Media Comments 2017

State pension age should rise to 68 by 2039, review says, Jessica Fino, Economia, 23 March 2017

Millions of workers may need to work an extra year before they can collect the state pension, according to a review by former CBI director general John Cridland

Cridland, who was appointed by the government to carry out an independent review into factors affecting the future state pension age timetable, recommended it should increase from 67 to 68 by 2039, seven years earlier than currently planned.

His report also said that the state pension age should not increase more than one year in any ten-year period.

Meanwhile, the government's actuary department released a report on the state pension age on the same day.

It was asked to consider two scenarios for the state pension age, reflecting someone spending either 32% or 33.3% of their projected adult life in retirement.

Under a 32% scenario, it found that the state pension age could rise to 69 between 2040 and 2042. Meanwhile under a 33.3% scenario, the age could rise to 69 between 2053 and 2055.

The state pension age is currently 63 for women and 65 for men, but this is expected to rise to 65 for both by late 2018, 66 by 2020, and 67 by 2028.

The government is expected to review the state pension age - which sets out the earliest age that a person can start receiving their state pension - in May this year.

But while the next increase to 68 was legislated in the Pensions Act 2007 and is due to take place by April 2046, Cridland said that life expectancy projections have since changed.

He explained that forward projections for the public finances suggest that they are, and will continue to be, under pressure, meaning the 2046 date will need to be pulled forward.

"A judgement on this can be made now, and we believe that there is merit in giving future pensioners as much forward notice of this change as is possible," Cridland added.

Last year, a two-year review carried out by professor **David Blake**, director of the Pensions Institute at Cass Business School, found that future pensioners risk a poverty-stricken old age unless they put 15% of their lifetime earnings away for their retirement.

Moreover, it emerged this week that one in seven people reaching state pension age this year have no pension savings.

Cridland's call to scrap triple lock gets industry support, By James Fernyhough, FTAdviser, 23 March 2017

Pension experts and providers are broadly united in their support of John Cridland's recommendation that the government scrap the triple lock on state pension guarantees.

Mr Cridland released his final recommendations today (23 March) following a year-long review of the state pension age.

His key recommendations were that the government should accelerate its timetable for raising the state pension age and replace the triple lock with a link to earnings.

The triple lock guarantees that the state pension will increase in line with the highest of inflation, earnings and 2.5 per cent.

The government has promised to keep the triple lock in place until 2020, but has not revealed its intentions beyond that.

Mr Cridland proposed abolishing the link to inflation and the 2.5 per cent guarantee.

Commenting on the recommendation, Professor **David Blake**, director of the Pensions Institute, said: "Given that pensioners have done relatively well compared with workers over the last few years (getting a minimum pension increase of 2.5 per cent whatever is happening to prices and wages), this change is unavoidable, and many of us have been calling for it for a number of years."

Richard Parkin, head of pensions policy at Fidelity International, said Mr Cridland's recommendations had "hit the right note".

"While the triple lock was a useful policy for lifting pensioner incomes from a very low base, it seems fiscally unsustainable and the step change in incomes delivered by the new state pension has made its purpose less clear."

While the triple lock was a useful policy for lifting pensioner incomes from a very low base, it seems fiscally unsustainable.
Richard Parkin

He said the proposed link to earnings meant pensions would stay pegged to the national standard of living.

However, he added this would leave those on fixed incomes "exposed to price rises".

Jon Greer, pensions expert at Old Mutual Wealth, was more sceptical.

He described the triple lock as "good policy", and urged the government to consider a replacement policy so that "when earnings fall behind price inflation, an above earnings increase could kick in until real earnings growth resumes".

Lesley Harrold, senior knowledge lawyer in the pensions team at Norton Rose Fulbright, supported former pensions minister Baroness Ros Altmann's suggestion the government adopt a “double lock”, "under which pensions keep pace with wage increases and inflation but are not also protected by a minimum 2.5 per cent uplift, which is very costly in times of low inflation, as now."

Baroness Altmann herself said there was "no economic or social rationale" for the triple lock, adding the 2.5 per cent increase was "not related to any economic variables and is politically motivated."

"The longer the triple lock stays in place, the more disadvantaged those who are not covered will become and the greater the pressure to increase state pension age even further," she said.

Speaking more generally about Mr Cridland's recommendations, Aberdeen Asset Management's head of retirement savings Gregg McClymont said hiking the state pension age raised "huge issues of fairness".

"For those who spend their working lives doing hard manual work, 50 years on the job will often be impossible," he said.

"It would be much better to set the entitlement to a state pension on the number of years a person has paid their National Insurance contributions, rather than on age. This would mean that those going to work straight from school will reach their retirement age earlier."

The government will release its response to the Cridland review in May.

Market abuse: 5 outrageous insults against IFAs, By Shunil Roy-Chaudhuri, New Model Adviser, 16 March 2017

Advisers just like estate agents

In the days before Jeremy Corbyn was leader of the Labour party it used to be outspoken on pensions policy, and in 2014 commissioned a root and branch review, in response to the pension freedoms announcement.

When, after a long wait, it was published, it somehow managed to have a go at IFAs.

In May 2014 the Labour party’s former shadow secretary of state for work and pensions Rachel Reeves commissioned the Pensions Institute to conduct an inquiry into how savers could be better supported at retirement.

