

Summary

- We are currently in a 'golden age' of consultation with the government willing to listen to the industry.
- However, listening is not the whole story, it is the action taken after listening that is most important.
- It depends on the issue as to whether the government will consider the views of the pensions sector.
- Ultimately the government is concerned with appealing to voters and not the pensions industry.



With the government concerned with political popularity and regulators focused on pleasing the government, is the pensions industry ever really listened to? Natalie Tuck investigates

In the current political climate, with such adversarial thinking as the gap between the left and the right widens, listening is becoming a rare phenomenon, with no side willing to hear the other one out.

The vote on membership of the European Union did nothing but

aggravate the situation, and the upcoming general election, with Corbyn at the helm of Labour and May leading the Conservatives, will only make things worse, as the two main political parties set out their wholly contrasting manifestos. With much squabble between the policy makers of the country, it begs the question, is there any room to listen to those concerned with the policy being made?

Listening mode

In recent years the pensions industry has seen unprecedented change with the introduction of auto-enrolment and the pension freedoms. The pension freedoms, announced at the close of the Budget 2014, shocked the industry who were completely unaware and were frustrated at being given just a year to

make provisions to enable the policy to work in practice.

However, the government is in 'listening mode' now, according to Standard Life head of pensions strategy Jamie Jenkins, as a result of a significant shift away from major structural pension changes towards a series of refinements.

"With the key pillars of state pension, auto-enrolment and the pension freedoms now firmly in place, the agenda is much more focused on making these work rather than redesign.

"On state pension, the government commissioned an independent review on how future changes in SPA should be planned, and on auto-enrolment, it has enlisted the help of an advisory board to help formulate its recommendations around coverage, contributions and member engagement."

Furthermore, Society of Pension Professionals president and Spence & Partners director Hugh Nolan believes we're in a "golden age" of consultation. The government and The Pensions Regulator are now "genuinely interested" to hear the views of the pensions industry.

Most recently there has been a consultation on defined benefit pension schemes, the Money Purchase Annual Allowance, pension scams, and on a new single financial guidance body.

There's also currently a consultation on whether to allow former contracted-out schemes to be able to transfer to schemes that were never contracted-out, on whether to extend the early exit charge cap to occupational pension schemes, and the Pension Protection Fund (PPF) is consulting on new levy proposals.

Not only that, Nolan notes that the Department for Work and Pensions supplements consultations with a series of roundtable events with key stakeholders to "get the deepest possible understanding of the detailed issues".

"The DWP has been very open about its own thinking and clearly has some strong views on what can sensibly be done, with a focus on practical solutions to problems, rather than targeting an unrealistic and unworkable utopia," Nolan says.

"I firmly believe that policymakers are completely willing to listen to any ideas put forward to improve the system, however radical these might be. The DWP is full of real experts who can see the issues as well as anyone and are absolutely committed to getting the best outcomes possible, while recognising the difficulties in doing so."

No action required

As Lincoln Pensions CEO Darren Redmayne points out, there has been over 100 consultations with the pensions industry since the financial crisis in 2008. However, he stresses that it is not just about whether the government is asking,

but rather, the action that follows the response.

He criticises the government's slow delivery in terms of policy implementation, which can become a rushed approach that can lead to "unintended consequences". The tightening of funding regulation around defined benefit schemes, which has led to the acceleration of many of them closing, is one example Redmayne cites.

"This is despite the DWP's recent green paper saying there was no clear demonstrable evidence of an affordability issue with defined-benefit pensions. The Holy Grail is to implement the right policies in a timely manner, having considered all eventualities – no easy task."

After a consultation has closed, the government in some cases may choose not to listen to the responses. A recent example of this is the consultation on the Money Purchase Annual Allowance; the government proposed reducing the allowance to £4,000 down from £10,000.

The industry branded the proposal a policy based on "limited evidence" that "flies in the face" of flexible retirement. However, after considering the consultation responses the government went ahead with the reduction, claiming the consultation did not "provide evidence" that the policy should be vetoed.

Listening to its own agenda

It is this example that sways JLT Employee Benefits head of technical John Wilson to answer the question with a simple no. He also believes that the tone of the recent defined benefit green paper, which implies that the government is already convinced there is no need for material change, regardless of contrary views, signals that it does not listen.

"Even when the government does listen to the pensions industry, it doesn't necessarily mean they will act – particularly when the possible actions they are being asked to consider are complicated and could have

uncomfortable political consequences," Wilson adds.

Former pensions minister, now Royal London director of policy, Steve Webb also stresses that we should not think the "concerns of the industry are at the forefront of politicians' minds". Politicians are ultimately concerned with what the voters think, along with how it will be reported in the press. "Protests from the industry over another cut to pension tax relief or other changes that the industry believes are not in the consumer interest will cut little ice," he adds.

On a more positive note, Webb does think there are times when the government's agenda can be shaped by persistent campaigning and debate from the industry. One example of this is the inclusion of the self-employed in the remit of the automatic enrolment review, he says. "Until recently, the self-employed had always been in the 'too difficult' box, so it was encouraging that tackling under-saving among the self-employed was explicitly included in the terms of reference of the 2017 review."

When it comes to the regulators, Webb says that it depends on how far they are acting independently of government and how far they are simply fulfilling political directives.

"On more detailed technical issues I think that the industry is reasonably confident that a dialogue can be had with regulators and that feedback can result in things changing," he says. "But when a political statement has been made, then there is little confidence that any subsequent regulatory consultation will make a real difference."

He states the capping of exit fees for the over 55s under pension freedoms as an example. "It was very clear that the political imperative was to be seen to be 'cracking down' on charges, and regulators had little freedom to come to their own views on the issue."

So, is anybody listening? Sometimes.

 Written by Natalie Tuck