

Work, Retirement and Pensions Policy - A Comprehensive Approach

4th November 2002

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Where do we begin?

- How can we judge the Green Paper?
- Framework for reform
- Joined up problem requires joined up solutions
- Help you put things in perspective
- Starting with pensions policy is wrong place to start



A Different Perspective

- Let's start with society - all of us
- Do policymakers understand people?
- Survey asks people what they think
- They think there **is** a crisis!
- Evidence based policy proposals

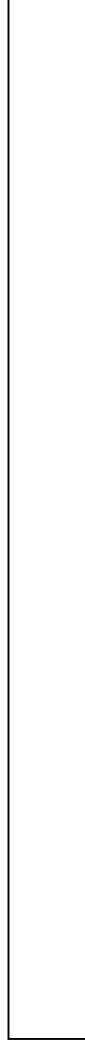
1950's

Birth



Now

Birth

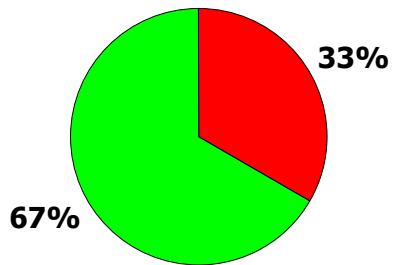
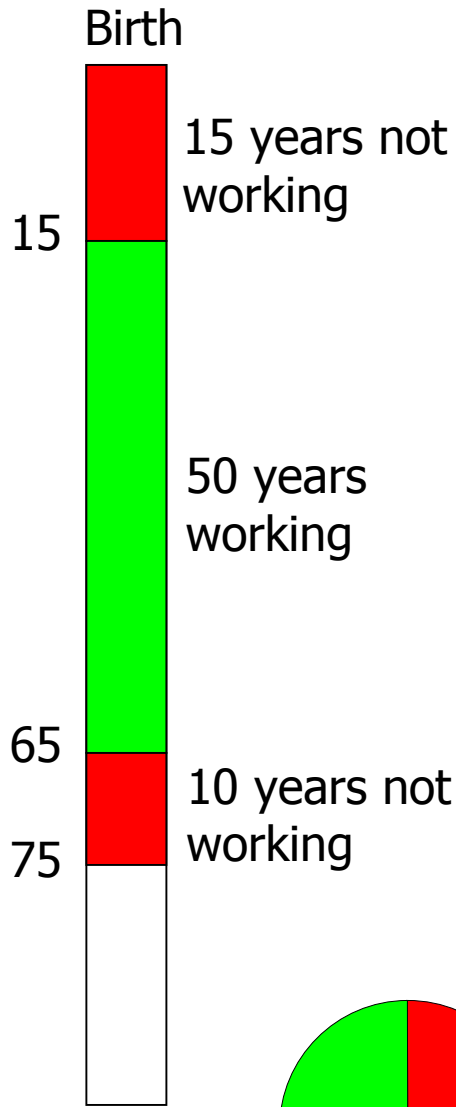


Future?

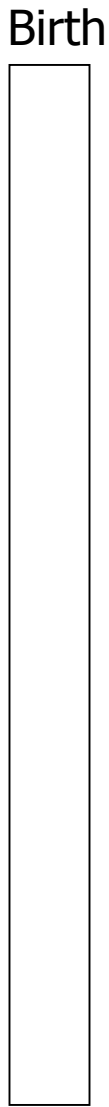
Birth



1950's



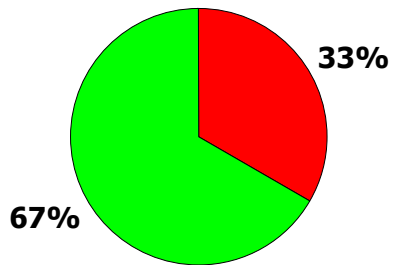
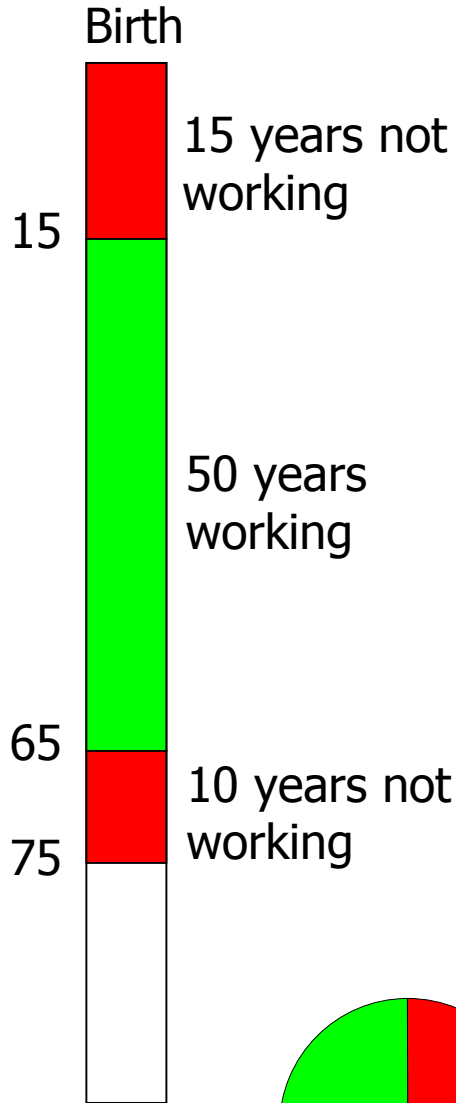
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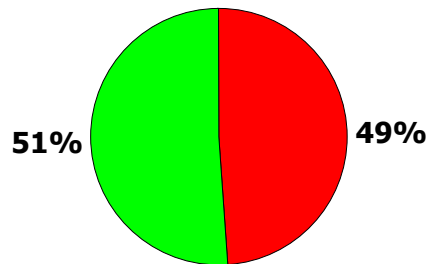
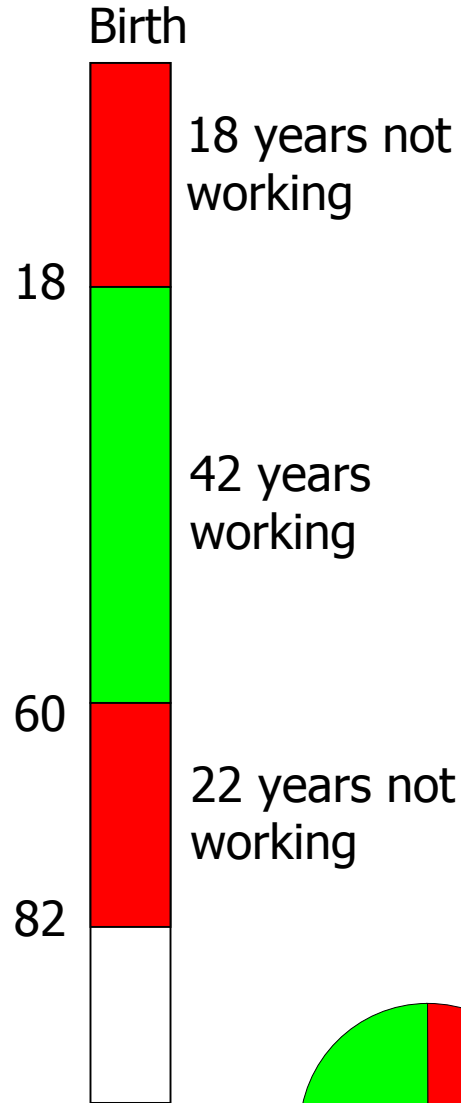
Future?