Written by **David Blake**, director of the Pensions Institute, the final report, called for a number of sweeping changes to the retirement income market.

It was also very critical of IFAs, claiming advisers 'must review their industry' with a view to 'transforming themselves into a recognised profession' instead of something more akin to estate agents!

It said: 'One of the reasons for this change was the loss of professional indemnity cover in cases where clients successfully sued a professional services firm and the firm could not justify the size of the fee charged against the amount of work done, typically expressed in terms of hours worked. Many in the financial services industry, in particular advisers and investment managers, along with estate agents, still charge on an ad valorem basis and we wonder why that is the case.'

People need more support and more savings to make the pension system fit for purpose, David Blake, Professional Pensions, 16 February 2017

http://www.professionalpensions.com/professional-pensions/opinion/3004768/people-need-more-support-and-more-savings-to-make-the-pension-system-fit-for-purpose?utm_medium=email&utm_campaign=PP.Daily_RL.EU.A.U&utm_source=PP.DCM.Editors_Updates

At a glance

- While Freedom and Choice has been welcomed there are significant risks
- Many people do not understand these risks and should not be expected to
- A safe harbour retirement income plan could help people navigate this market safely

Professor David Blake gives his view on how the pensions system can be improved.

Most pension savers need much more support than they are currently getting if the government's pension reforms introduced in April 2015 are to be a real success.

This was one of the key messages of the Independent Review of Retirement Income (IRRI), which published its report *We Need a National Narrative: Building a Consensus around Retirement Income* a year ago in March 2016.

While the government's reforms have been widely welcomed, there are significant risks involved in the generation of retirement income from pension savings, such as investment risk, inflation risk and longevity risk.

Following Freedom and Choice, these risks are borne directly by defined contribution (DC) scheme members. The complexity of these risks means that many people do not understand them, even with improved financial education, and the government and the pensions industry should not expect them to.

Instead, if there are well-designed and regulated schemes that manage these risks in the most efficient and cost-effective way, it might be possible to nudge or default savers towards one of these schemes.

Can we build on the lessons of auto-enrolment by having a well-designed default decumulation process at retirement? This would take advantage of economies of scale, spread risk across a large pool of savings, and ensure that the pension outcomes of ordinary savers are not reliant on their individual decision-making.

A good product for delivering retirement income needs to offer a combination of features, including: accessibility (the flexibility to withdraw funds when needed); inflation protection either directly or via investment performance, with minimal involvement by individuals who do not want to manage investment risk; and longevity insurance.

No single product meets all these requirements, but a combination of drawdown and a deferred (inflation-linked) annuity does, for example. So a well-designed retirement income programme will have to involve a combination of products.

Safe harbour plan

One of our key recommendations is that a ‘safe harbour retirement income plan' is introduced. This would involve a simple decision tree with a limited set of pathways. This would allow people to get the best combination of retirement income products for them, given their assets, liabilities, health status, family circumstances, tax position, and risk appetite and capacity.

The plan would be self-started following a guidance or advice surgery, and the plan member has the right to opt out until the point at which the longevity insurance kicks in. The plan would also deal with one of the important lessons from behavioural economics which is that too much choice is a bad thing. There are now far too many poorly designed and expensive choices of product available at retirement, which just leads to customer confusion.

Decisions about retirement income are the hardest financial decisions people ever have to make, because the risks in pensions are so poorly understood. Getting it right requires a national narrative about what pensions are for. All members of parliament, whatever their political affiliation, as well as the pension industry will have to sign up to this narrative - just as they did with auto-enrolment.

This is why we also recommended that the government establishes a permanent independent Pensions, Care and Savings Commission, which reports to parliament, to ensure that there is cross-party consensus for all future pension reforms.

There is widespread support for such a commission, including the Work and Pensions Select Committee, the Association of Consulting Actuaries, the Pensions and Lifetime Savings Association, the Association of British Insurers, the Trades Union Congress, the International Longevity Centre - UK, TISA's Savings and Investments Policy Project, Age UK, and Pensions Age's Unchaining Pensions from Politics campaign.

However, politicians are less keen. While recognising the importance of the problems that the commission would be trying to address, their typical response is that it is the responsibility of government to deal with these.

It is also clear that we are not saving enough for our retirement, so another recommendation was that the government adopts a national retirement savings target of 15% of lifetime earnings, achieved through auto-escalation, to avoid future pensioner poverty.

The most generous final-salary schemes more than meet this target with employers contributing 16% and employees 5% - but sadly, very few private-sector employees are now members of such schemes. In contrast, the average contribution into DC schemes is 2.5% from employers and 1.5% from employees.

Even by 2019, the total minimum contributions into DC schemes under auto-enrolment will only be 8%. We are therefore a long way short of making adequate pension contributions in the UK - and, unless something urgently is done, this will have big consequences for pensioner poverty in the decades ahead.

Professor David Blake is chair of the Independent Review of Retirement Income and director of the Pensions Institute.

Welcome to the new dark ages, where only the wealthy can retire, by Peter Fleming, Guardian, 14 February

It's almost too easy to imagine the scenario. After spending most of our adult life in paid employment, the golden day arrives. A well-earned retirement. Suddenly we're released from the grip of office email and that long commute. Finally we can enjoy our remaining time on Earth pursuing those interests we'd never had time for, perhaps reconnecting with family and finishing those repairs on the house. Above all, time to relax.

