SL •SPC •SW •Which? |



Responses on reform of State Second Pension

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| Government proposal | | | Abolish | Strengthen level and coverage | No comment |
|---|--|--|---|---|--|
| Agree | Agree – but slower transition | Agree – but faster transition | | | |
| <ul style="list-style-type: none"> •BCC •SW | <ul style="list-style-type: none"> •GMB •TUC | <ul style="list-style-type: none"> •EEF | <ul style="list-style-type: none"> •ACA •AXA •NU | <ul style="list-style-type: none"> •AC •AEGON •EOC •Fawcett •HtA •NPC | <ul style="list-style-type: none"> •ABI •CBI •IMA •Fidelity •FSA •NAPF •PPI •SL •SPC •Which? |

Responses on reform of foundation state pension

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| One- tier | Two- tier | No comment |
|--|---|--|
| <ul style="list-style-type: none"> •ACA •AXA •EEF •HtA •NAPF •NU | <ul style="list-style-type: none"> •AC •AEGON •CBI •EOC •NPC | <ul style="list-style-type: none"> •ABI •BCC •Fawcett •Fidelity •FSA •GMB •IMA •PPI •SL |

SPC
SW
TUC
Which?

State pension reform

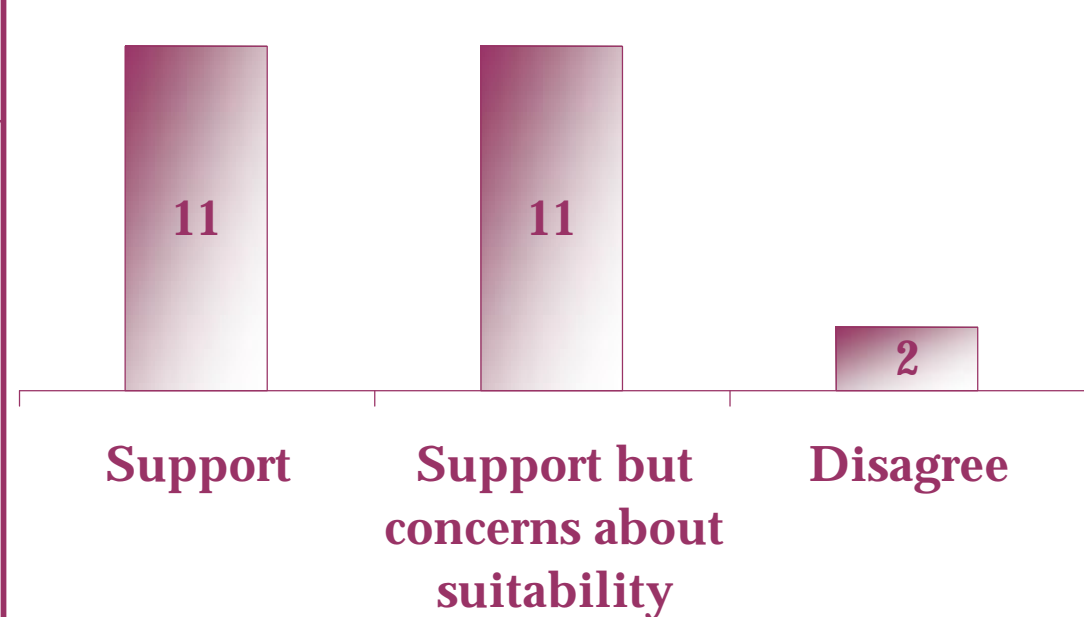
Of those organisations in the stocktake:

- There is consensus and support for linking the BSP to earnings
- But a significant number of organisations call for a further increase in the level of the BSP
- Many organisations think that the Government proposals do not go far enough to reduce means-testing
- There are still differences of views over whether the state foundation should be one or two tiers

- State Pension Age
- State Pension Reform
- Personal Accounts

Number of responses on auto-enrolment into Personal Accounts

| Auto-enrolment | | |
|---|--|--|
| Support | Support but concern about suitability | Do not support |
| <ul style="list-style-type: none"> •ABI •ACA •AEGON •BCC •CBI •EEF •Fawcett •Fidelity •IMA •NU •SW | <ul style="list-style-type: none"> •AC •AXA •EOC •FSA •HtA •NAPF •PPI •SL •SPC •TUC •Which? | <ul style="list-style-type: none"> •GMB •NPC |



Responses on level of contributions into Personal Accounts



Of those who expressed a view, the majority of organisations broadly support Government's proposed contribution levels (3/4/1%). But...

Concerns expressed about 3% employer contributions:

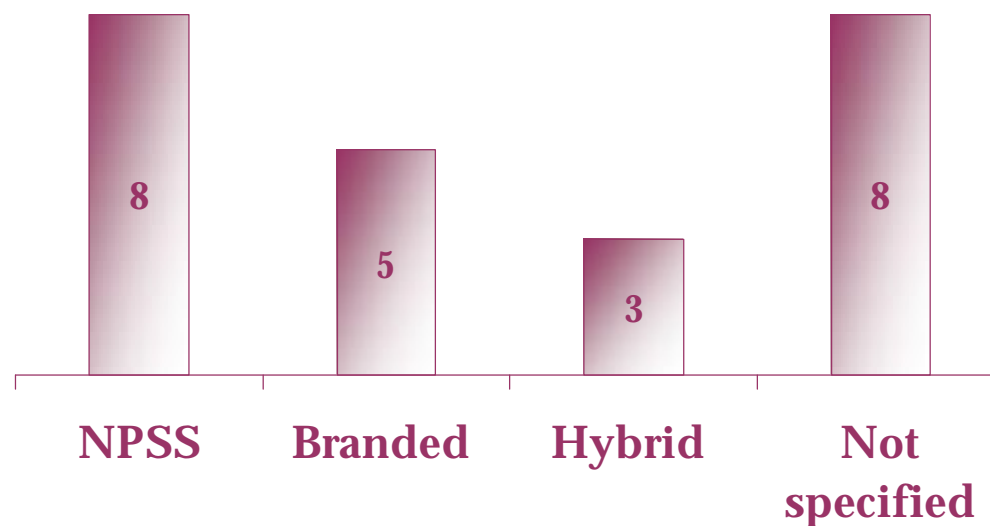
- Business wants to avoid 3% employer contribution ratcheting-up
- Impact on small businesses
- Risk of levelling-down

