Report of Future of Pensions Conference 21 April 2016, Manchester

This event was organised by the University of Salford and largely funded by a number of private pension providers, fund managers and pension IT companies. The 100-strong audience was mainly drawn from local authority pension departments, private companies, HR managers, legal firms and the Pension Regulator's staff. It was certainly not the usual NPC audience! The fact that we were invited by the organisers to participate is therefore interesting.

The principal economist from the DWP explained how pension policy had developed since the 2005 Turner Commission, including the new state pension, auto enrolment and pension freedoms.

- There was a feeling among some delegates that there now needed to be a moratorium on any further pension changes to allow recent policies to settle down.
- Interestingly, there was also a view that if top earners saw more and more restrictions on their pension pots, they might be less inclined to support better pensions for their staff!
- The Lifetime ISA being introduced in 2017 for the under 40s was criticised for being about short-term saving, rather than saving for retirement.

The Pensions Policy Institute then explained the decline in defined benefit/final salary pensions and the emergence of auto enrolment. This currently stands at 6m, with a further 3m expected to join by 2018. However, this leaves around 9m workers who either earn too little to go into the scheme or who have opted out. By 2030 auto enrolled pensions will have received £500bn in contributions; money that could have gone into an enhanced state second pension (my view, not the PPI's).

- There was a strong suggestion that the pension freedom for DC schemes is now leading to pressure for DB schemes to be allowed the same ability to withdraw funds. Yet only 1 in 5 people taking their money out have sought advice, and 11m people have been targeted by scammers trying to cash in on this new access to funds.
- The PPI believes contributions need to be between 11% and 14% for 46 years, with a triple locked state pension underpinning everything, to give a reasonable return on an auto enrolled pension scheme.

- There was also a suggestion that the State Pension Age was likely to rise faster than currently planned - 67 by 2028 and 68 by 2038. John Cridland's review was likely to suggest an acceleration.

A number of presentations from IT and communications speakers made it clear that understanding amongst pension scheme members was low. They are developing smart phone software as a way of engaging with younger people, but they didn't really accept that booking a holiday online was a bit different to sorting out your pension. Evidence shows that 60% of people still want face to face advice.

My speech focused on the old state pension, the problems associated with the new state pension, the need for proper indexation, the inadequacy of auto enrolment and the debate around longevity. The suggestion that future workers would be more reliant on the state pension was broadly accepted, but the call for pension tax relief for the richest to be reformed was unsurprisingly not very popular!

It appears, particularly amongst some in the industry that poorly paid workers will make good choices about what to do with their limited pension pots simply because they can look at the options on their phone. In truth, the pensions industry doesn't really exist for these people, unless they are part of a large occupational based scheme, such as the Local Government Pension Scheme, and even then those in charge frequently over-estimate how good they are at managing the funds.

I think we also need to consider the link between rising state pension age and pension freedoms. Is it simply a coincidence that millions of workers are being given the option of withdrawing their pension pots at 55 – and the state pension age is possibly going to rise to 70 within the next two or three decades? One delegate said to me privately that he thought disabled and older workers will not be able to find employment up to 68 or 70, and therefore will be forced to use their pension pots, not for their retirement, but as a safety net when they are in the period of joblessness before state pension age.

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