Sadly, this probably won't be your future … unless you're independently wealthy. What can only be described as the "battle over work" in the neoliberal era in relation to pay and conditions has just opened another front. Retirement. And things are beginning to get nasty.

We're now told that the real question is no longer when we will retire but if we will retire, with the prospect of working until you drop likely to become the norm. Due to an ageing population, longer life expectancy and a state pension scheme that can't keep up, retirement might soon be a thing of the past. According to **David Blake, director of the Pensions Institute at Cass Business School**, "the danger now is we will have a generation who really can't afford to retire".

Retirement was once considered the jewel in the crown of any civilised society. Discrediting the idea that it's acceptable for the elderly to toil late into their twilight years was one of the great achievements of the 20th century. It wasn't just about morality, of course. There was also an economic rationale. But giving people the chance to rest after 45 years of hard slog was deemed the decent thing to do.

Not any more. Now we have entered the age of austerity, one that we're told might never end. As a result, there'll be no government help in your dotage. Nor will your employer's pension plan provide enough to make ends meet. If this heartless post-crash variant of neoliberal capitalism could be summed up in one message, it would be this: you are on your own.

The important thing to remember, however, is that none of this is as "inevitable" as the politicians would have us think. Many societies have an ageing population. But not all of them are willing to shove a frail 75-year-old back into a cut-throat service economy. That's a specialism of societies that have embraced the utter madness of neoclassical economics, such as the UK and the US.

We can trace the untimely demise of retirement to a number of assumptions about how society ought to be organised. At no other time since its inception has the welfare state been so hated by the governing elite. Social care. Unemployment assistance. Health. Local councils and libraries. Municipal parks. Anything relating to what used to be called "the public good" is attacked at the roots. Austerity redefines these things as fiscal liabilities or deficits rather than shared investments in common decency. It was only a matter of time before pensions too were put on the chopping block.

This is ideological. It's not that there isn't enough money to fund proper healthcare or pensions. There is. Remember the vast bank bailouts? Quantitative easing? It's just that the cash is being directed elsewhere. Most notably to the private sector in the form of massive corporate subsidies, while public utilities are slowly being starved to the point of decrepitude and collapse.

And let's not forget the tax revenues that aren't being collected when economic policy is geared towards socialism for the rich and the strictest market discipline for everyone else. In 2015 Google paid €47m tax in Ireland on €22bn sales revenue. That's a 0.21% tax rate. It means the average wage earner unfairly bears the burden of society. No wonder a happy retirement is starting to look like an untenable indulgence. If you can't save enough to fund it on that zero-hours pub job or Uber "gig", then hard luck.

Scrapping the right to retire fits perfectly with the ideology of work that the neocons adore so much. If your life and your job are supposed to be indistinguishable, a notion that the Chicago School of Economics perfected with "human capital theory", then there isn't really any place for retirement. Such "unproductive time" is economically irrational, an anomaly that econometric models won't process.

Now the free-market thinktank hacks decide to speak up. Don't many people over 65 actually love working? Isn't the whole idea of retirement totally ageist? Sure, if people want to work past retirement age, that's great. The trouble is that many soon won't have any choice in the matter. Economic desperation will decide for them. We already see evidence of this and it's set to get worse. While some undoubtedly enjoy working well into their later years, research shows that a secure retirement is very good for you. A German study, for example, found that retirees tend to exercise more, quit smoking and get better sleep compared to those who continue to work. As a result, hospital visits drop.

There's clearly a lot of intergenerational resentment towards retirees at the moment. The perception is that they've pulled the ladder up on the millennials who are struggling in low-paid jobs, will never own a house and are laden with awful student debts – and even reports that they're better off than workers. The disgruntlement is understandable. But it also plays into the hands of those trying to end retirement, a divide and conquer tactic that has been remarkably effective in allowing some draconian policies to flourish.

What we really need is an intergenerational alliance to be forged around the issue. Any attempt to protect the right to retire (with a pension) will also have to address the dire developments in the employment sector that are seriously disadvantaging younger people and now creeping into jobs held by 40-somethings too.

Can this cross-generational solidarity be built? It's hard to say. But one thing is certain. We are witnessing a major regression in the treatment of the elderly, something reminiscent of Victorian times or worse, where old age was no excuse for abstaining from an unforgiving world of work. Welcome to the new dark ages.

How can we make DB consolidation a success?, by James Phillips, Professional Pensions, 10 February 2017

At a Glance

- Consolidation with segmentation proves less risky
- Industry-wide schemes should be created
- Government unlikely to take any action

Consolidating DB schemes could prove a solution for small schemes with significant deficits, but how can the UK move ahead? James Phillips reports

Defined benefit (DB) consolidation has been put forward as one of the solutions to climbing scheme deficits, especially for smaller schemes.

The idea is smaller schemes cannot grow their assets as quickly as larger schemes, while liabilities mount, because they do not have the same investment opportunities available to them.

Meanwhile, a lack of funds can have an impact on governance standards and create inefficiencies.

There are nearly 6,000 DB schemes in the country, but many industry professionals believe this is too many, and small schemes should be merged together, and with a larger scheme, to leave the system with fewer, but larger schemes.

