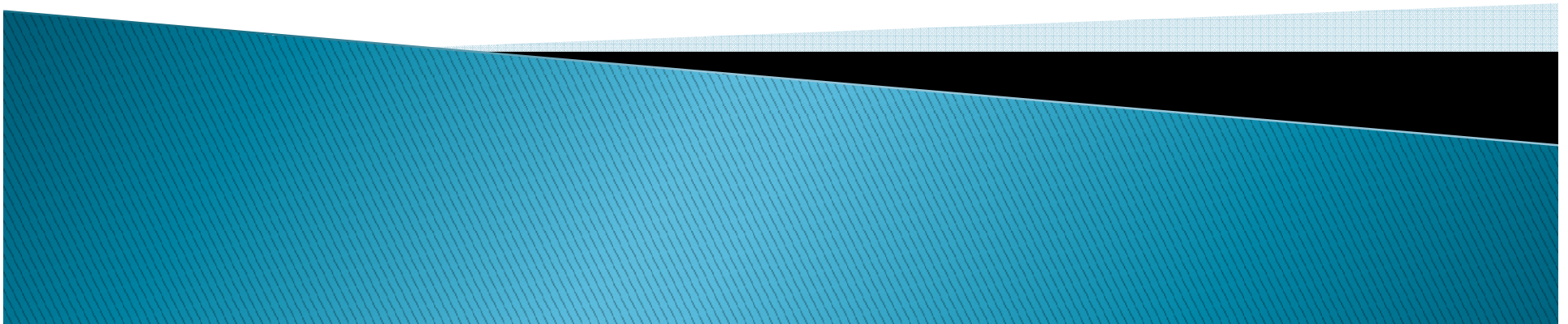




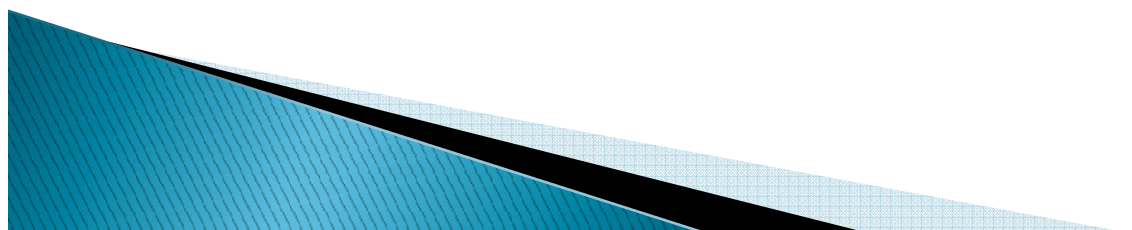
A Retirement Income Manifesto for an incoming Government

February 2010



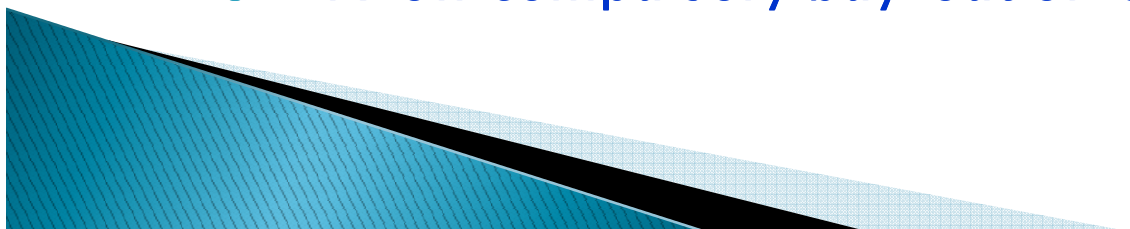
Overall Philosophy

- Promotion of a wide range of flexible retirement income options to revitalise pension saving above the minimum 'NEST' level
- Financial incentives biased in favour of long term savings over short term
- Regulation reduced to that necessary to provide member protection



