

# What does the future hold for pensions?



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# *What does the future hold for pensions?*



## Defined Benefit

- Regulation is becoming tighter
- There are concerns in the Public Sector
- Will consolidation help?



## Defined Contribution

- Automatic enrolment is now established – but where will it go next?
- There are still developments around defaults
- Is there a role for Collective Defined Contribution?



## State Pensions

- State Pension Age increases are built in, but what is the future for the triple lock, and means-tested benefits?

# Do pensions have a future?

# *Defined Benefit*

- **Regulation and funding requirements for DB schemes are likely to get harder**
  - Requirements for Trustees
  - Long term funding targets
  - Closer supervision
- **There are issues in the public service schemes as well**
  - Concern about the impact of the annual and lifetime allowances for tax relief
  - Are those affected responding rationally?
  - Is this starting to impact on service provision?
- **Will consolidation help DB schemes in the “end game”**
  - Which schemes are consolidators aimed at, and who will be able to use them?
  - Questions remain as to where on the regulation spectrum consolidators will sit

# *Defined Contribution*

- **The initial implementation of AE is now complete**

- Both staging and phasing appear to have worked well
- But dates for implementation of the recommendations of the 2017 Review have yet to be set
- Contributions for many need to be above the minimum – what is the role of engagement and the pensions dashboard?

- **Defaults are still being developed**

- Charges and value for money are under scrutiny – transparency is key
- How will investment defaults evolve – is there a role for ESG, alternatives and illiquids?
- Big issues remain about moving from saving to spending

- **Is there a potential role for Collective DC?**

- Legislation is (still!) expected to enable the Royal Mail scheme to be implemented
- But is it a test case? – Legislation is restrictive
- Will there be demand? Is there a niche opportunity?

# *State Pensions*

- **State pension age increases are set**
  - But will reduced increases in life expectancy limit future changes
  - Should the state respond to variations across income groups?
- **The triple lock remains under pressure**
  - It is valuable short term, but unsustainable long term
  - But what should it be replaced with, and what is the impact on today's younger workers?
- **Other benefits are becoming less generous**
  - The switch to Universal Credit for mixed-aged couples could cost thousands of £s a year
  - Still potentially a large role for Housing and Council Tax Support – and long term care?

# *Is there a future for pensions?*

**Are pensions looking more like long-term savings?**

LISA, potential tax relief reforms

**Individual lives are changing significantly**

The 100 year life might not be applicable to everyone, but as life span increases, working lives evolve, health and technology change, how will individuals live their lives?

**A pay-in then take-out system may not be suitable longer term**

Is more flexibility desirable?

NEST model with additional savings account for automatic enrolment?

Or is it a case of a simpler system with better information?

# *Is there a future for pensions?*

Are individuals ready for a mind-set change?

As lives evolve, long term savings and pensions also need to evolve



# *Questions*



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