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Ros Altmann: What is the Treasury thinking with the pension age changes?

The recent proposals from the Treasury, increasing the normal minimum pension age from 55 to 57, have the potential to cause real disruption and encourage more scams.

By **Ros Altmann** | 1st November 2021 11:00 am

The Treasury's proposals for increasing normal minimum pension age from 55 to 57 have caused industry uproar. The astonishingly complex plans, to create yet another pensions protection regime – giving people an 'unqualified right' to access their pension pot from age 55 – seem arbitrary, unfair and damaging to other policy aims to improve understanding and engagement with their pensions.

People who belong to a scheme which meets the criteria for offering unqualified right to minimum pension age 55 in February 2021 – and anyone joining such a scheme before 5 April 2023 – have a minimum age of 55 protected. However, the rules about unqualified rights arbitrarily depend on scheme wording. Schemes whose legal documentation states explicitly that benefits can be drawn from age 55 will give members a protected age, but if scheme wording does not specify age 55 and just refers to 'minimum pension age', members are unprotected.

Ironically, by extending the protection to personal pensions (unlike the 2010 rise from 50 to 55 which did not) the entire policy intent could be nullified. Theoretically, everyone alive today could join a protected scheme and keep the minimum 55 age. Obviously those unaware or unable to contribute to pensions at the moment for themselves or other family members will be excluded which seems unfair.

Pension providers are also flagging serious problems with the impact of these proposed changes. This is not, in my view, because they want to retain customer assets, but because of genuine practical concerns.

The new rules could deter pension providers from accommodating protected pension ages, as pension administration systems may struggle to cope with holding benefits which can be partially withdrawn at age 55 and partly at 57. Providers also fear that someone who transfers out of one scheme and loses

their previously protected minimum age 55 may complain that the risks and implications were not properly explained. Many firms may prefer to steer clear of such future risks.

There will also be opportunities to manufacture solutions which achieve full protection for previously unqualified scheme members by transferring temporarily into a protected scheme. This would allow the unprotected pots to 'inherit' protection and then just transfer back again. What a waste of effort.

And these proposals jeopardise some important pension policy objectives, including pension dashboards, simple statements (as it will be impossible to show members a simple forecast pension income as intended) and small pot consolidation.

Even more worrying, these measures could also encourage new scams. **The explosion of pension liberation fraud after 2012** is often attributed to the previous minimum pension age increase from 50 to 55. Although the present rise is less extreme, there is clearly risk that it will encourage scammers to entice individuals in coming years to move pensions to scam schemes which supposedly allow age 55 withdrawal instead of 57, and then lose their money.

It is not too late for a change of heart. Almost all those with good understanding of pensions believe these plans require a rethink.

The rise to age 57 will not begin until 2028 so there is time for the government to develop more reasonable and implementable alternatives, without baking so much more complexity into the already over-complicated pension system, or risking other important pension policy objectives

What could be done? Revisiting the 2010 rules used last time minimum pension age was increased or perhaps moving every pension to a minimum age 57. But better alternatives cannot be devised, especially as its current proposals effectively allow everyone, at least in theory, to keep the minimum pension age of 55 anyway, the rise could just be abandoned altogether.