1950's



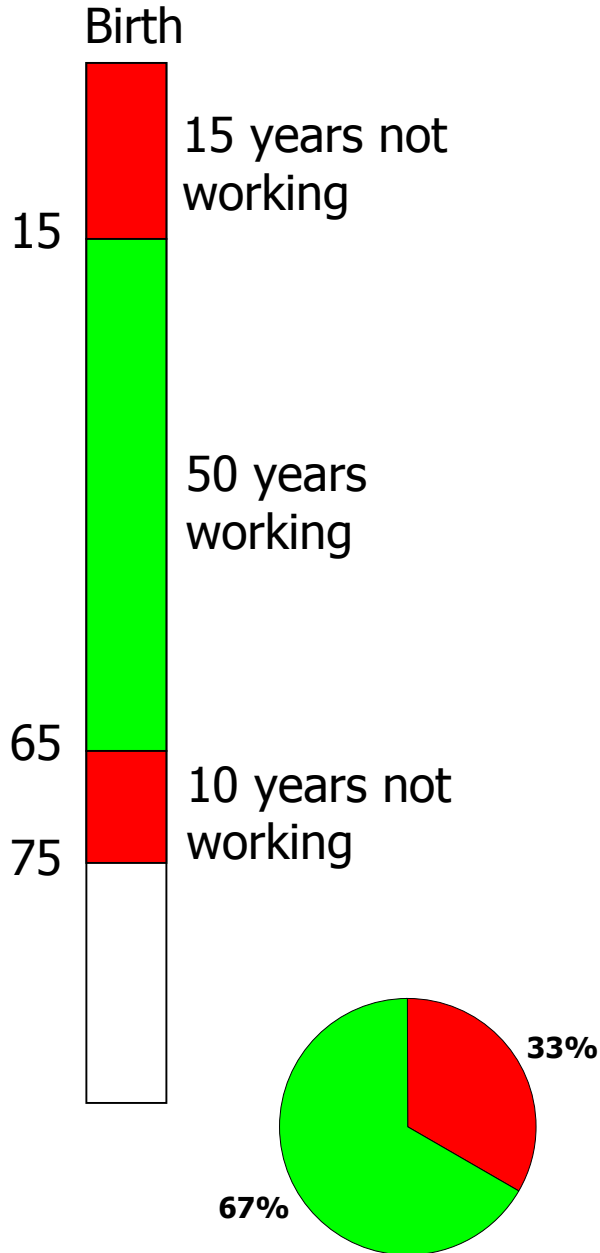
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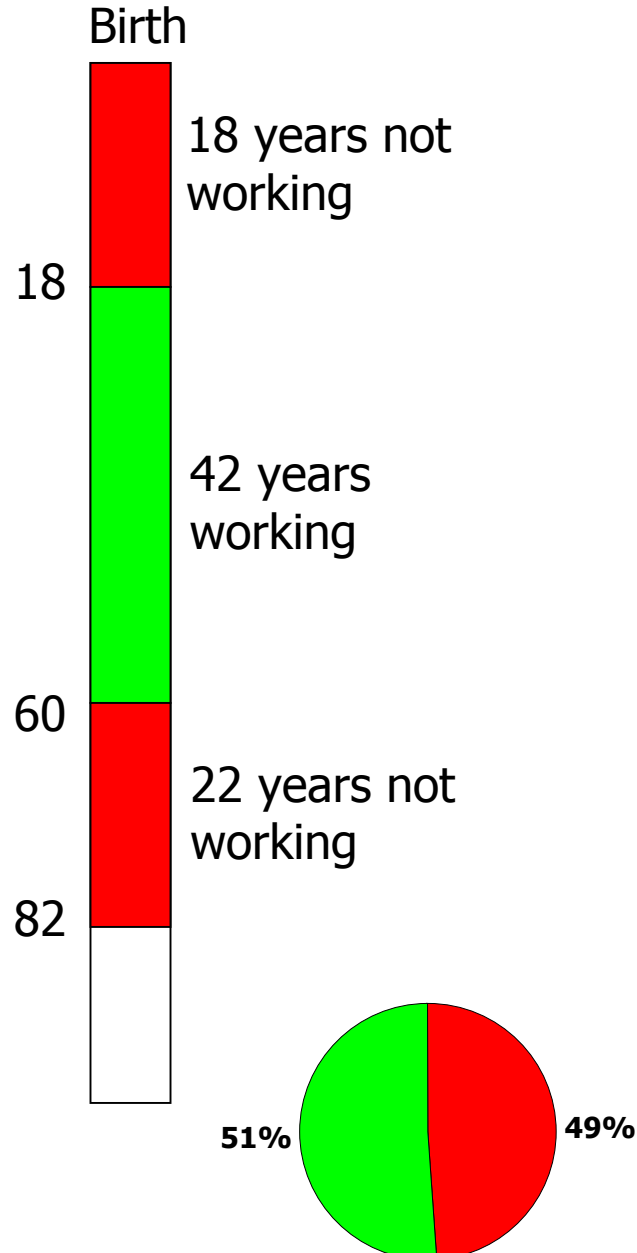
Future?



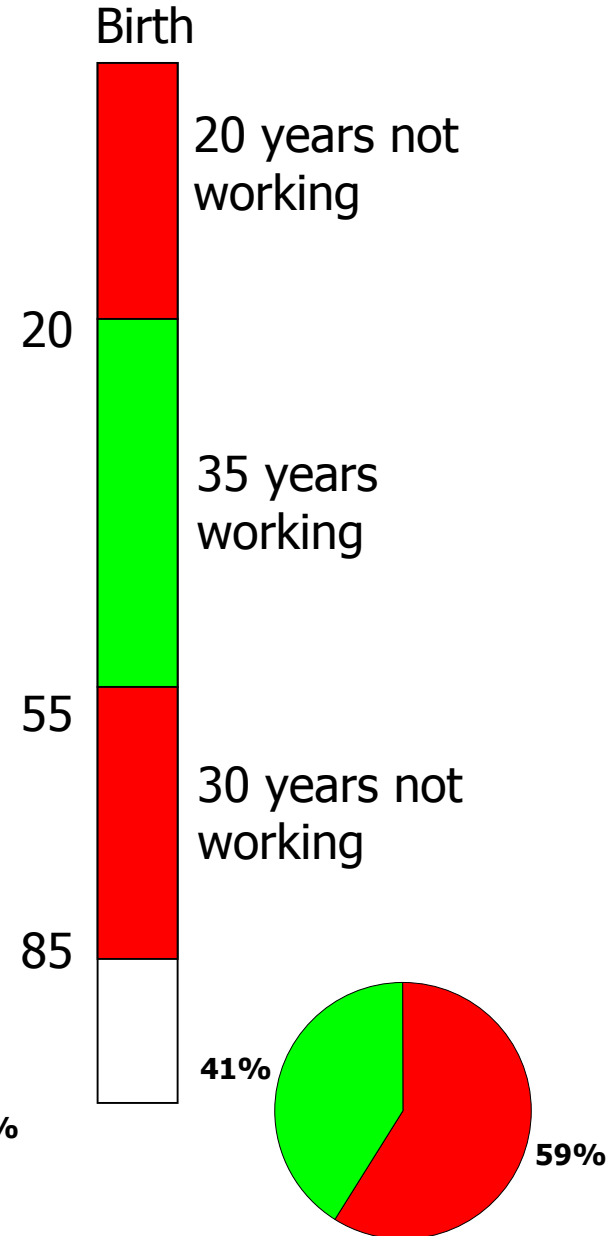
1950's



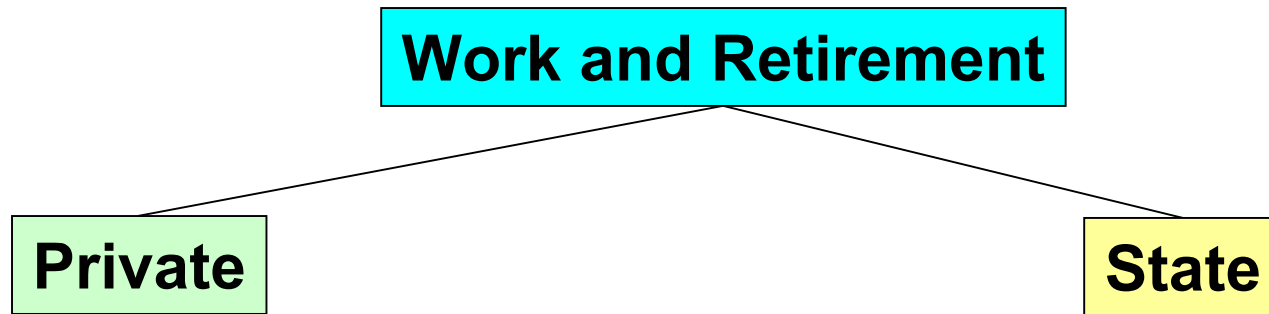
Now



Future?



Income in Later Life - What Will We Live On?



