



Is there anybody there?

Summary

- Pensions seems to have largely disappeared from the political agenda, overshadowed by other domestic policy issues and the Brexit crisis.
- A Pensions Bill has been drafted, with cross-party support, but it is unclear when it will be presented to parliament and what it will contain – for example, a new regulatory regime for DB superfunds may not make the cut.
- There are many other aspects of the UK's pensions system besides those expected to be included in the Bill that require urgent attention from policymakers.
- Regulators and the industry continue to work to improve the system, but ultimately new legislation and political momentum will be needed to implement further reforms.

David Adams finds out whether parliament is still listening to the needs of the pensions industry

Imagine, if you can, that you are someone who knows very little about pensions. That person might be surprised to be told that pensions should be seen as a hugely important

political issue, in which every citizen has a stake. Their surprise might be due in part to the fact that during the past three years or so politicians haven't talked about pensions anywhere near so often as they did during the first half of this decade. Pensions have been overshadowed by other important policy areas, like the NHS, education, law and order, climate change – and, yes, by Brexit.

Although 2019 has seen announcements about the dashboard and a new Pensions Bill, neither have yet seen the light of day. Is that simply a consequence of the political turmoil in which Theresa May's and (at the time of writing) Boris Johnson's administrations have found themselves? Or are policymakers neglecting pensions?

"Pensions is always a long-term issue and we're living in a short-term age – we have Brexit hanging over everything and there are other issues that demand a political response in the short term, so pensions are not going to be at the top of the agenda," says Pensions and Lifetime Savings Association (PLSA) director of policy and research Nigel Peale.

"But there's a lot going on. [*Minister for Pensions and Financial Inclusion*] Guy Opperman has done a lot of work pulling in people from across the industry to focus on specific issues. He's a big champion of the simple annual statement; he's a champion of the dashboard; he's interested in quick transfers. These are all things he's looking at with the sector that aren't seen in parliament."

Opperman's Pensions Bill would surely have been presented to parliament during 2019 if political events had taken a different turn. At the time of writing, a spokesperson for the DWP says that until details of a new Queen's Speech are published the department can provide no further guidance on the possible timing or contents of the Bill.

When it does emerge, the Bill will almost certainly include measures related

to use of collective defined contribution (CDC) pensions, increased powers for The Pensions Regulator (TPR) related to scheme governance and information-gathering; and further support for the dashboard.

It may include details of a supervisory regime for DB consolidation schemes, or 'superfunds'. However, in July 2019 shadow pensions minister Jack Dromey, who has cooperated with Opperman on the Bill, suggested that the government might omit this element from the Bill, to address it in a later piece of legislation.

One reason for this delay appears to be a disagreement between TPR and the Prudential Regulation Authority (PRA) over the nature of the regulatory regime for superfunds.

"As I understand it there is a divergence in points of view in government, which will be resolved at some stage," says Hymans & Robertson partner Patrick Bloomfield. "But it's a political question and for that to get answered we need politicians to stay in the job long enough to get it answered."

Injustices in the system

Former Pensions Minister and pensions campaigner Baroness Ros Altmann expects the Pensions Bill to feature in the next Queen's Speech, but she wonders if it will be a short Bill, including CDC legislation, but "leaving more substantial reforms for after any General Election".

B&CE policy and external affairs director, and former Shadow Pensions Minister, Gregg McClymont also anticipates publication of the Pensions Bill at some stage. "With so much hinging on the Pensions Bill – DB consolidation, CDC, the dashboard – it can't be kicked into the long grass," he says. "We'd expect to see it when the Brexit process is completed, and a government has a stable majority."

Royal London policy director and former Pensions Minister Steve Webb thinks a General Election is likely to delay the Bill, but he believes that

whichever party ends up in government will bring the Bill, or something very like it, to parliament. "Realistically, it should be an Act of Parliament by the end of 2020," he suggests.

But there are other issues besides those due to be addressed in the Pensions Bill that also require political attention, says Altmann. "There remain injustices in the system, such as the net pay scandal, the need for a proper cold-calling ban, the importance of ensuring more people receive Pension Wise guidance and a greater emphasis on data accuracy to facilitate a reliable dashboard," she says. "In addition, moves towards greater transparency and disclosure of charges would be welcome; and I would support a ban on holding unregulated investments within a Sipp."

Webb also has a list of unresolved issues he believes politicians must address that are unlikely to feature in the Pensions Bill. "Some are currently in the courts, including the latest developments on GMPs, potential multi-billion pound changes to public sector pensions and an outcome of the Waspi [*Women Against State Pension Inequality*] case around women's state pension age changes, [*since time of writing Waspi lost their case in court*]" he says. "There is clear evidence that the tapered Annual Allowance and the Lifetime Allowance are causing real staffing issues in the NHS and urgent action is needed to resolve these matters."

Taxing issues

In the longer term, politicians are likely to return to the vexed question of pensions tax relief. "I assume there will be further discussion of reform to pensions tax relief, especially in light of the damage caused by the Annual Allowance Taper and the impact of the Lifetime Allowance on early retirement in the DB space," says Altmann. "I wonder whether there may be an attempt to separate DB from DC, as the tax impacts are very different between the two. I also hope reform of the net pay scheme system will allow low



in recent years, including the introduction of auto-enrolment and of the pensions freedoms, as well as state pension reforms.

Bloomfield agrees. “What we need is broad-based consensus and multi-generational thinking,” he says. “If at the moment there is space and time for that to be thought through at a political level, that would be a good thing. For anything to work in this country you need multi-decade, multi-generational thinking.”

At present it is difficult to identify much evidence of such thinking being translated into policy. The industry and regulators continue to work towards improving the system, but ultimately only new legislation can address the unresolved issues that affect it. Only when political interest in pensions has been reactivated by a government with the authority to take political risks in this area will pensions return to the political spotlight.

Written by David Adams, a freelance journalist

earners to receive tax relief that they are currently denied.”

Hargreaves Lansdown head of retirement policy Tom McPhail is not so sure that a full engagement with the tax relief issue will happen soon. “With tax relief, no-one really wants to do the difficult thing, which is to take it apart and upset some people,” he says – although he does acknowledge that if Labour were to win a General Election the party is likely to end higher rate relief.

Altmann is among those who would urge a government led by any party to look again at another issue linked to pensions: funding social care.

“If there is reform of tax relief for pensions, I would hope that the government will introduce a system that incentivises saving for social care, either within or alongside, pension saving,” she says. “Pensions are supposed to last for the entirety of retirement, but do not currently make any provision for the costs of being unable to live

independently.”

So, if there is no shortage of pensions-related issues to which politicians should be paying attention, how long will it be before they give these issues the attention they deserve?

McClymont anticipates a refocusing on pensions among politicians as soon as the Brexit crisis is, if not resolved, at least moved on to the next, less politically destabilising phase. “Once normal service has resumed in the political world, pensions policy activity will pick up pace again,” he says.

But Altmann points out that there are some advantages to not rushing through more reforms and changes in the pensions system, which is still processing unfinished work related to major changes made

