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10 pension predictions for 2019 from ex-Pensions Minister

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Baroness Ros Altmann

Former Pensions Minister Baroness Ros Altmann has forecast major changes ahead for pensions in 2019 with policy trends already in motion likely to continue next year despite an uncertain economic picture.

Baroness Altmann, a pensions campaigner and commentator, believes that many of the policy changes already announced for pensions will continue in 2019 as the market settles down after the Pension Freedoms revolution of 2015.

Despite the freedoms opening up new options and the success of auto-enrolment she believe there are many weaknesses that need correcting including poor provision for the self-employed, lower-paid workers and those in closed defined benefit schemes. While many pension challenges remain she expects to see some progress.

These are her pension predictions for 2019:

1. **Auto-enrolment** will be finally fully implemented as pension contributions double in April 2019. As pensions auto-enrolment continued to roll out across the country, opt-out rates were unaffected, despite the doubling of contributions in April 2018. Contributions will double again in April 2019, to reach the full 8% of 'band earnings.' with hopes that the "behavioural impact of inertia," which has been so successful so far, will keep opt-out rates low. This final increase will coincide with the significant rise in the personal tax threshold, making the higher contributions less noticeable on take-home pay.

2. **More mergers of Defined Contribution** (DC) pension schemes expected as MasterTrusts must all be authorised by March 2019. By the end of March 2019, all workplace DC pension schemes must be authorised with the Pensions Regulator. Not all of the 80+ MasterTrusts will be able to meet the requirements and a process of consolidation is underway that is likely to see less than 30 MasterTrusts remaining in operation. Many workers will find their pensions transferred to a new scheme and trustees will need to be very careful to ensure members' interests are well looked after.

3. **Moves towards consolidation of DB pensions**: As 2019 unfolds, assuming the Brexit situation does not delay all other issues, I would expect to see more moves to address the future of DB pensions. Most employers are running closed schemes now and, as time goes on, will have fewer, if any, workers accruing pensions in their scheme. Yet the risks remain with the employer to pay pensions for decades into the future. All sponsors will be looking for ways to offload these risks from their balance sheet, so I would expect increasing moves towards buying out with annuities if affordable, or consideration of the new scheme consolidator approaches for those employers for whom annuitisation is not attractive. The Pensions Regulator's new chief will have an important task in overseeing the workings of these new DB consolidators, especially in light of the ongoing problems related to GMP equalisation.

4. **Introduction of CDC legislation**: I would anticipate that the recent consultation on introducing Collective Defined Contribution (CDC) pensions will result in legislation. This will be particularly relevant to the Royal Mail staff, who are pressing for an alternative to their current DB arrangements which does not entail the wholesale transfer of risk onto each individual member. If this legislation is introduced, I would not expect it to lead to a largescale shift of pension schemes towards CDC. I expect most employers will want to use just DC arrangements in future.

5. **Single Financial Guidance Body** to start working on Pensions Dashboard. The most important initial obstacle is that current pension records are unreliable.

6. **Pension Records.** Project urgently needed to check accuracy of pension contribution records and correct errors. During 2019, it is vital that the Pensions Regulator turns its attention towards ensuring pension contributions are paid correctly.

7. **Digital Integration**. Greater emphasis on digital integration of pension contributions between payroll and providers to improve accuracy, efficiency, security and reliability of data - and lower costs. I expect to see an increasing trend towards assessment of the value for money in pensions. Cutting costs of administration can be achieved by ensuring more pension contributions are moved onto digital platforms via APIs, which can improve the accuracy, security and reliability of pension data.

8. **Lowest earners.** 2019 needs to see serious attention paid to ensuring the lowest earners are treated fairly in auto-enrolment. The biggest scandal in UK pensions remains unaddressed. Under auto-enrolment, all workers earning above £10,000 a year must be automatically enrolled into a pension scheme chosen by their employer. If employers use the wrong pension administration system, these low earners, mostly women, will be forced to pay 25% extra for their pensions. I have long been urging a solution, with the Pensions Regulator insisting that no low earner should be denied the 25% bonus they are entitled to if their employer chooses the right pension scheme for them.

9. **Self Employed.** Improving pension coverage for the self employed. There has been a growing gap between the pension coverage for workers, relative to the self-employed. The self-employed rely only on the incentive of 'tax relief' which is opaque and poorly understood. There are several ideas for encouraging self-employed pension contributions, including a form of automatic deduction of contributions via the tax system, but ultimately it seems to me that the pensions industry itself needs to enthuse people about pension. Pensions are a brilliant product since the freedoms were introduced. A public promotion campaign for pensions is long overdue.

10. **Simpler Annual Statements** to be used in 2019. I expect to see the introduction of simplified statements for pensions during 2019. A prototype statement has been tested and is ready to be rolled out, I hope that all pension providers will either use this voluntarily, or be required to do so by the regulator.

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