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Work and Retirement

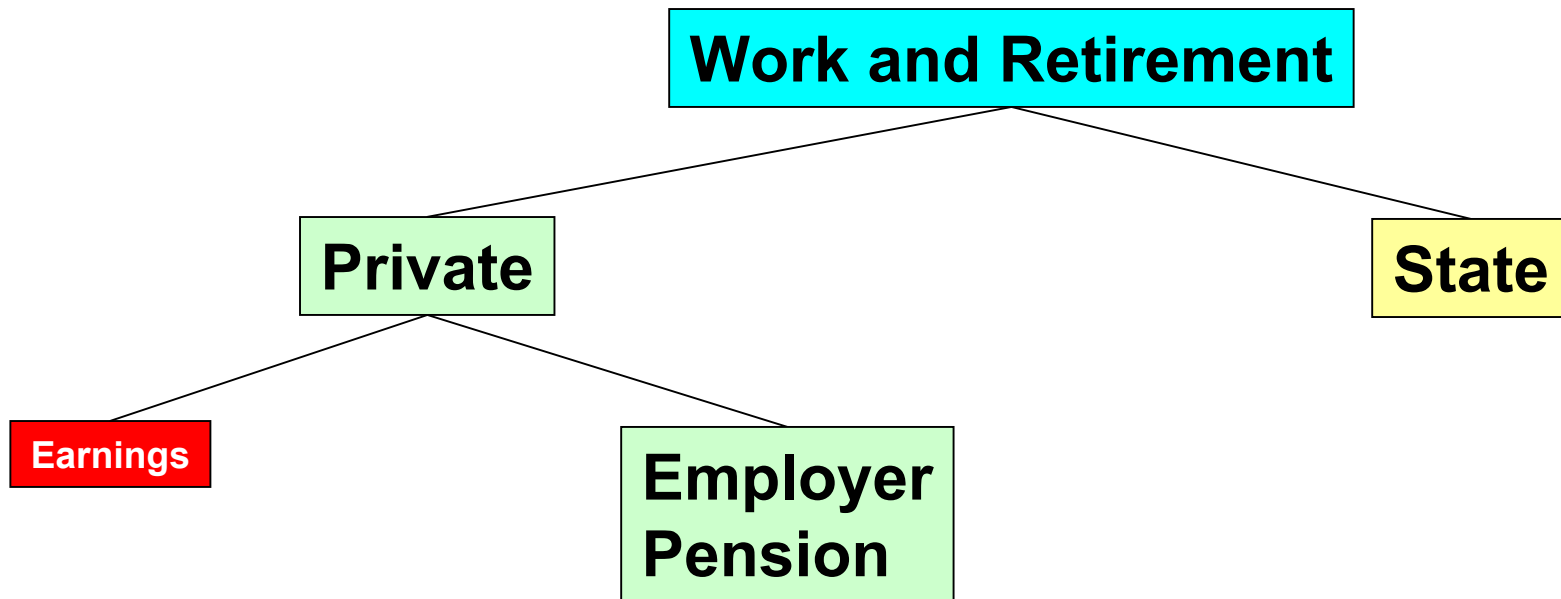
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graph TD; A[Work and Retirement] --> B[Private]; A --> C[State]; B --> D[Earnings];
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Private

