

# COMMISSION IMPOSSIBLE?

## Tom Dunstan examines the debate around the establishment of a pension commission and the current possibility of it happening

The establishment of a new, permanent pension commission has been a hot topic for debate within the industry for many years, most recently flaring up at a Work and Pensions Committee's (WPC) inquiry into later life saving. In March, at an evidence hearing for the third and final part of the committee's inquiry, WPC chair, Stephen Timms, noted that witnesses shared "contrasting views" as to whether a new pensions commission was needed.

Temporary pension commissions have previously been created, providing detailed analysis of the UK pension system in 2004 and recommending automatic enrolment in 2017.

The commission's past successes have suitably impressed many, so much so that some have requested a new commission with more staying power, but just how realistic is this call?

### The current system

Currently, pension policy falls under

the remit of both the Treasury and the Department for Work and Pensions.

Many believe that the current system is adequate. For instance, Pension Policy Institute head of policy research, Daniela Silcock, mentions how the current system implemented a previous commission's suggestion of auto-enrolment without the need for a permanent commission.

However, the current system is not without its criticisms, such as the natural short-term focus those creating pension policy – politicians – may have.

"Politicians can sometimes find it difficult to think long term", comments Age UK head of policy, Christopher Brooks.

LCP partner, Steve Webb states that while "we've all got our shopping list of flaws that don't work properly" within pensions policy, citing the example of tax relief often being considered complicated, ineffective and skewed towards higher earners, "I don't think a commission would fix that".

"The biggest flaw is the lack of

### Summary

- The benefits of a permanent, independent pension commission to advise the government on pension policy and wider later life issues has long been subject to debate.
- Separating pension policy from political entanglement and being able to provide a long-term perspective are stated as some of the benefits a commission would provide, while others worry that a commission may be ineffective.
- The establishment of a pension commission seems unlikely in the near term.

cohesive philosophy. We've got lots of different aspects that seem to be designed to achieve different aims," Silcock adds. "We've brought in auto-enrolment but then brought in pensions freedoms. It means people are moving from one policy area [*at the accumulation stage*] where they aren't required to do much, with all the decisions being made for them, to one [*at decumulation*] where they're having to be quite proactive to avoid financial drawbacks".

To counter such flaws, some have suggested the establishment of a commission, a permanent body of independent experts to advise government on pension policy.

For instance, at an April WPC hearing, Now Pensions trustee board chair, Joanne Segars, said: "We certainly would support a new pensions

pensions commission being established.”

Segars was chief executive of the NAPF (now PLSA) the last time the pension commission debate strongly flared up in the industry, in 2015. Research it published in April of that year, as part of its joint campaign for an independent pensions commission with the Association of British Insurers and the Trades Union Congress, found 84 per cent of people support an independent pensions commission and 85 per cent think it should be politically neutral and impartial in its recommendations to the government.

Eight in 10 were in favour of a permanent commission, which would last more than one parliamentary term, and that would endure future political cycles and provide independent, expert advice to all future UK governments, regardless of their political make-up.

#### How would it work?

However, as the idea of a permanent commission remains in theory, there is little concrete understanding of how it would work.

“What a pension commission is and what it would do means very different things to different people. I don’t think everybody has the same picture in their mind when someone says pension commission,” Silcock says.

Some, such as the PLSA, have voiced their own opinions about how the commission could be set up.

“We envisage a commission

consisting of a small group of senior commissioners, whose knowledge and expertise would enable them to represent the interests of savers, employers, and the pensions industry,” comments PLSA director of policy and advocacy, Nigel Peale. “The commission would undertake detailed research and analysis of evidence, taking an open and consultative approach to its work, and gathering information through wide-ranging research and consultation.”

According to Peale, a commission would primarily focus on identifying the objectives of the UK pension system, especially regarding pensions adequacy, and whether people are likely to achieve the retirement income they want.

“However, by necessity, it will also need to look at other issues with an impact on retirement income, for example, the ability of people to work in later life and the role that non-pension saving, and property wealth may be able to play in providing some retirement income,” he says.

“It could also look at the extent to which savers have access to free or low-cost guidance and whether they are supported in the decisions required to achieve good retirement outcomes.”

Peale also suggests the commission reports to parliament on a regular basis, such as every three to five years, “with an assessment of the UK pensions and retirement landscape, making recommendations for appropriate changes where necessary, for example on whether the current level of automatic enrolment contributions is fit for purpose”.

#### Commission pros and cons

A key benefit of a pensions commission is its ability to suggest pensions changes independent of political manoeuvring.

Silcock describes support for a commission as “probably a symptom of people’s frustration as there is a lack of coherence

from the government”, while Webb adds that “it’s because sometimes policy has got stuck”.

Brooks suggests the appeal of a commission would lie in its independence: “It’s quite attractive to a lot of people, the idea of having an independent body [to government]”.

Those on the opposing side of the debate highlight a commission’s potential ineffectiveness.

Webb points to the previous commission to make this point: “We’ve had a mini commission in 2017 with industry grandees, experts, people who are well respected. They spent a year, had working groups, took evidence, produced a report, which everyone thinks it’s a good report and here we are five years later and nothing has been done. So for people saying we need another commission we had one and we’ve got nowhere in five years so why would another one be any different?”

Brooks also warns that “unless a commission has a really clear remit or is trying to tackle an urgent problem then I really don’t think it will be all that helpful”.

#### A matter of if or when?

However, there may be some circumstances under which a commission could be set up. For instance, Webb states: “I think if there was a change of government a commission could be set up. Sometimes new governments come in and they don’t immediately have detailed policy proposals so its just possible a new government would set up a commission.”

Although, Webb adds “the flip side of that is, if you’ve spent the past 10 years in opposition and you finally get to do something, do you really want to subcontract that?”

While the idea of a pensions commission continues to cause strong opinions, for now it remains commission impossible.

 Written by Tom Dunstan