Model

Two types of consolidation model are commonly spoken about. The first would see small schemes merged into one large scheme, but with individual segments to compartmentalise assets and liabilities. This would ensure the other schemes do not bear the risk of having to pay for incoming schemes' deficits.

On the other hand, all schemes could be merged into a unified scheme, where assets and liabilities are shared. However, this could raise problems with section 75 debt regulations, as seen in the Plumbers' Pension Scheme, where solvent employers have to pick up the tab for companies that go bust.

The Pensions and Lifetime Savings Association (PLSA) last year launched a report on the state of DB, concluding the system was too fragmented, risked members' benefits and needed greater consolidation.

Yet its interim paper did not advocate a particular model. The association's DB taskforce chairman Ashok Gupta says it does not yet have the evidence it needs to back a particular model.

"We're looking at what type of consolidation model is most likely to work, and what are the benefits of various models," he says. "Doing nothing is creating the worst problem, because you leave sponsors with a never-reducing bill for legacy benefits.

"Something needs to happen, but we've not yet bottomed the benefits of the various models."

Perhaps the industry can provide a steer. JLT Employee Benefits director Charles Cowling and Pensions Institute director Professor **David Blake** both believe the segmented model is the way forward.

Cowling says this is because the total aggregation option has proven to be the least desirable.

"Where liabilities and assets are segregated, you don't have the risk of an employer picking up the tab for somebody else's deficit," he argues.

"A lot of the old multi-employer schemes that were set up were not segregated because they were well before section 75 debt issues were of any relevance. They tend to have everything pooled, which causes problems, because one group of employers ends up subsidising others."

Blake says: "The benefits come from having better governance, the assets have a scale, you have a common investment strategy, but the liabilities sit with the original scheme.

"If you're going for proper merger, you'll end up with a last-man standing model. Then you've got all the problems as we've seen in the Plumbers' Pension Scheme. No-one is going to vote for that."

Size

Small schemes certainly have the most to benefit from scheme consolidation, but it should in no way be limited to just small schemes.

"The starting point is there is definitely a problem with small schemes," Gupta states. "You can create efficiencies through consolidation. Do you then say to larger schemes you are going to prevent them from accessing these efficiencies?

"The large schemes could be the schemes doing the consolidation. We tend to look at it and say 'can you create consolidation to deliver benefits?'"

However, there is an argument that an upper limit exists on scheme size. The larger the scheme is, the more its investments are likely to affect the market, potentially affecting its actual ability to invest.

Cowling does not believe this would ever be a problem, but does caution against the potential effect on market competition.

"Size gives you massive buying power at the investment end. I've seen that not just in the UK but globally," he states. "Some of the massive pension schemes in North America have got very significant buying power.

"Inevitably, there will be a size beyond which it is too big, and there's also an issue of creating competition. If you are going to aggregate, you don't want to entirely take competition out of the system because that creates inefficiencies.

"There will be a limit but it's so far away that it's not something we need to worry about."

This is a point Gupta does recognise, however, although he agrees with Cowling, stating schemes would need to be "in excess of £100bn" before facing problems with investment.

Blake believes it is not the size of the schemes that matter, but the companies and industries involved.

"You've got to look at where the synergies can be best explored," he argues. "Companies in the same industry have more natural synergies because they know each other. You can't have strangers on the train.

"There's got to be some basis for trust, understanding the industry's problems, and taking this forward."

Yet, he does recognise a counterargument that combining schemes within the same industry does not diversify risk. If the industry suffers a downturn, all of the schemes are likely to be hit.

Advantages

For small schemes, there are immediate advantages to funds coming together, in that it creates economies of scale, where investment opportunities are greater and more varied.

It can also mean funds can pool together for greater investment and other expertise, and reduce some administrative costs that come with running a scheme.

JLT Employee Benefits reported schemes could save as much as £500m every year if there was greater consolidation of DB funds.

On top of this, schemes could benefit by being able to write new rules. Upon agreement from members and winding up, trustees could agree new terms of managing the fund, providing greater opportunities to rid themselves of out-dated or badly-written rules.

For example, the move could provide the chance for schemes to move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) where they had previously been unable to do so because RPI was hardcoded.

Cowling says: "There are two ways you could consolidate," he says. "You could consolidate with your existing scheme rules or with new rules.

"With existing rules you lose some of the benefits of consolidation. It seems to make more sense to consolidate into a standard set of rules but, if you're going to do that, you've got to make sure you're not going to prejudice members.

"This might be a creative way if you've got very badly worded rules. You could get permission to merge into rules that are much better worded."

Yet Blake argues the UK has already missed out on an opportunity to receive the full benefits of consolidation, arguing we should have made the move decades ago like the Dutch.

"With the demise of DB, this really is a case of bolted horses. It ought to have been done when the Dutch did it," he states. "We might have saved the DB model, or modified it along the defined contribution model. We might have preserved a better model than we're moving towards."

Barriers

Nevertheless, the UK could still salvage some of the remaining DB schemes through consolidation. In fact, technically there is little stopping schemes doing anything right now, but there has been little uptake. What is stopping them?

Gupta states it's a combination of factors: "The benefits structures are complex, the system wasn't built to facilitate consolidation, and there is myriad issues which get in the way, such as regulation, administration, and culture.

"You need to create the right incentives, and you need to have the right sticks as well."

Cowling says providing incentives or promoting benefits is the best approach, as the government is unlikely to mandate any action.