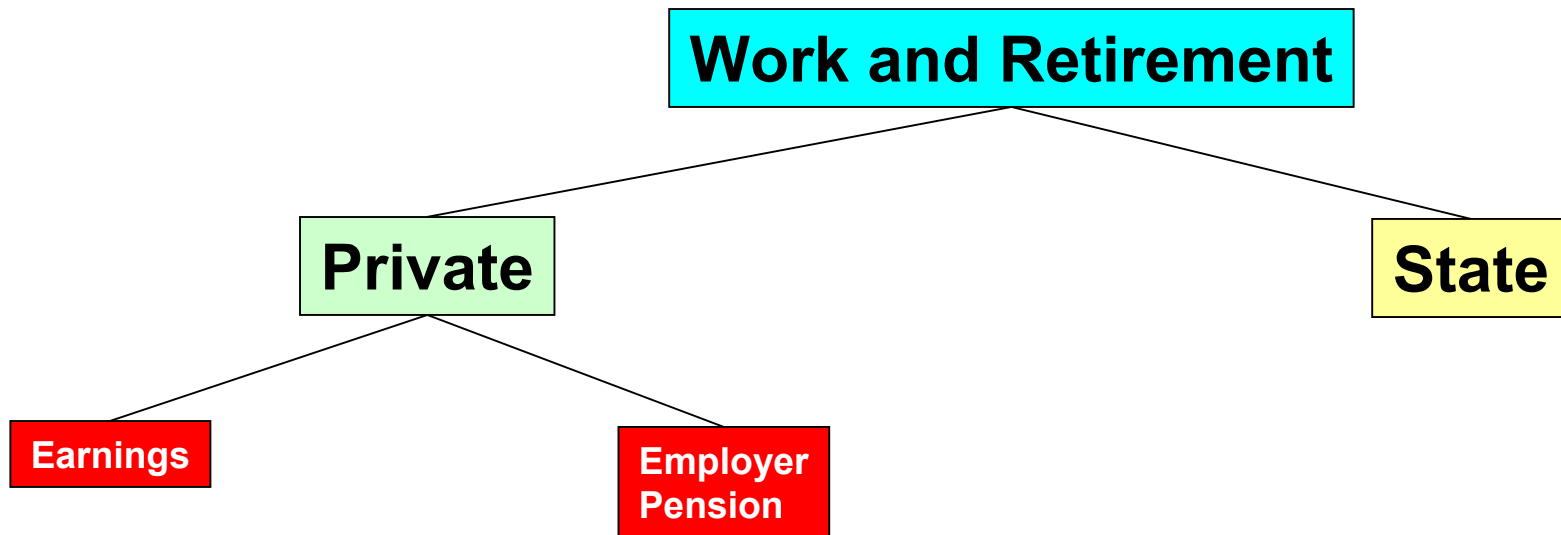
State

Earnings

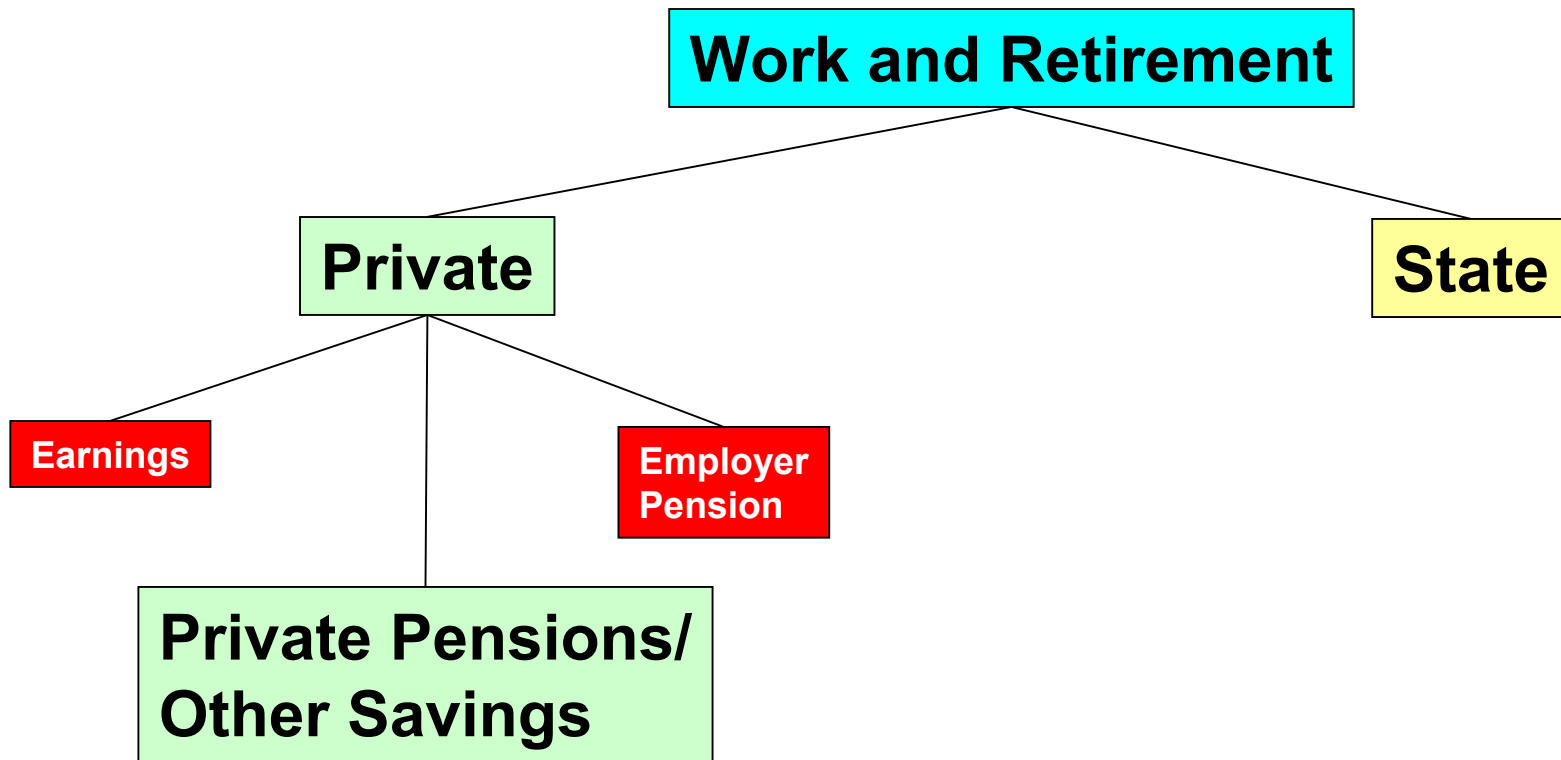
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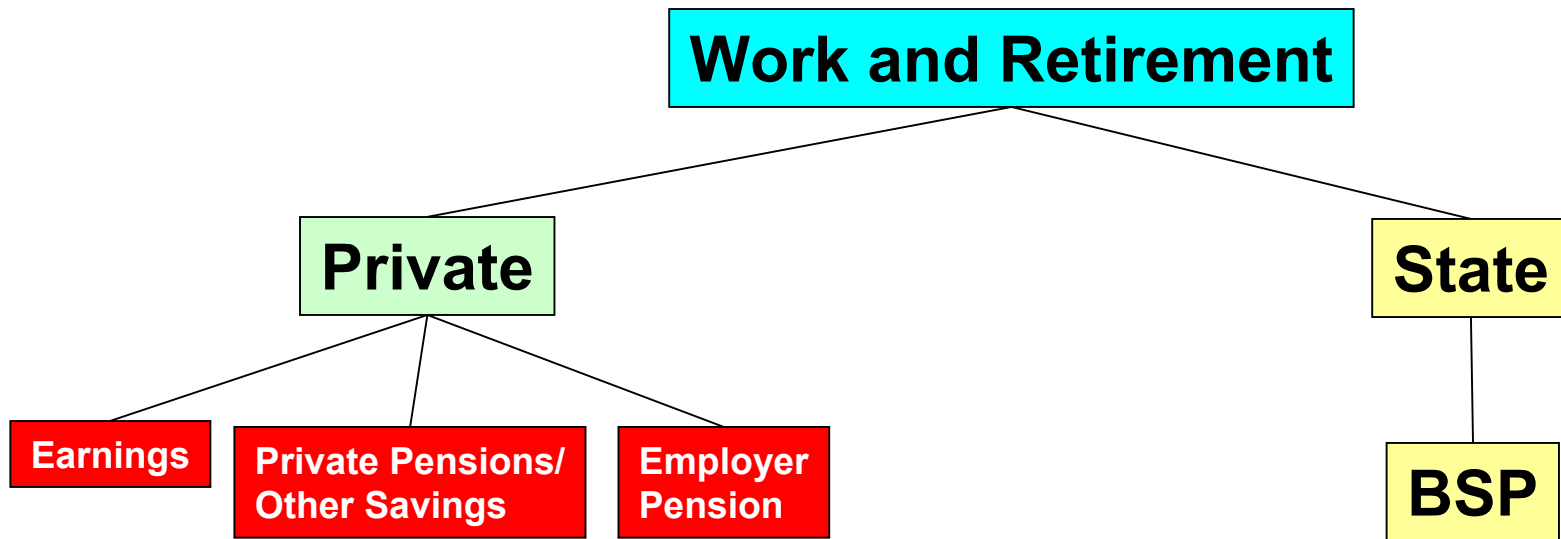
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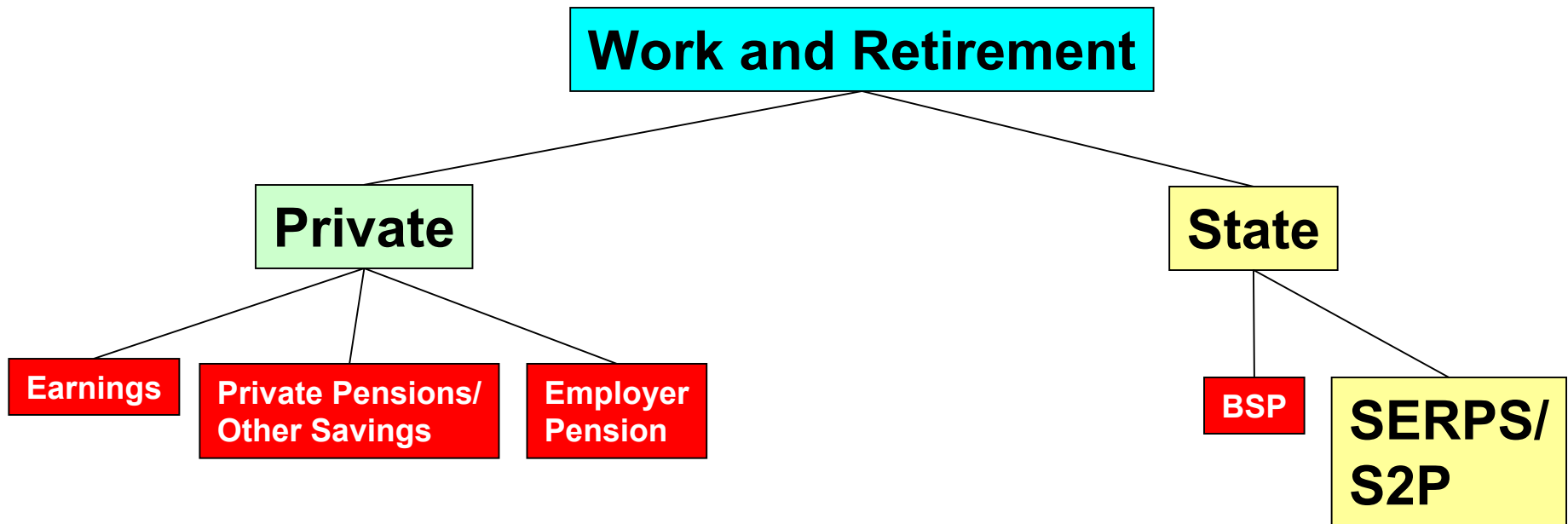
