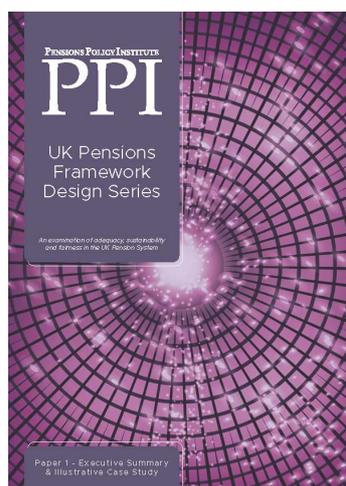


The Pensions Framework Showcase Event



The Pensions Policy Institute (PPI) held a policy seminar on 14th December to launch The UK Pensions Framework Design Series. The series comprises five papers which together document the process of developing the UK Pensions Framework, undertaken over the course of 2021 and sponsored by Aviva. The event was run as an online seminar, chaired by **Chris Curry, Director of the PPI**. More than 120 people attended this event, with a broad range of representatives from across Government and industry.

Following Chris' welcome and introduction to the event, **Lawrence Churchill, PPI Chair of Council**, spoke about the origins of the Pensions Framework project, with the PPI's previous strategic review raising questions about whether we can effectively assess the extent to which the UK pension system is

successfully working towards its objectives. This highlighted a gap in policy analysis which the Pensions Framework has been developed in order to fill.

Anna Brain, Research Associate, PPI, presented an overview of the UK Pensions Framework

Anna's presentation set out the timeline and aims of the framework project, as well as how it will work. There is currently no single resource that provides a full framework for analysis and assessment of the UK pension system and its interacting and sometimes conflicting considerations. As an analytical instrument designed to provide a long-term overview of changes in the UK pension system and how it is evolving over time, the UK Pensions Framework will support a more holistic approach to pensions policymaking. The Framework provides a range of indicators for tracking and comparing trends, patterns, risks, behaviours and outcomes in different population groups over time. Its scope includes State and private pensions, as well as key non-pension considerations.

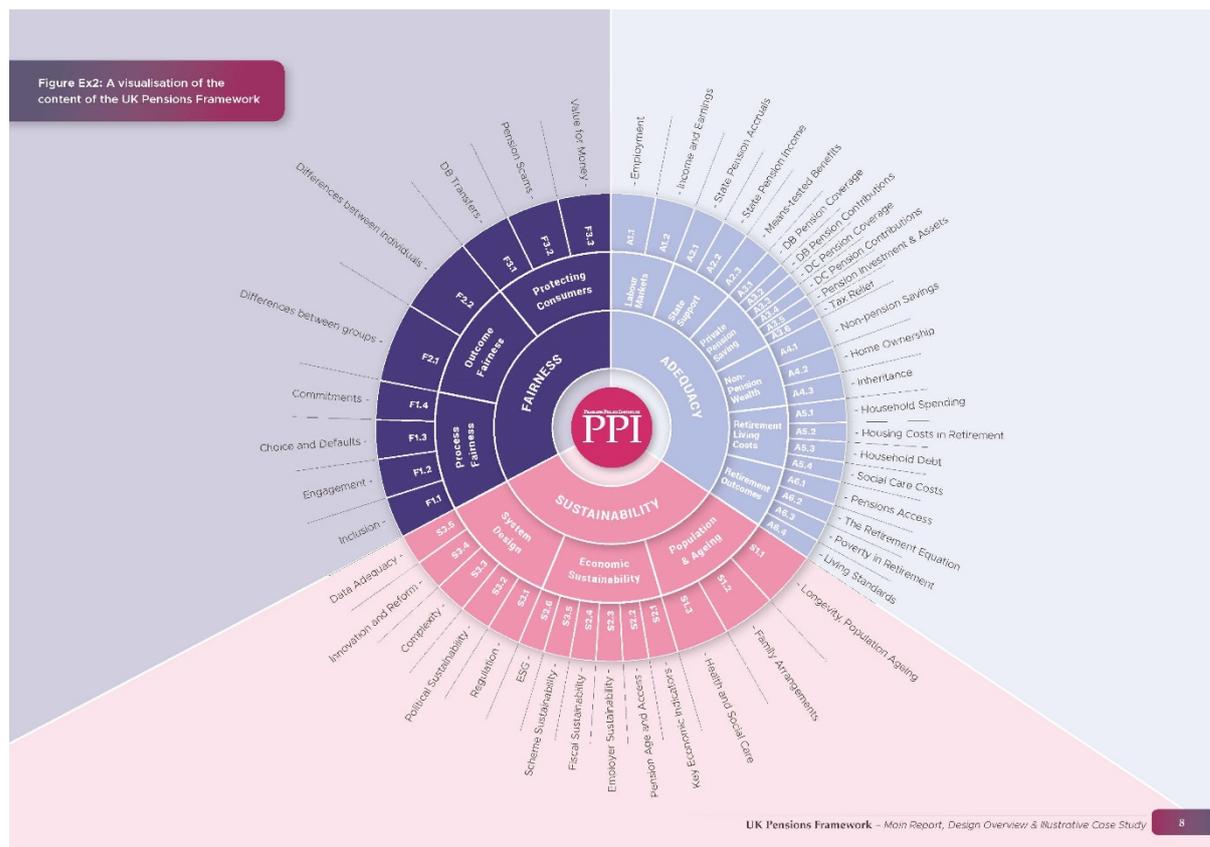
The Framework will support policy analysis and development by:

