PENSIONS / POLICY PROPOSAL

It’s Time To Add Flexibility To Pensions

By Joshua Lufakalyo

A LONG-TERM SAVINGS SYSTEM FOR MODERN LIVES

Background

01

Longer Retirements

Modern retirees can now expect longer retirements

02

Home Ownership

Three times as many people are expected to rent in retirement. Renters may need roughly twice the pension pot to maintain the same living standard.

03

Care Costs

Healthy life expectancy has fallen while overall life expectancy has increased in the past decade.

04

LISA and Competition for Savings

Stocks & Shares ISA accounts grew by 19.5%; Cash ISA accounts by 8% in 2024/2025.

International Comparisons

Country / scheme	Framework	Access / flexibility
Canada RRSP	•.Voluntary and secondary • EET tax structure. • No prescribed minimum employee or employer contributions.	• Home Buyers' Plan: withdraw up to C$60,000; repay over 15 years.
New Zealand KiwiSaver	• Voluntary scheme with automatic enrolment for eligible employees. • TTE tax structure. • Minimum employee contribution: 3.5%. • Minimum employer contribution: 3.5%.	• First-home withdrawal. • Financial-hardship access. • Strong member engagement in a market of roughly 3.4 million members: – 460,000 internal fund switches – More than 190,000 members transfer their accounts to another provider annually.
Australia Superannuation	• 12% Mandatory employer contributions alongside voluntary employee contributions. • TTE tax structure. • 15% tax discount for average earners.	• First Home Super Saver Scheme: release up to A$50,000 in voluntary contributions, plus associated earnings. • Compassionate early access for certain medical and disability-related needs.

International Comparison — Singapore's CPF

SINGAPORE CPF — **Mandatory | EEE | 20% employee + 17% employer contributions | Mercer top 5**

01

Ordinary Account (OA)

Housing, investments and education.

02

MediSave Account

Healthcare costs and approved insurance premiums.

03

Special Account (SA)

Retirement savings

04

CPF LIFE

Lifetime monthly payouts funded by the Retirement Account.

PUBLIC HOUSING MODEL

Around 80% of Singapore's housing is government-developed, compared with roughly 15% in the UK. This public housing model helps contextualise Singapore's high homeownership rate.

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Ordinary Account (OA)

Housing, investments and education.

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MediSave Account

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Retirement Account (RA)

Cash Account

SA savings fund the RA up to the Full Retirement Sum. The RA funds CPF LIFE.

04

CPF LIFE

Lifetime monthly payouts funded by the Retirement Account.

PUBLIC HOUSING MODEL

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International Comparison — Analysis

Chile’s AFP: What not to do

TOTAL WITHDRAWN

~27%

withdrawn across three successive rounds

Lessons

- Three successive withdrawals of up to 10%
- Roughly 27% withdrawn in total
- Around 3 million depleted accounts
- **Targeted, ring-fenced access preferred**

Proposal — A Primary Holistic Long-Term Savings Vehicle

01

Property Window

- One lifetime withdrawal of up to 25% of the pension pot, capped at £90,000, to buy a first home.
- Available after at least 12 years of contributions, with a three month notice period.
- For five years after withdrawal, the member's minimum contribution rate rises by one-tenth of the percentage withdrawn.

02

Hardship Fund

- Access of up to 5% of the pot for all members.
- Supports defined longer-term hardship needs, including social and care costs.
- Can fund disability-related home adaptations not covered by existing provision.

SAFEGUARDS

- Both access windows carry a progressive charge.
- Proposed minimum contributions rise gradually to 7% for employees and 7% for employers.