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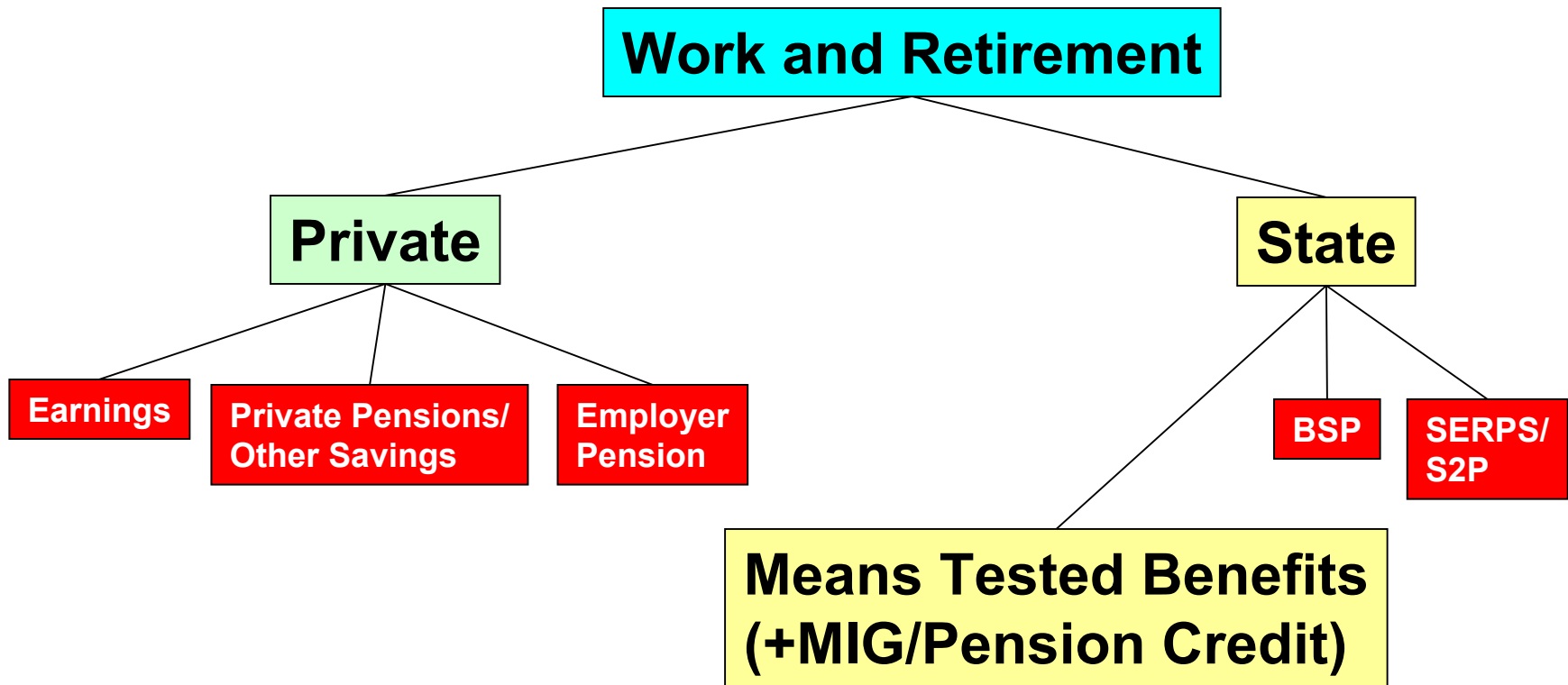
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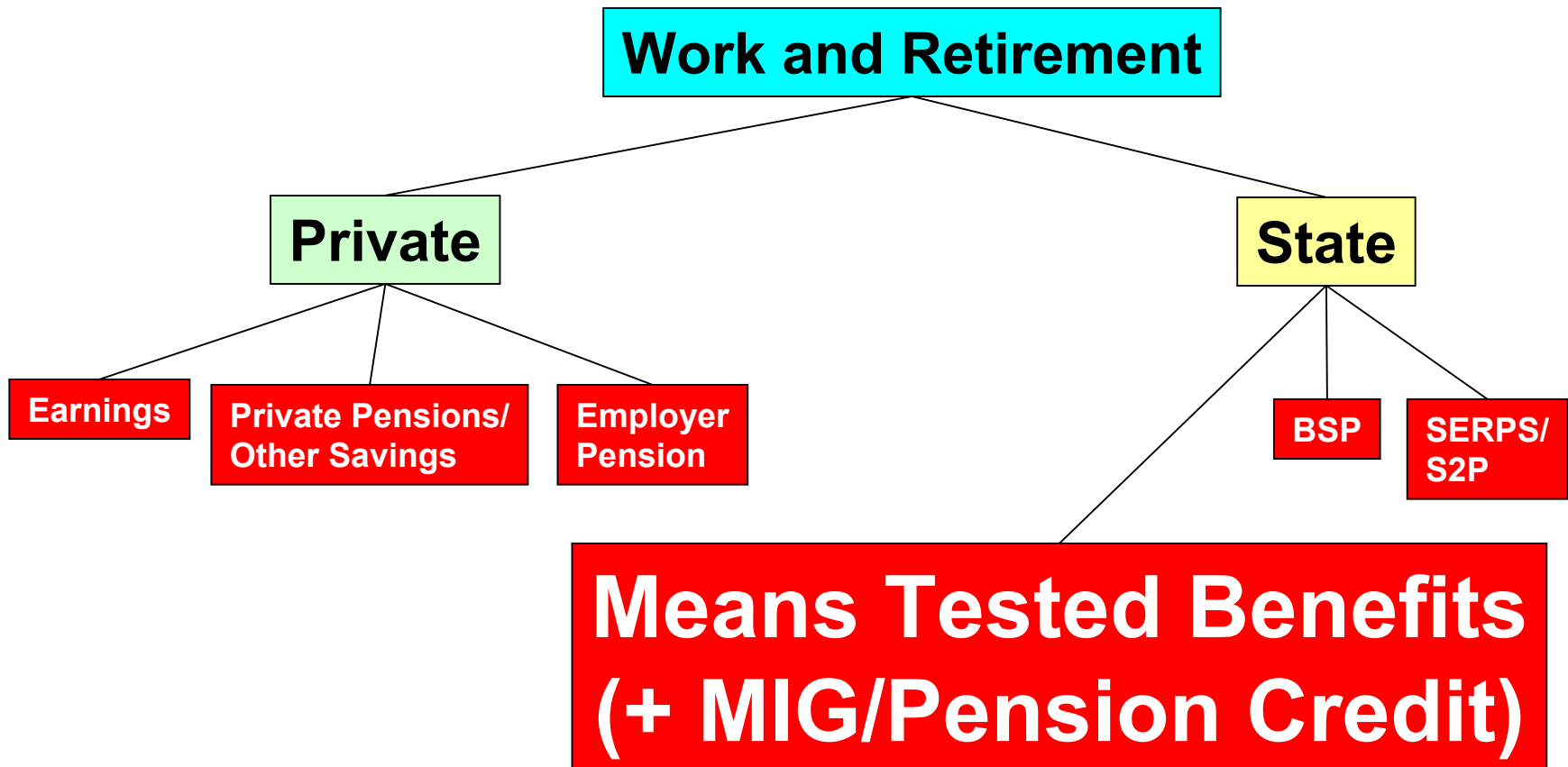
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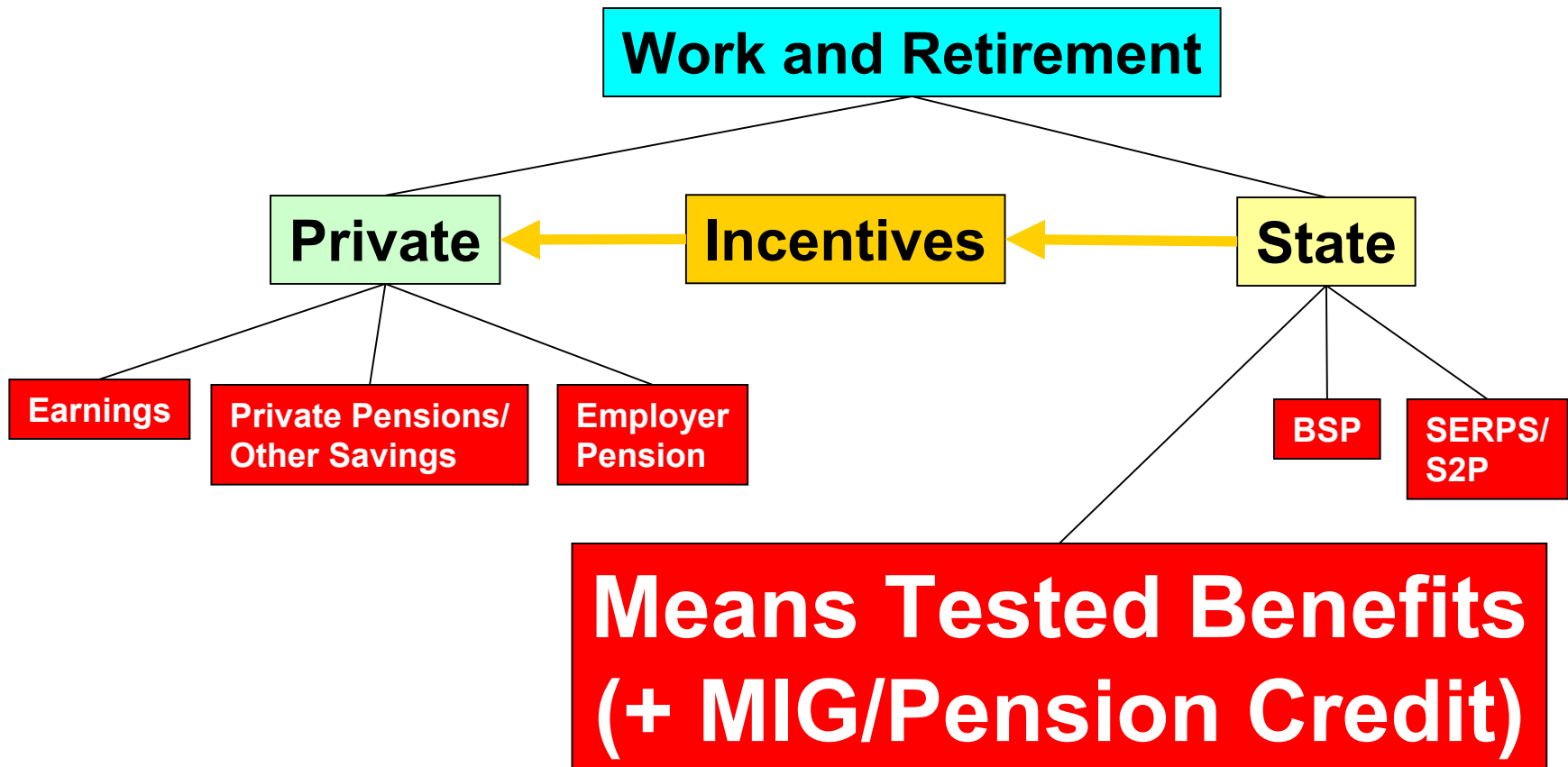