- Bringing together the impacts of change across the system.
- Examining impacts from the perspective of different actors.
- Tracking changes over time or simulating the effect of potential changes on the system.

The Framework will assess the pension system's progress on three key objectives:

- **Adequacy** – A clear and reliable system which enables people to plan for a retirement that provides them protection against poverty, some financial resilience, and the ability to maintain living standards from working into later life.
- **Sustainability** – A system which is able to meet the needs of the present without compromising the ability of other people, stakeholders or generations to meet their own needs.
- **Fairness** – An inclusive system which engenders trust, provides benefits for all, protects people from risk in retirement and upholds the commitments that are made within and

between generations. Fairness is a balancing factor between competing objectives of adequacy and sustainability, which often require that costs and benefits can be distributed unevenly among different groups.



Doug Brown, CEO of UK & Ireland Life, Aviva, gave a response from the sponsor

Doug highlighted the Framework’s value, not only as a rigorous and robust research project but also as a vital practical tool to ensure that the pensions system is as healthy and effective as it can be in order to deliver the right outcomes for pension savers in years to come. There have been rapid changes in the UK pension system in recent years, with pensions policy constantly evolving. It is important to recognise the way in which changes in one part of the system can have far reaching effects across other areas of the system. The Framework brings together all of the pieces of the jigsaw in order to better understand pensions policy in a more holistic way.

Pete Searle, Director, Private Pensions, DWP, gave a keynote address

Pete commended the structure of the Framework and its role in making analysis of something extremely complicated more accessible and effective. The Framework will provide an opportunity to highlight and target the risks and weak points that exist within the pensions system, while better understanding the trade offs that may be involved with specific policy

changes. It can also be used to track progress in the system over time through repeated iterations on an annual basis to reflect the constant evolution taking place within the system.

Panel discussion

Chris Curry chaired the panel discussion and Q&A session, introducing panellists who had not yet spoken to give some opening remarks in response to the framework:

- **Professor Nicholas Barr FRSA, LSE & PPI Governor** – highlighted four fundamental aspects the Framework gets right:
 1. The Framework recognises that pensions have got multiple objectives and recognises that there are multiple constraints, including both fiscal and behavioural constraints.
 2. The Framework doesn't present a 'right answer' – because the system involves trade-offs, any changes to improve on one objective will have impacts on other objectives that must be considered.
 3. The Framework focuses on pension systems, not just pension plans – an effective system will incorporate multiple different components.
 4. The Framework is an evolving document that will grow and develop to respond to changes in the system.
- **Baroness Jeannie Drake CBE, Labour Peer & PPI Governor** – spoke about the need to build a more holistic and long-term approach to pensions policy. By its very nature, a pension system needs to work effectively over the very long-term. As such, there needs to be a long-term strategy and a tool for assessing long-term progress towards overarching objectives. The objective of fairness identified within the Framework is sometimes neglected, given that the system needs to work for as many people as possible across different demographics. However, evidencing how the system works for different groups of individuals within society, will help to make the system fairer.
- **Andy Seed, Head of DC, Aviva** – praised the Framework for the fine balance it strikes between taking a high-level holistic overview of the pensions system as a whole, while also making sure that lower-level indicators capture the nuances of the system so that important considerations and impacts are not overlooked.
- **Sir Steve Webb, Partner, LCP, & PPI Governor** – highlighted two key questions: 'What are we trying to achieve with the pensions system?' and 'How do we measure progress towards these goals?'. The Framework will aim to refocus policymakers on these questions and longer-term strategic objectives relating to pensions.
Anna Brain and Pete Searle also joined the panel.

