

The best in the world

➤ Pensions Age investigates which aspects of international pension structures the UK may want to adopt



AUSTRALIA

Desired pensions aspect: Engagement and structure of DC pension provision

Why: The communication strategy in Australia makes investing in pensions very personable, and members see it as an entitlement that they own. The home page of the Australian Super, the largest superannuation scheme in Australia, has the tagline: 'It's Australian. It's super. And it's yours.'

It tugs on the heartstrings, playing to the fact that people are generally proud of their nationality. Just the name Super has a positive double meaning, but the key takeaway is that it is 'yours.' Not the government's, not your employer's, but yours, which again seeks to drive people to take ownership and be proud of their pension. This has helped create a culture of pension savings that addresses the chronic undersaving problem in the UK.

The Australian market has a much greater AUM as a result of the greater engagement, and this has allowed them to access illiquid assets in a much more

efficient way. This is currently another hot topic in the UK market that is addressed effectively in Australia.

River and Mercantile Solutions associate director, DC solutions, Jiten Parekh

Desired pensions aspect: Member chooses pot

Why: Forget pot-follows-member, the ability for an individual to choose which master trust they want their employer to pay into would turn the UK pension system upside down. Members would feel like it's 'their' pension and be more engaged as a result and it would put an end to multiple abandoned small pots for those who change jobs frequently. Not to mention that it would render the dashboard obsolete for members who only have a pension pot under this regime.

Trafalgar House business development manager Joe Anderson

Desired pensions aspect: High-performing not-for-profit funds

Why: Forget year-round sunshine and shrimps on the barbie, it's the Australian pensions system that many in our industry look to with envy, with its 'super' being the largest defined contribution pension arrangement in the world. With a 20-year head start, the Aussie DC experience offers a number of data points on what works and what doesn't in workplace pensions. The numbers stack up in favour of not-for-profit funds that make up the top 10 performing pension

funds across short and long time periods.

TPP director of policy and external affairs Gregg McClymont

Desired pensions aspect: The ability for the individual to choose their pension provider and where they want their contributions to go, if they want to.

Why: People have a lack of ownership over their pension savings, and it's not surprising when they can't take control of their pot. Defaults work and have an important role to play, but if an individual likes a particular scheme or wants to stay with a particular provider when and if they move employer, why shouldn't they be able to without losing their employer contribution? This would help with small and stranded pots and creates a greater sense of ownership for people. It also would promote competition and make providers work harder to continually innovate to meet savers' needs.

Smart Pension director of policy and communication Darren Philp



DENMARK AND THE NETHERLANDS

Desired pensions aspect: Widely acknowledged as the world's two leading pension systems, both countries have



made a commitment to pension saving a social norm.

Why: Making a commitment to pension saving a social norm has led to near universal long-term savings coverage of Denmark's and the Netherlands' respective working populations, less disparate retirement outcomes, greater inter-generational equality and higher replacement rates (percentage of pre-retirement income paid in retirement) than in the UK. However, there are differences in the social structures in these countries versus the UK.



In my opinion, employing behavioural interventions in the UK could help achieve this positive social norm of almost all of the working population committing to higher long-term savings rates.

Columbia Threadneedle Investments head of pensions and investment education Chris Wagstaff

Desired pensions aspect: A structured reporting framework for pension schemes, something that would help trustees manage areas such as liquidity, interest rate risk and industry exposure. Under the Dutch reporting framework 'Financial Assessment Framework (FTK)', pension funds

are also required to implement a 'look through' infrastructure for their quarterly and annual reporting, ensuring informed investment decisions and tighter governance standards.

Why: The look-through described above provides pension fund trustees

with a deeper level of information to help them maintain strong governance. Furthermore, the main rationale for selecting the Dutch pension market is considered to be the frontrunner in governance and transparency. In 2018 the Dutch pension system was rated best pension system in the world, according to Mercer in their annual *Global Pension Index*.

Kas Bank managing director Pat Sharman



SWEDEN

Desired pensions aspect: Reducing the gender pension gap

Why: The UK gender pension gap is

roughly double the size of the gender pay gap, according to a report by PPI and Now Pensions. The main driver behind the gender pension gap is that women, more often than men, take career breaks caring for children and return to work part time. The introduction of care credits help to reduce the gap in the state pension, but nothing is done in the occupational pension.

The best remedy for addressing the gender pension gap is to increase the number of years that women work full-time. A high cost of childcare can be viewed as an implicit marginal tax on the lower income earner in the family, most often the women. Sweden introduced a cap on childcare cost in 2002 and it is currently the norm that both parents work full time. For a family in the Greater Stockholm area, the childcare cost is currently capped at £120 per month for one child and at £240 per month for three children or more. It would be great to see women in the UK supported by government policy in this way, supporting greater pensions saving through the course of their careers.

Cardano head of insights Stefan Lundbergh

Desired pensions aspect: Pensions dashboard

Why: Sweden has, for many years, had a pensions dashboard allowing individuals to see information on state, company and private pensions all in one place. The industry worked together to make it happen, including English language

versions. My wish is for the UK to look at Sweden and use this as inspiration to make it happen here.

Aon partner, international retirement, Colin Haines