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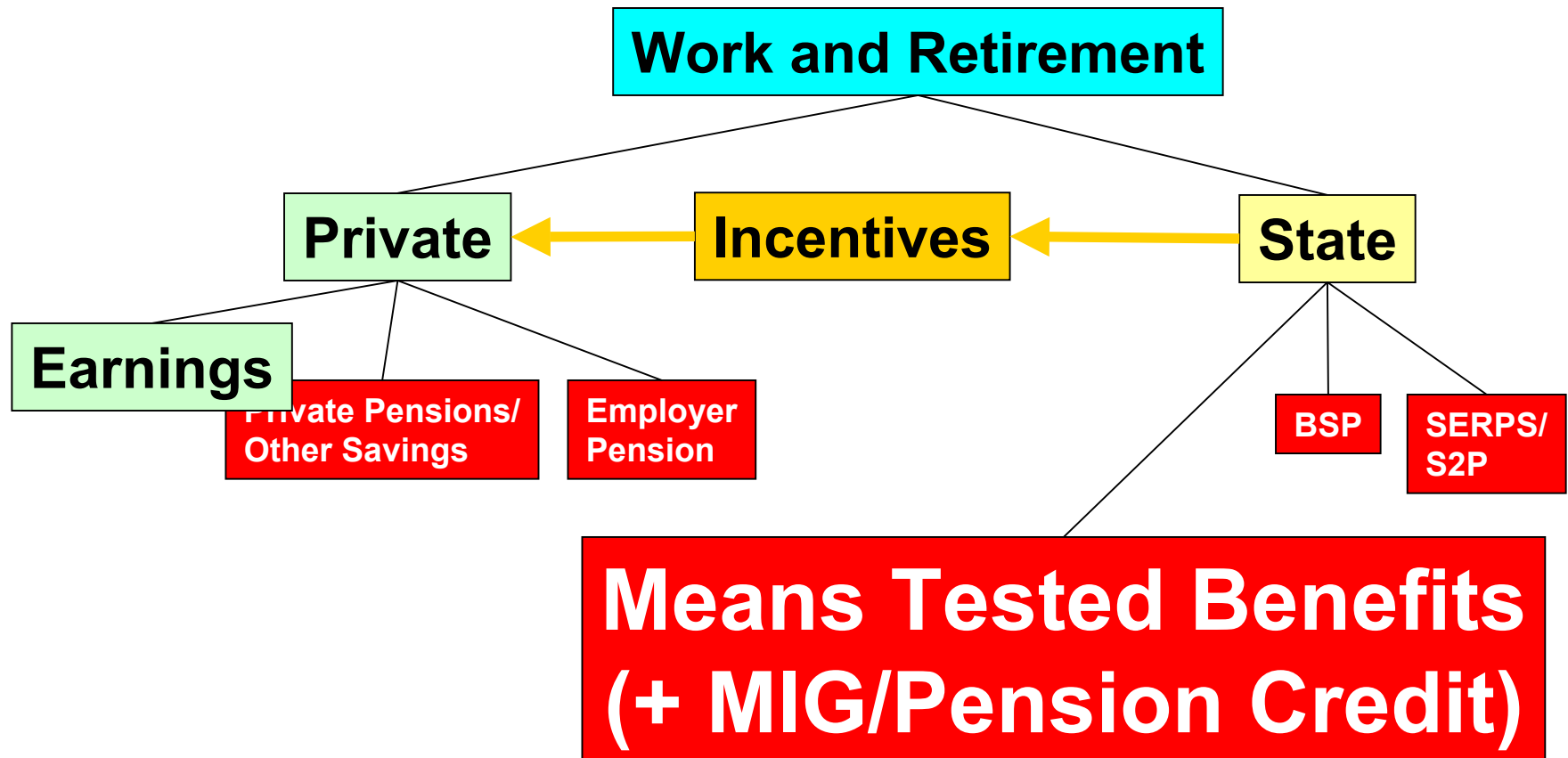
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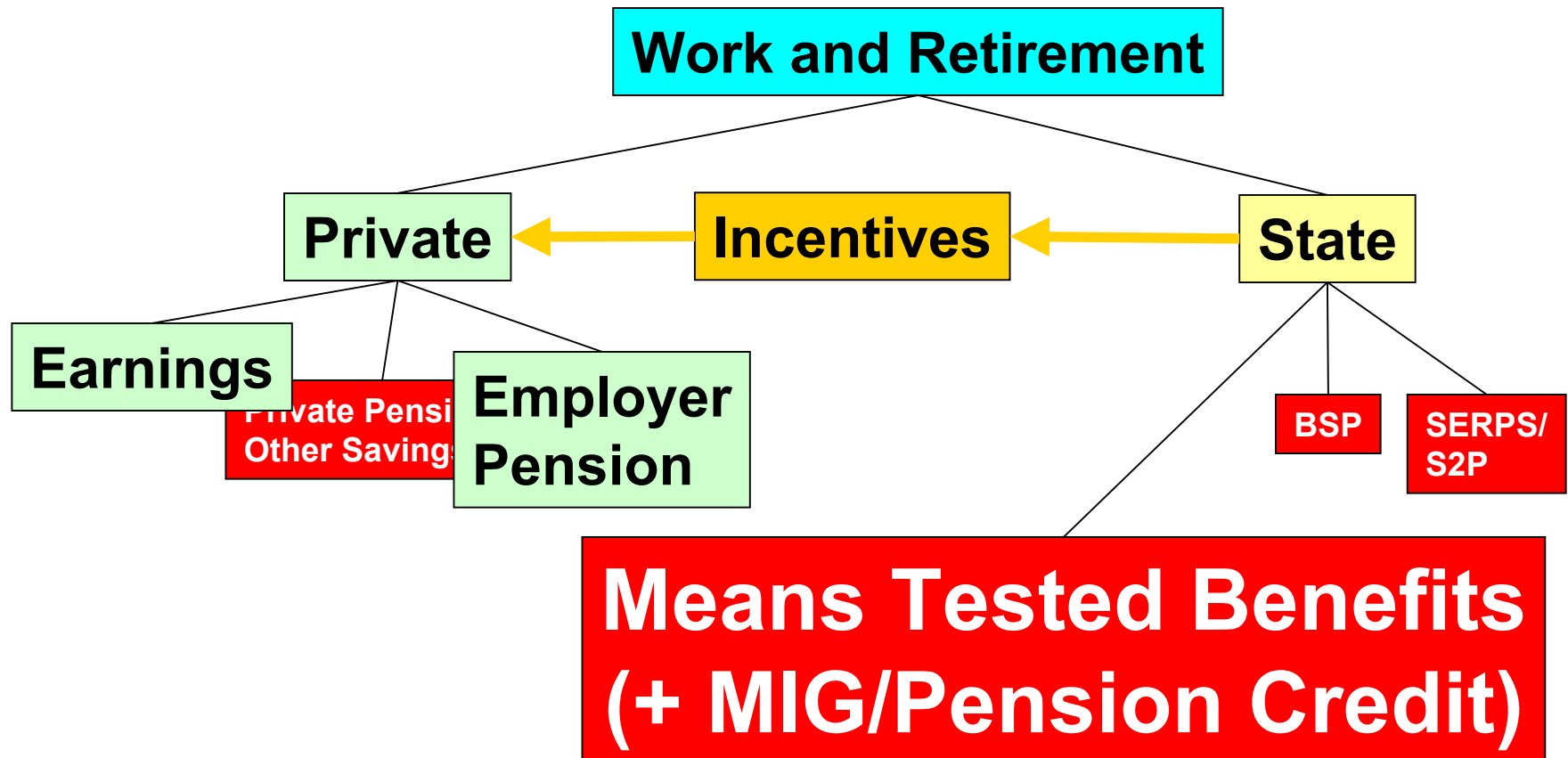
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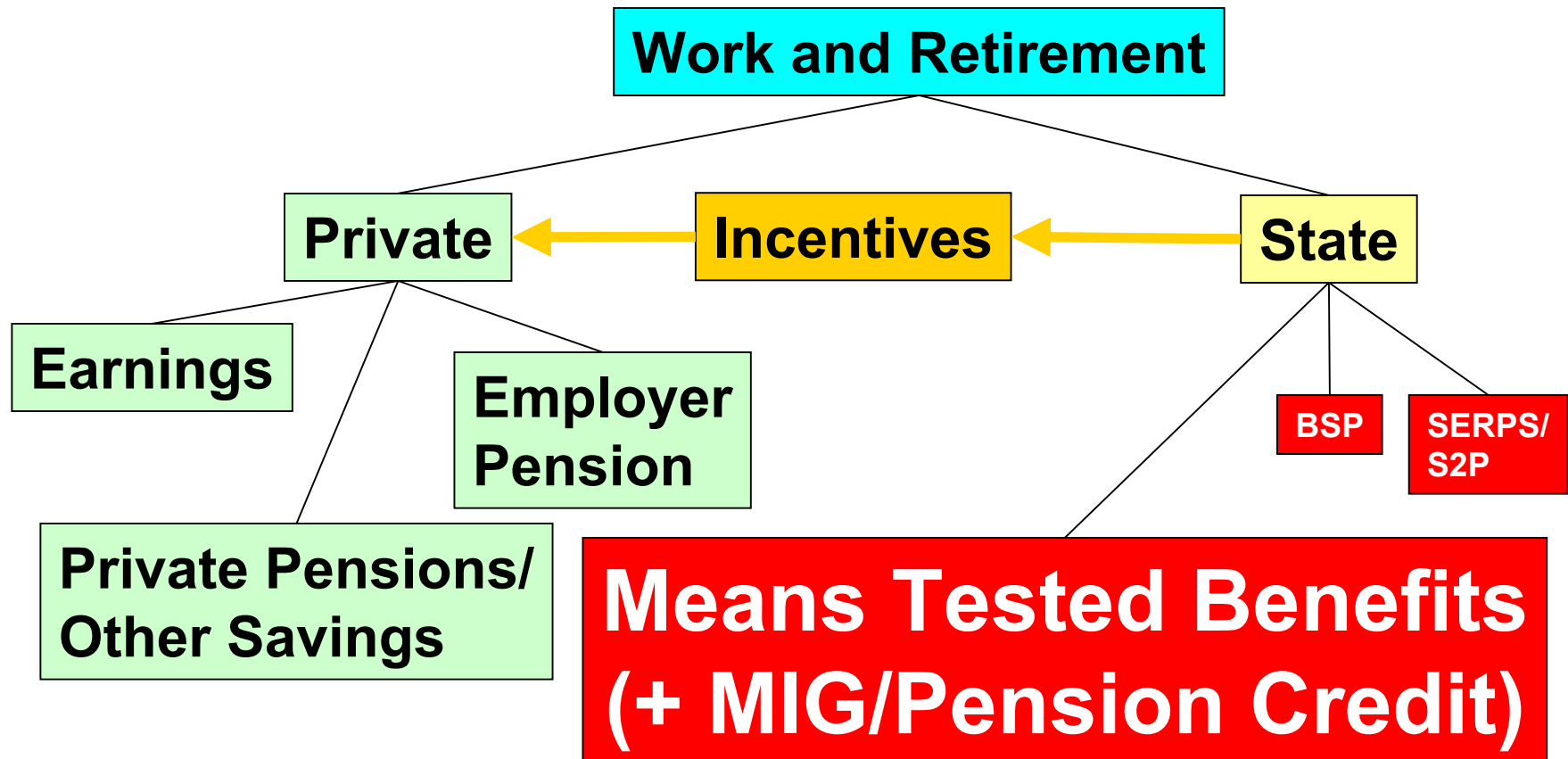
Income in Later Life - What Will We Live On?