Q&A session

The following points were raised during the Q&A discussion. The remainder of the seminar was held under the Chatham House Rule and the views expressed do not necessarily reflect the views of the PPI or panellists.

The design and weighting of objectives and indicators within the Framework

The design of the Framework and the objectives and indicators identified has been complex and will continue to be as the project moves into the next stage of producing the first assessment report next year. The indicators considered by the Framework are many and varied. Some indicators already have well-established and documented targets, for example income and poverty measures, but assessments of some indicators are less well developed.

Existing targets will be incorporated into the analysis where they exist, but other indicators may require a more nuanced approach for tracking trends over time. The Framework can also serve to identify and highlight where there are existing gaps in data.

The Framework currently weights the three identified objectives of adequacy, sustainability and fairness equally. However, in practice, the pensions system and policymakers responsible for making decisions about the system will weight different objectives and sub-objectives differentially. While the Framework may in future be able to provide analysis as to where this balance lies within the current system, decisions about how to weight objectives in order to make policy choices are inherently political and subjective, and therefore lie beyond the remit of the Framework, which is to provide an analytical tool for assessing progress towards objectives. While there has been broad agreement about what the objectives are, there will be different views on the respective weighting, but the Framework will help to facilitate these discussions and enable a better understanding about trade-offs.

Trade-offs and unintended consequences

The Framework will highlight trade offs within pensions policy decisions and help to avoid unintended consequences arising from policy changes. It will also provide a lens through which to explore tensions within the current system, such as the inertia of automatic enrolment in the accumulation phase compared to the high level of risk and complexity associated with individual decisions in the decumulation phase.

Non-pensions considerations

There are such a broad range of considerations relating directly to pensions policy that the Framework should be prioritising for the time being. While there are adjacent policy areas, such as social care, that impact pensions outcomes, the main focus should be to assess the pensions system specifically. At the outset of the project, it is vital to focus on producing the first assessment and refining the methodology behind it to ensure that the measures used are effective.

However, it is impossible to look at the pensions system completely in isolation. Health and social care considerations are a vital part of achieving objectives relating to quality of life in retirement. Policymakers are unlikely to consider decisions about pensions policy in isolation. Therefore, the Framework does include indicators on social care, and may expand to include other non-pension indicators over time if they become relevant.

A new Pensions Commission

A form of standing commission was recommended by the Pensions Commission. While there may still be a role for a standing commission, it is different to the purpose of the previous Commission, which was established in a time of crisis for pensions in order to deal with specific issues. A new Pension Commission would be most effective in a scrutiny role, using a tool such as the framework to better understand longer-term progress and the impact of policy changes.

The Framework itself cannot fulfil the role of Pensions Commission. It is an analytic tool seeking to explore the way we think about pensions policy, while a commission would seek to directly change pensions policy.

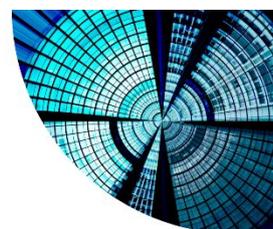
Practical implementation of the Framework

The discussion highlighted the importance of the Framework as a practical tool through which policy changes can be assessed. The panel discussed a range of policies which may be beneficial to assess through the Framework, including:

- Removal or changes to the existing system of pension tax relief
- How to increase pension saving among the self-employed, who by nature of their self-employment have been excluded from the benefits of automatic enrolment
- Linking State Pension age directly to life expectancy
- The introduction of Collective Defined Contribution (CDC)
- Means-testing of State Pension, above a reasonably high threshold, for those who have substantial private wealth

It should be noted that while these policies were suggested as potentially interesting to assess using the Framework, this does not suggest support for these specific policies from panellists or the PPI.

While the Framework will enable assessment of individual policy changes, it will also allow for analysis of the cumulative effect of multiple policy changes over time, with its annual update illustrating how the system as a whole is evolving. Once the Framework has been fully established, it is the intention of the PPI to provide this as a publicly available tool through which policymakers can assess potential policy changes, with DWP, among others, expressing interest in utilising this tool.



The UK Pensions Framework

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