Specific priorities

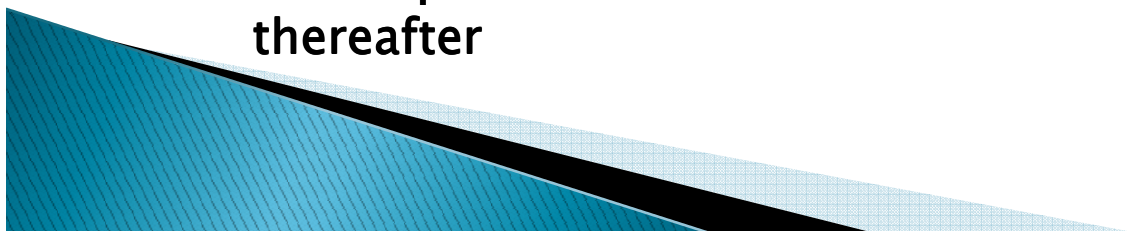
1. **Legislate to allow better 'middle way' designs**
 - More certainty of cost than DB but less volatility of outcome than DC
2. **Establish a permanent 'Independent Retirement Income Commission'**
 - See later slide
3. **Allow automatic linkage of 'normal pension age' to longevity improvements**
 - Accrued as well as future service, with protection for those close to current NRA
4. **Allow early access to tax free lump sum**
5. **Allow more flexible annuitisation**
 - Shape variable over time to fit in with needs
 - Full commutation (subject to tax) over a threshold
6. **Allow compulsory buy-out of leavers' benefits**



Remit for Independent Retirement Income Commission

Review public policy for improving retirement
provision in the UK
(both State and private arrangements):

- Make recommendations designed to encourage greater participation by employers and members having regard to UK economic, demographic and other factors
- Promote regulatory simplification
- Review employer auto enrolment/NEST rules periodically
- Review structure of State pensions and retirement age in the light of longevity improvements and costs
- Ensure transparency of costs of Public sector pensions
- First report within 12 months of establishment and triennially thereafter

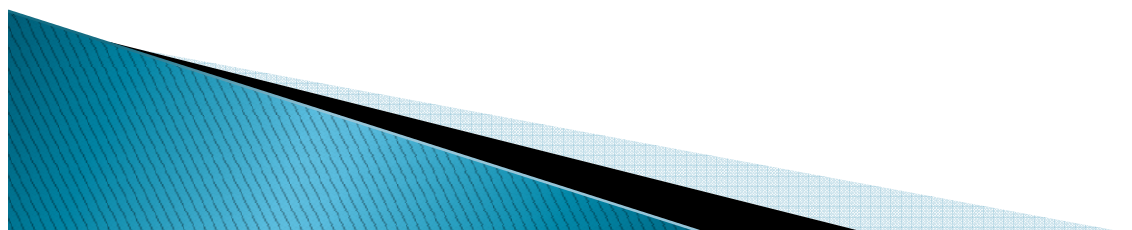


Pension policies of the political parties: as we stand

Basic State Pension

As of today:

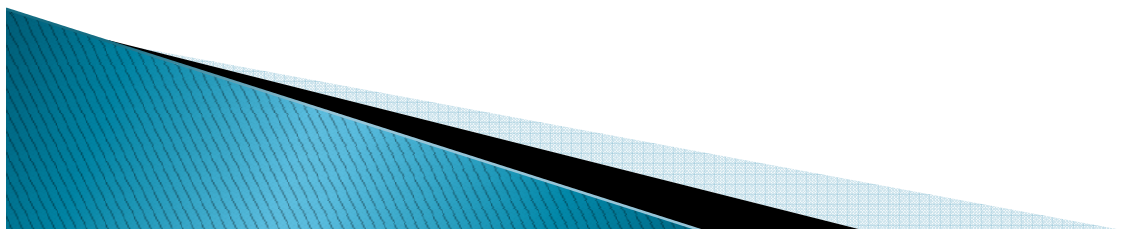
- Restore earnings indexation of State pension
 - Labour and Conservatives agree. Lib Dems support, but longer-term hanker after Citizen's Pension based on residency
- From 6 April: full State pension with 30 years NICs
 - Consensus
- Improved pensions for carers
 - Consensus
- Increase SPA to 66 by 2026, 67 by 2036 and 68 by 2046
 - Conservative would accelerate to 66 by 2016 (men)/2020 (women)