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Work and Retirement

Private

Incentives

State

Earnings

Employer
Pension

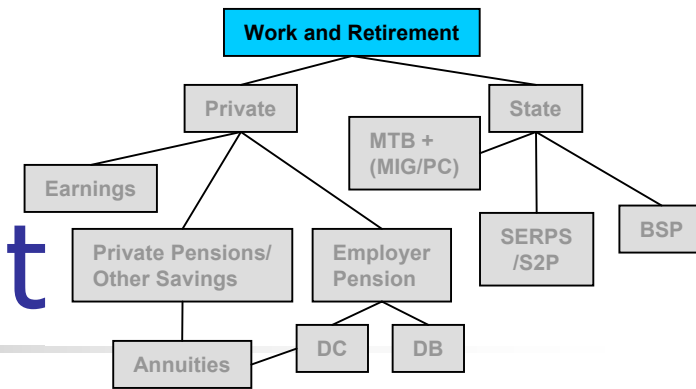
Private Pensions/
Other Savings

Means Tested Benefits
(+ MIG/Pension Credit)

BSP

SERPS/
S2P

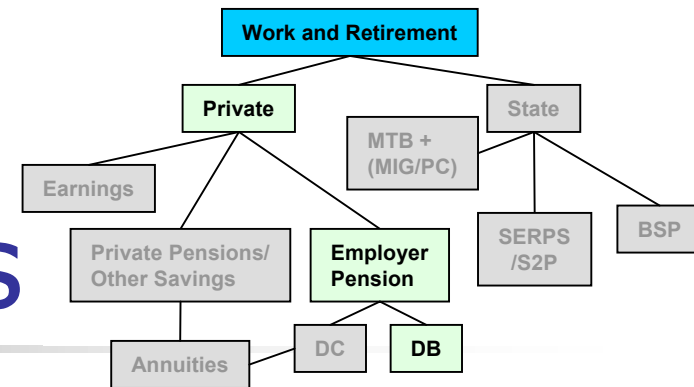
Work & Retirement



Policy recommendations from Survey

- People don't want age 70 - not 'one size fits all'
- Allow part-time work, part pension, same employer
- Retirement - a 'process' not 'event'

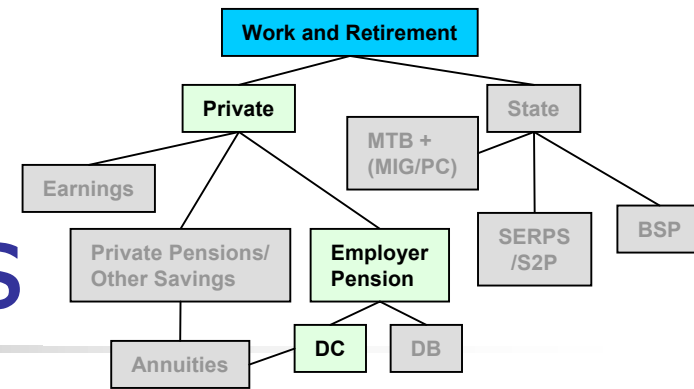
Employer Pensions



Final Salary pension schemes - Policy recommendations from Survey

- Protect workers' pensions now
- Allow people to hold more than one type of pension
- Simplify to help people understand rules

Employer Pensions

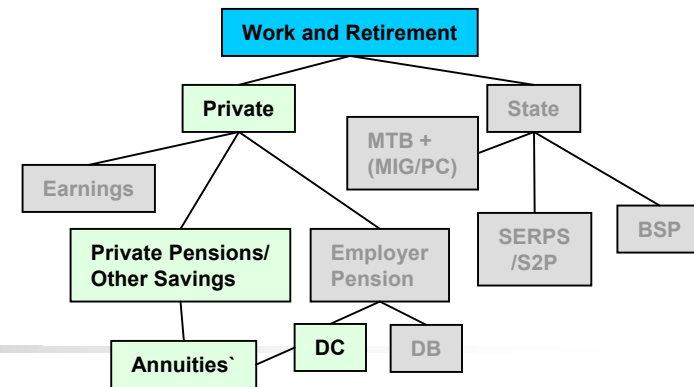


Money Purchase schemes -

Policy recommendations from Survey

- Simplify regimes - just one type - so people can understand
- Give people better access to advice
- Improve annuity market