"Theoretically, DB consolidation is possible already but there's a fair bit of inertia," he says. "It's turkeys voting for Christmas; people don't want to propose solutions that write themselves out of a job.

"Those things you can get around by more direction, although the government is probably going to be loath to. It goes against a principle of free trade to force the schemes to do something."

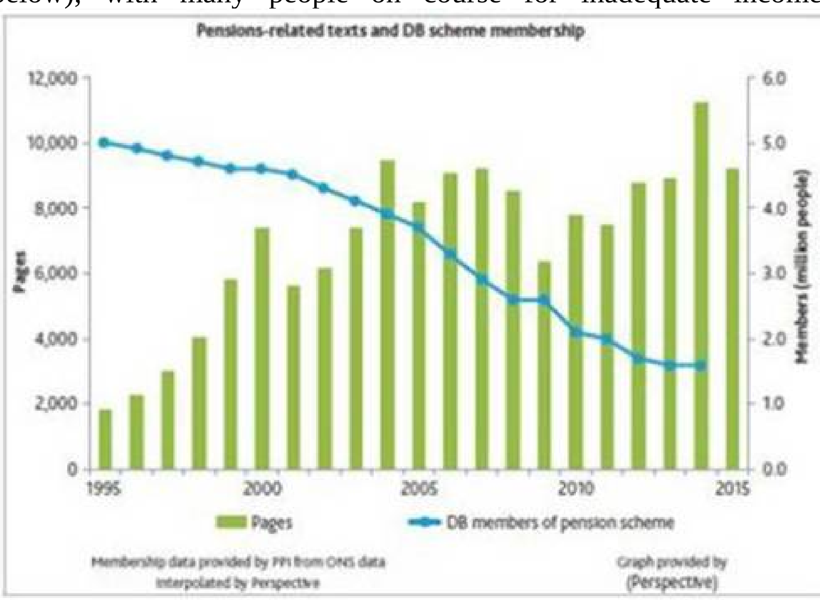
What we do know is the government will include something on DB consolidation in its upcoming green paper on regulation of the sector. However, how far it is willing to go to push DB schemes in this direction is yet to be seen.

Pensions and Chocolate - Pensions Regulation 2017, Actuarial Post, 7 February 2017

Pinsent Masons responds to the House of Commons Work and Pensions Select Committee and calls for the reduction and simplification of pensions law in a review called Pensions and Chocolate the State of Pensions Regulation 2017

Failings of the pension system over the years have led to calls for more legislation and regulation, to prevent scandals being repeated. While rules might indeed be a good thing, too many might be bad for us. The vast number of rules has led to an over-complicated pensions system that leaves not only the public bemused by the whole subject, but also the professionals.

Despite the major increase in pensions rules over the last ten years, aimed at protecting the consumer and encouraging better retirement saving, there has been a significant drop in the membership of defined-benefit pension schemes (see graph below), with many people on course for inadequate incomes in retirement.



Widespread discontent, general confusion and concern that the forthcoming Government Green Paper on defined benefit schemes will recommend yet more legislation has led to this review of the legislative and regulatory state of pensions in the UK.

Jointly prepared by international law firm Pinsent Masons, in collaboration with Pendragon, the publisher of Perspective, the electronic industry standard compendium of pensions regulation, and The Pensions Institute, the Cass Business School research body, the review has prompted a number of preliminary conclusions, including:

• that it might be a better environment for pensions were government to issue a holistic statement of its pensions policies;
• that any additional regulation or legislation should be evidence-based;
• that there should then be a deregulation exercise for all pensions regulation and
• that there should be a consolidation exercise, so that there would be a legal pensions code, understandable by the majority of those concerned.

Carolyn Saunders, Head of Pensions and Long-Term Savings at Pinsent Masons, says: "The present system is considered by most to be dysfunctional, leading to confusion, expense and a reduction in provision by employers. Whilst auto-enrolment is making some headway, for most of the population there is a reduction in the amount being set aside for retirement at a time when the population is aging and the savings ratios should be higher. Regulation may not be the sole reason for the decline, but it seems to be a major contributory factor."

The diagnosis of excessive regulation has been accepted by government in areas other than pensions. For example, it has adopted: a Red Tape Challenge programme; and a OITO ('one in two out'; now 'one in three out') policy which requires departments putting forward new regulations to remove three existing ones. These, amongst others, are dedicated to rolling back excesses in rule-making. Yet this deregulatory policy has not been extended to pensions.

Final salary pensions ‘killed off’ by excessive regulation: Too much regulation is a bad thing, says report, by Josephine Cumbo, Financial Times, 7 February 2017.

Millions of savers are relying on retirement income from final salary pension schemes that are being “killed off” by excessive regulation according to a new report.

The claim was made by academics and lawyers in a paper which suggests businesses are closing “defined benefit” schemes — and shifting staff into riskier retirement plans — because of high compliance and running costs.

The government is facing calls to strengthen the Pension Regulator’s powers following the high-profile collapse of BHS last year, which left many of the 20,000 members of the retail group’s pension facing cuts to their retirement income.

Like most members of defined benefit pension schemes, BHS staff had been promised a secure income for life, typically inflation proofed, and based on a percentage of their final salary at retirement.