Concerns expressed about 4% employee contribution:

- 4% individual contribution may become “the norm”

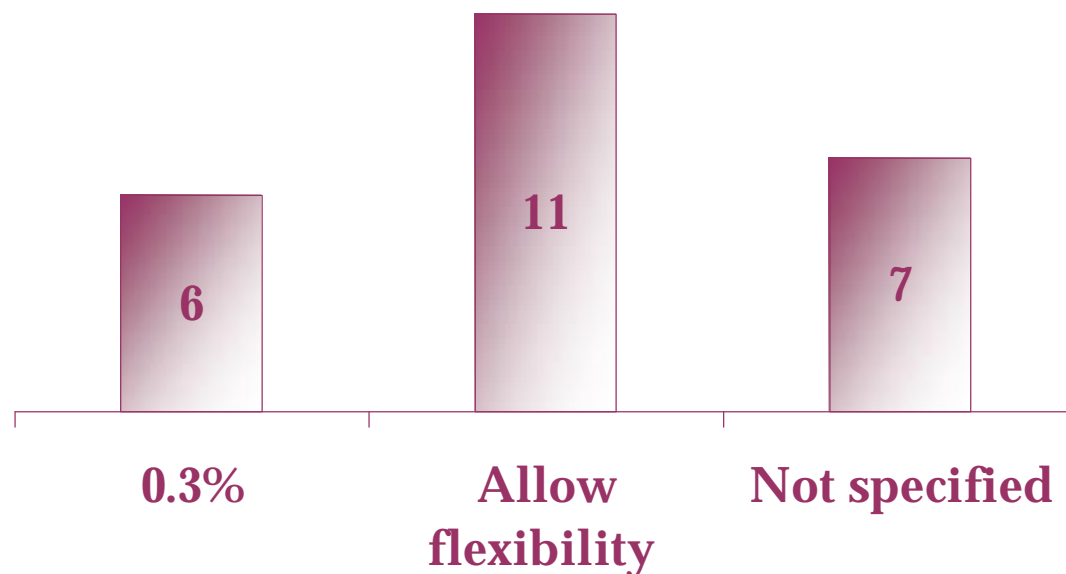
Number of responses on Personal Accounts model choice

| Model choice | | | |
|---|--|--|--|
| NPSS | Branded | Hybrid | Not specified |
| <ul style="list-style-type: none"> •AC •EEF •GMB •HtA •IMA •NAPF •TUC •Which? | <ul style="list-style-type: none"> •ABI •AEGON •AXA •SL •SW | <ul style="list-style-type: none"> •BCC •Fidelity •NU | <ul style="list-style-type: none"> •ACA •CBI •EOC •Fawcett •FSA •NPC •PPI •SPC |



Number of responses on level of charges of Personal Accounts

| Level of charges | | |
|---|---|---|
| 0.3% | Flexible | Not specified |
| <ul style="list-style-type: none"> •AC •Fawcett •GMB •NAPF •TUC •Which? | <ul style="list-style-type: none"> •ABI •AEGON •AXA •BCC •CBI •Fidelity •IMA •PPI •SL •SPC •SW | <ul style="list-style-type: none"> •ACA •EEF •EOC •FSA •HtA •NPC •NU |



Personal Accounts

Amongst the organisations in the stocktake:

- Auto-enrolment has support in principle, however, concern remains about how this will affect individuals and employers in practice
- Of those who expressed a view, the majority of organisations broadly support Government's proposed contribution levels (3/4/1%).
- Considerable concern regarding the threat of levelling down due to increased costs for some employers
- Technical issues of model choice and charging structure show low level of consensus

Conclusion

Amongst the organisations in the stocktake:

- Broad recognition that people will need to work longer and that SPA must rise
- Broad support for state pension reform proposals, but some calls for an increase in the level of BSP
- Support for the principle of auto-enrolment, but concern about whether it is suitable for all individuals and the extent that it could lead to levelling down
- Government will need to take these issues into account when designing the new system of Personal Accounts

Acronyms used



| | | |
|---------|---|---------------------------------------|
| ABI | - | Association of British Insurers |
| AC | - | Age Concern |
| ACA | - | Association of Consulting Actuaries |
| BCC | - | British Chambers of Commerce |
| CBI | - | Confederation of British Industry |
| EOC | - | Equal Opportunities Commission |
| Fawcett | - | Fawcett Society |
| FSA | - | Financial Services Authority |
| GMB | - | GMB Union |
| HtA | - | Help the Aged |
| IMA | - | Investment Management Association |
| NAPF | - | National Association of Pension Funds |
| NPC | - | National Pensioners' Convention |
| NU | - | Norwich Union |
| PPI | - | Pensions Policy Institute |
| SL | - | Standard Life |
| SPC | - | Society of Pension Consultants |
| SW | - | Scottish Widows |
| TUC | - | Trade Union Congress |