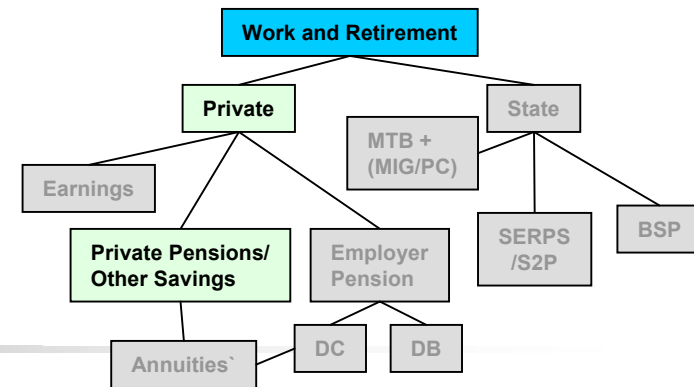
Annuities



Policy recommendations from Survey

- Everyone to get advice to find best annuity
- Everyone to get help to find top rate
- Allow money-back guarantees

Private Pensions/ Other Savings



Policy recommendations from Survey

- Improve **demand** not just supply side
- Specialist advice - suitability
- Improve financial education - workplace?
- Women need particular help



Encouraging People to Save

Incentives to save - problems of using tax relief

- Unfair - most help to highest earners
- Illogical - highest earners most able to save
- Inflexible - can only use 40% or 22%
- People don't understand
- Tax is not recouped on pensions in payment



Fairer and Better Savings Incentives

Policy recommendations from Survey

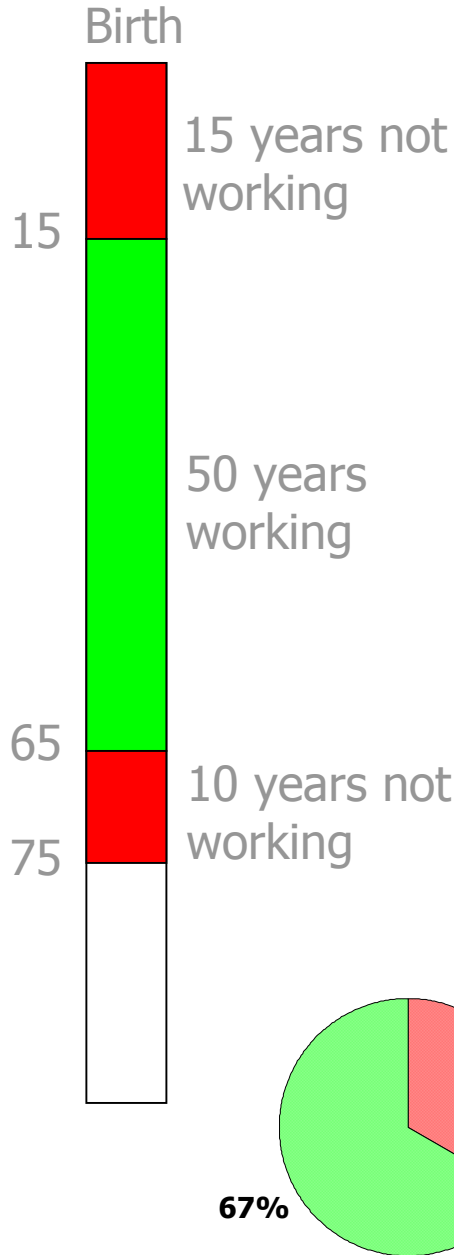
- Matching grants, rather than tax relief
- Keep tax free cash
- Give everyone same incentive for same contribution
- Middle Britain needs better incentives than now
- Levelling up, not levelling down
- More pension for same contributions!



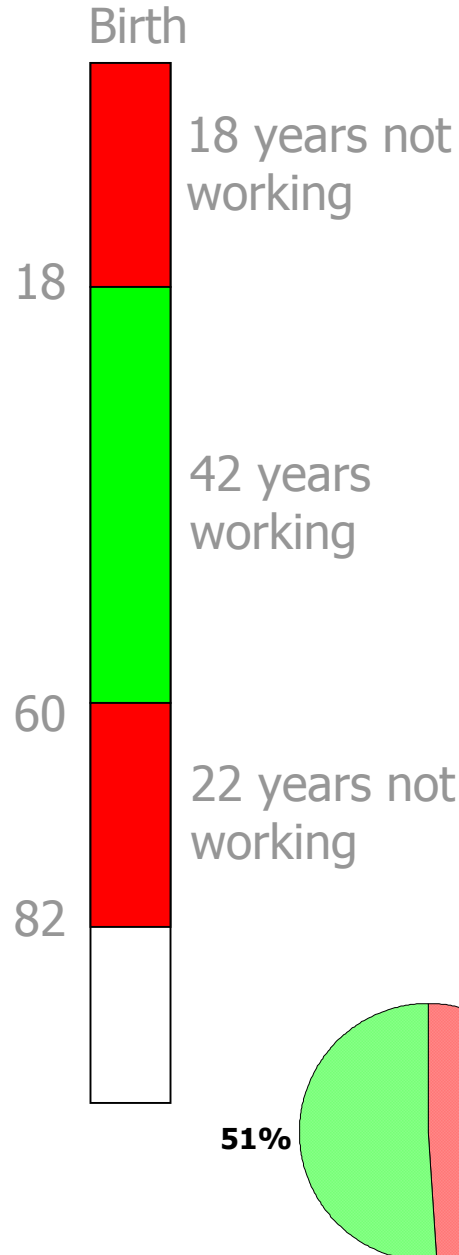
Summary

- Living longer is a good thing
- People confused about what they should be doing
- Support ourselves, or rely on Government
- People want to cut down gradually, not cliff-edge

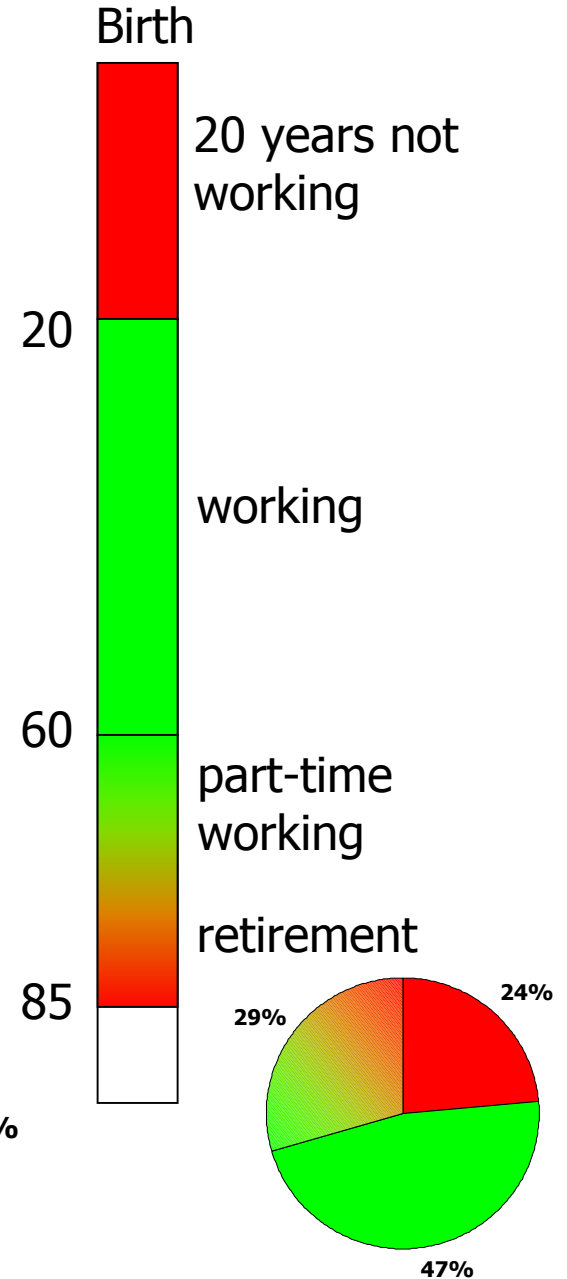
1950's



Now



Flexible Working





Conclusion

- Choice and flexibility
 - Save earlier and more for bigger pension/earlier retirement
 - Work longer, part-time(?), for better standard of living
- Some can, some can't. Some want to, some don't
- Account for individual differences



A Whole New Way of Looking at Policy

Joined up thinking for Work, Retirement and Pensions

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