Now some face cuts of up to 10 per cent to their pension, after BHS collapsed and the scheme was placed into the hands of the so-called pensions lifeboat.

In the wake of BHS, an influential parliamentary committee has called on the government to force firms to seek clearance from the watchdog before undertaking corporate deals.

However, this would come on top of an estimated 160,000 pages of UK pensions legislation including rules, regulations, codes, case law and guidance notes, according to a joint report by Pinsent Masons, the law firm, the Pensions Institute, part of the Cass Business School, and Pendragon, the information service provider.

"Failings of the pension system over the years have led to calls for more legislation and regulation, to prevent scandals being repeated," said Carolyn Saunders, head of pensions at Pinsent Masons. "While rules might indeed be a good thing, too many might be bad for us.

"Despite the major increase in pensions rules over the last 10 years, aimed at protecting the consumer and encouraging better retirement saving, there has been a significant drop in the membership of defined-benefit pension schemes, with many people on course for inadequate incomes in retirement."

Ms Saunders said she believed the rules were currently strong enough to prevent "another BHS" if the regulator used its existing powers more effectively and improved its skill mix.

The call came with the pace of closures of the UK's 6,000 remaining private sector defined benefit schemes quickening. Last year, 35 per cent of schemes were closed to future accrual, up from 12 per cent in 2006.

"Things began to go wrong when they issued more pages of regulations than the number of pension schemes in the country," said Professor David Blake, director of the Pensions Institute.

"Our once brilliant, flexible, final salary schemes have been killed off by over-regulation. We will all live to regret this."

Some experts did not agree that legislation was the reason why schemes were shutting their doors.

"It is fanciful to claim that 'excessive regulation' has killed off UK defined benefit schemes," said John Ralfe, an independent pensions consultant.

"These schemes have closed because their cost has increased dramatically in the last 20 years — people are living longer, and real interest rates have fallen — so more money must be put aside today to pay the pension promise."

Mr Ralfe said the forthcoming pensions green paper on the topic should make funding requirements "crystal-clear, with no wriggle-room" for companies.

“We should be clear that pension regulation is designed to ensure members get their pensions paid and to prevent companies walking away from their pension promises,” said Mr Ralfe.

The call came as the Pensions Regulator revealed in a freedom of information request that it has spent more than £10m pursuing nine employers to settle pension debts.

Pension policy is 'ad-hoc' and needs simplifying, report says, by James Phillips, Professional Pensions, 7 February 2007

Pension legislation and regulation need a radical overhaul in order to reduce complexity and communicate a coherent message, according to a report.

The government should also issue a "holistic" document on its pension policies, rather than the current "ad-hoc" approach.

The comments were made in a report, *Pensions and Chocolate*, published 7 February by the Pensions Institute, Pinsent Masons, and Pendragon.

It also criticised The Pensions Regulator's interventionist approach, and called for its powers to be reduced.

In the report, the bodies compared pension regulation to chocolate, stating "while rules might indeed be a good thing, too much might be bad for us".

It called for "160,000 pages of pensions regulation to be radically cut back", via codification of policy. It also proposed a strategy similar to a ‘one-in-three-out' programme, where for every piece of regulation introduced, another three are removed.

The analysis pointed to four pieces of primary legislation and 39 statutory instruments brought in through parliament last year.

As such, the report criticised the government for "issuing ad-hoc proposals" and called for a "holistic statement of its pensions policies" where this affects tax, consumer protection and scope of regulation.

In addition, it called for further legislation to be evidence-based and show that a "harm needs to be rectified", the legislation is proportionate, and any potential consequences are outlined.

Following this, there should be a deregulation and consolidation exercise for pension regulation.

The Pensions Institute director Professor David Blake believes the over-regulation has contributed to the fall in the number of open DB schemes.

"Each government policy change looks reasonable by itself, but no-one's stood back and said ‘what's the cumulative effect of all this?' he said. "The result is it's all gone and workers have not realised what they're missing.

"Nobody is standing back and saying this is destroying the goose that lays the golden egg. Now, it's too late to reverse the demise of DB schemes in the private sector."

In addition, the report stated the complexity and amount of regulation was increasing litigation and ombudsman challenges. Although, it commended the courts for "moving towards more pragmatic and cost-effective solutions".

It referenced 120 court cases involving pensions over the last year, including the landmark *Hughes v Royal London* and *Barnado's v Buckinghamshire* cases.

Pinsent Masons head of pensions Carolyn Saunders added "confusion" around pensions was leading to lower engagement.

"The present system is considered by most to be dysfunctional, leading to confusion, expense and a reduction in provision by employers," she said. "While auto-enrolment is making some headway, for most of the population there is a reduction in the amount being set aside for retirement at a time when the population is aging and the savings ratios should be higher.

"Regulation may not be the sole reason for the decline, but it seems to be a major contributory factor."

TPR 'close to interfering in markets' and needs role 'diminished', by James Phillips, Professional Pensions, 7 February 2007

The Pensions Regulator (TPR) has been heavily criticised in a damning indictment of the state of UK pension regulation.

The watchdog was described as "dangerously close to interfering in competitive forces" and "adding to unnecessary costs".

The comments were made in a report, *Pensions and Chocolate*, published 7 February by the Pensions Institute, Pinsent Masons, and Pendragon.

The report also stated complexity and incoherence of pension regulation is causing an increasing number of legal and ombudsman challenges.