Pension policies of the political parties: as we stand

State Second Pension

- Improve S2P for lower income groups/gradually reduce for middle and above income groups – flat rate by 2030
- **Lib Dems favour Citizen's Pension.**
- **Conservatives no stated alternative to current policy, but recent CPS paper by adviser would abolish (may be policy in the making).**



Pension policies of the political parties: as we stand

Private Pensions

- Auto enrolment/NEST
 - Gradually being introduced from 2012. Conservatives would allow voluntary auto enrolment before 2012. Would urgently review NEST if win election – charges, means-testing, levelling-down concerns
- Retaining ‘quality’ workplace pensions
 - Labour supports, but opposed CI/CDC designs. Seems to favour encouraging employers to ‘get by’ with present legislation.
 - Conservatives would look again at risk sharing/hybrid designs and simplification measures. Lib Dems supported CI amendment in 2008.
- Minimum age for drawing pension increased to age 55
 - Conservatives want early access to pensions for lifetime crises/house deposits as way of encouraging young to save in long-term product. Steve Webb of Lib Dems has similar views.



Pension policies of the political parties: as we stand

Private Pensions continued

➤ Annuities

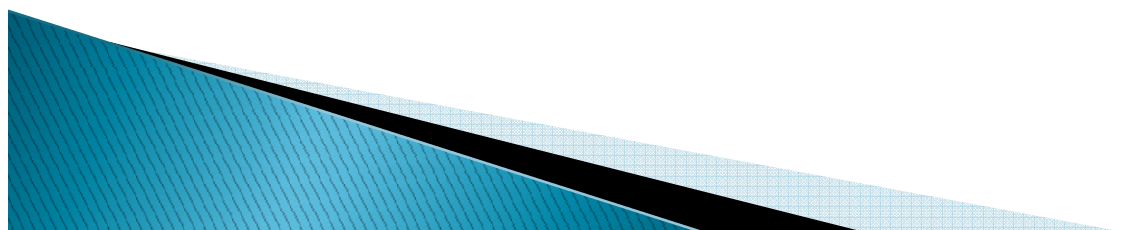
- Labour has resisted reform beyond age 75 move
- Conservatives would remove compulsion. Lib Dems supported removal of compulsion in past

➤ Pension tax relief

- Conservatives dislike 2011 reforms, but will not oppose because of economy/fear of defending 'fat cats'. Lib Dems support equalisation of pension tax relief across incomes. This may be Labour thinking too, but not stated publicly
- Conservatives have said they would look to reverse the impact of the removal of ACT relief, but not stated they will restore

➤ Default retirement age review

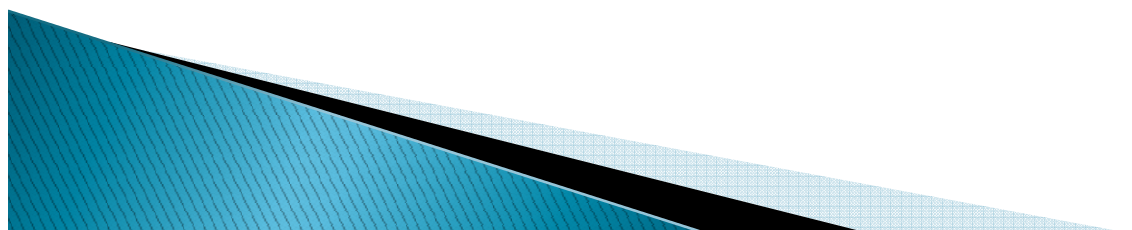
- Consensus over review



Pension policies of the political parties: as we stand

Public sector pensions

- Labour says recent reviews of public sector schemes are sufficient and/or on-going and costs are affordable into the future – small GDP cost
- Lib Dems will honour current commitments, but want to examine ways to keep future costs down, particularly of the higher paid
- Conservatives would set up independent Office for Budget Responsibility to conduct a full review of Public Sector Pensions, and would cap the biggest government pensions – civil servants, local council executives and at quangos





What do you think?