In the report, the bodies said the regulator's role needs to be "rethought and perhaps diminished", contrasting TPR's view that it needs more powers.

Chair's statement fines

The analysis cited TPR's intervention over the past year, and particularly points to its use of punitive powers to fine trustees who fail to submit chair's statements.

Namely, it points to the £6,000 fine TPR handed out to PTL last August. The professional trustee firm had failed to prepare annual governance statements for three schemes and had reported itself to TPR. The punishment was the first instance of a maximum fine being issued.

Yet, the joint report argued this was an over-reaction by the regulator.

"In a sensible world, the regulator would have noted the incident, had a coffee with the trustee and encouraged it to do better next time," it stated. "Instead, it chose to issue a fine in accordance with its ‘enforcement guidance'.

"Meanwhile, it appeared to decline to enforce similar breaches against people who failed to confess, or those who completed a formal statement which may have breached the policy objectives but which were technically compliant.

"It is a curious policy that attempts to publicly shame those who confess rather than those who do not."

A TPR spokesperson said the regulator was doing what it was required to do by law.

"We must comply with the law and must impose a penalty where trustees fail to prepare an annual governance statement signed by the chair of trustees," they said. "Providing information to TPR is an essential part of a trustee's role and they are required by law to submit a scheme return and update their registrable information."

The report questions the use of "higher fines where professional trustees are involved", arguing there is little difference between trustees, and causes schemes to reconsider appointing professional trustees due to the financial risk they become exposed to.

The TPR spokesperson added enforcement would also take place where trustees fail to abide by their legal obligations.

"Schemes should be aware that this type of breach will result in a fine and we hope that our latest intervention report will act as a reminder to all trustees to ensure they complete a scheme return on time," they said. "We will act where trustees demonstrate that they are not complying even with the basic duties."

Master trusts

Additionally, the analysis argued TPR's conclusions on master trusts, such as a concern over lack of regulatory oversight, bordered on "interfering in competitive forces".

The TPR spokesperson added it was pleased to be granted more powers in the upcoming Pension Schemes Bill.

"Currently, new master trusts are subject to far less regulatory scrutiny than new contract-based providers," they said. "We have been calling for a significantly higher bar regarding authorisation and supervision, and we are pleased that the Pension Schemes Bill will give us the power to implement these safeguards."

The Pensions Institute director Professor David Blake said the regulator may be overreaching its remit.

"The role of the regulator is to play the part of an intelligent consumer in the case where there are reasons the consumer can't act in an intelligent way because they don't have the skills," he said. "Financial services and pensions planning are an area where people don't have the skills, understanding or experience to understand things like longevity or long-term inflation risk.

"The role of the regulator is to play the role of the intelligent consumer, but no more than that. If they're doing more than that, they're over-regulating."

'There's a danger of a generation who can't afford to retire', Amelia Hill, Guardian, 23 January 2017

At 19, working full-time and studying for an Open University degree, Rachael Ingram is already saving for her retirement. But she'd rather be spending the money elsewhere.

Ingram answered our call-out for those keen to take part in this series. "I shouldn't be worrying about saving for my pension at my age," she says. "I'm saving money that could go towards a deposit for my first house – I'm currently renting a flat in Liverpool – or socialising. But I have no faith in government or the state pension. There will be no one to look after me when I'm old."

It is impossible to consider retirement, and our experience of it, without also considering how we pay for it. In response to part one of this project, which seeks to understand what retirement looks like for current and future generations of retirees, many hundreds of readers shared their experiences. I was struck by their variety and diversity; from baby boomers retiring with final-salary pensions and no mortgage, to those reliant on the state or unable to stop work; from younger people trying to save for house deposits and old age at the same time, to those in middle age who have given up on doing either.

One commenter, Schwitters, wrote about friends in the public sector in the late 50s to 60s, retiring on pensions "that are quite bewildering". The comment went on: " They will probably be living as pensioners longer than they were non pensioners. I see my son at university and wonder, just wonder, how hard he and his generation are going to have to work to keep this society going. Many of my retiree friends think the same thing but no one seems to know how we dig ourselves out of it."

Many other readers, currently retired, echoed the experience of being relatively financially comfortable. But some of the same age painted a different picture. Commenter Anne Williams described peers having to work into their 60s to make ends meet.

"I have friends who, in their 60s, work as care assistants or cleaners. They are on their feet all day, struggling to earn enough to pay the rent, often in arrears, with the attendant threat of eviction … These are lovely, brave, very very very hardworking people – and with every passing month, their lives get harder and more frightening."

It's my intention to reflect as many of those experiences as possible – but also to ask why we have arrived at this point of enormous wealth inequality between both peers and generations, and what happens next.

Those most exposed to the great pension shortfall are not those just entering the workforce, most of whom presume they will work until their 70s and will receive limited support from the state. Those most at risk of enduring a penny pinching older age are those in their 40s and 50s who grew up assuming that the pensions system their parents enjoyed – generous income, retirement in their mid-60s – was the norm.

Prof David Blake, director of the Pensions Institute at Cass Business School, thinks the future is bleak: "The danger now is we will have a generation who really can't afford to retire."

I talked to David Willetts, the former Conservative MP and author of The Pinch: How the Baby Boomers Took Their Children's Future – and Why They Should Give it Back. He argues that retirement for future generations is going to be increasingly difficult. While Britain has made great progress in tackling pensioner poverty over the last two decades, as people currently in their 40s and 50s reach retirement, he predicts a return to mass pensioner poverty not seen for 30-40 years.

"We could find ourselves facing a whole new generation of poor pensioners who, on average, are even worse off than the average poor pensioner today. Because far more of them were unable to get on the housing ladder, they will be paying rent long past the point when their parents had paid off their mortgages," he says.

The consequences of this will ricochet into society, Willetts warns. "If we don't have systematic responses now to the pension problems coming down the line, future generations will suffer."

It's a perfect storm of problems: the end of the final-salary pension scheme, a failure of subsequent workers to save enough to account for this, and increasing life expectancy. A fall in the number of people who own their homes also means many will pay high rents long after their parents had finished paying their mortgages.

According to a two-year review by The Independent Review of Retirement Income (IRRI), people should put 15% of their entire lifetime earnings into their pension pot merely "to avoid future pensioner poverty". Workplace pension schemes, the biggest shakeup to pension savings in recent years, have set the minimum contribution (from employers, employees and government tax relief) as 8% of earnings: a great first step but only half this.

So we all need to be saving more. But in putting 10% of her income aside for her pension, 19-year-old Ingram is something of an exception. As a society, Britain is not putting aside nearly enough for life after work, a period that can now continue for decades.

The new state pension – available to men born on or after 6 April 1951, and women born on or after 6 April 1953 – is currently £155.65 a week to those who have paid 35 years of National Insurance. (The old scheme applies to those born before those dates.) Frank Field, Labour MP and chair of of the work and pensions select committee, is adamant that this figure is enough to guarantee all pensioners a decent standard of living: an “adequate minimum”, as he puts it.

Anything above that, he tells me, should be privately funded, without tax-breaks or other government help. “Once the minimum has been reached, it’s not the job of government to bribe people to save more,” he says. “To provide a luxurious pension was never the aim of the state pension.”

When I relay his comments to Dr Ros Altmann, who worked on pensions policy with the No 10 policy unit, is the UK government’s former older workers champion and a governor of the Pensions Policy Institute, she is left briefly speechless. Then she manages a “Wow”.

“Did he really say that? Would he be happy to live on just over £8,000 a year?”

In addition, many will not receive the full state pension. 70,000 men and women who have fewer than 10 years’ national insurance contributions will receive no state pension at all under the new system, and the government says 63% of those reaching state pension age in 2016 to 2017 will receive less than the full rate.

Tom McPhail, head of retirement policy at financial advisers Hargreaves Lansdown, is clear that he doesn’t think we can rely only on the state pension. “How sufficient is the new state pension? That’s an easy one to answer: Not. It’s not,” said

So savings are increasingly essential. But the scale of the “pension gap” is breathtaking. Three in 10 Britons aged 55-64 do not have any pension savings at all, while a 2016 report for Scottish Widows found that 47% of 30- and 40-year-olds are not saving adequately or at all.

In part, that’s because we massively underestimate the amount of money we need to save. According to Saga’s Investment Series, over-50s reckon you need just over £20,000 a year to have a comfortable retirement. But crucially, they estimate that this income could be generated by a pension pot of £194,000. In fact it would generate just £10,170 a year.

A 2016 report from Aviva underlined the issue : over-45s expect their pension fund to generate £12,590 a year on top of the state pension – but their current savings will deliver less than a third of this target income.

Fiona Macdonald, a 56-year-old civil servant in Scotland who has been working full-time since she was 16, says she is “just appalled” by her pension. Macdonald emailed me to share her experiences, having read the first part of this series. “I have paid in for a long time but I can’t live on it. The Tories believe in this completely free market economy. But some things can’t be decided by the market and people are just being left to sink when it comes to their pensions.

“Not only am I getting less in my pension but I’m paying more into it because of a change in the way pensions are constructed in the civil service. Then I have not had a pay rise beyond 1% for six years. That has an impact on my pension too.”

Millions of women have been caught out by the way the state pension is calculated, and an increase in the age at which they can claim it. Changes from last April mean that women who gave up work to raise a family are no longer guaranteed the right to claim a state pension based on their husband's national insurance records, gouging a huge hole in their pensions.

In 1995, the government announced a steady increase from 60 to 65 in the state pension age for women, but waited until 2009 to start contacting those affected. Then, in 2011 – when the state pension age for women was 63 – the coalition government accelerated the timetable.

"For four decades, I was told that I would retire at 60. I can't do that now without considerable financial hardship," said Macdonald. "I understand that men and women should have their pension age equalised but the goalposts for women my age have been moved and then moved again in a very short space of time. It means we can never plan for the future because we don't know when we'll be able to retire.".

The state pension age for women will reach 65 in November 2018. And, as soon as the pension age has been equalised, there will be a further rise to 66 years – by November 2020 – followed by a further rise to 67 years by 2028. The government has also hinted at plans to extend the state pension age to 75 – or even 81.

But what jobs can we do in our 80s? Will we all have to retrain? How much physical stress does going to the office – or the hospital, school, factory – place on your body as you get older? Which employers will seek to capitalise on this new, grey, workforce? I'll be exploring this next week. You can share your experience by emailing new.retirement@theguardian.com, or by sending them to us here.