

EXCLUSIVE – Laura Trott: One year as Pensions Minister



Laura Trott

It has been a busy year since you were appointed as Pensions Minister, particularly for pensions, with a number of reports and consultations shared on the future of the pensions industry. So how do you feel about your time in the role so far?

The thing about this job is that pensions really matter to people; we're not just talking about some obscure little thing which might happen, it's a significant piece of people's lives. So I feel very lucky to be in this job and I feel very lucky to be able to try to make a difference and that is what I will continue to do.

I think the thing that I'm most pleased with is getting the 2017 automatic enrolment (AE) reforms done. That is something that needed to be got over the line and I'm delighted to have been able to do that.

What I want to do now though is make sure that the next steps are implemented as quickly as possible because I am determined to improve people's pensions in this country.

➤ One year on from her appointment as Pensions Minister, Laura Trott sits down with *Pensions Age's* Sophie Smith to discuss her work so far and her priorities looking ahead

➤ You mentioned the AE bill, which recently received Royal Assent, and your hopes to push these changes through at pace. Are you able to tell me a bit more about the expected impact of this bill, and the next steps on the path to implementation?

So AE has been a fantastic success in terms of getting coverage, but what we need now is to make sure that that adequacy is in the right place, and that's what these reforms are all about.

What has mattered to me the most is people at the lower end of the income spectrum, making sure that they have as much as possible come retirement, and the 2017 AE reforms will make a difference to those people particularly.

They'll particularly help women and the lowest paid, and to be able to make a difference to those people, from a ministerial position, is the best thing that you can possibly do. So I am absolutely delighted and I want to make sure we're getting on with rolling them out as quickly as possible.

I hope the industry will have seen from my first year that I don't like to wait around, I like to get things done because what we're doing really matters.

So that's what we'll do and we'll be sharing more in the coming weeks on what we plan to do next with automatic enrolment. I'm really excited about it. I think it's an exciting time in pensions, and I think it's something that we need to have more of a public debate about and that's what I'm trying to start.

➤ Despite widespread support for the 2017 AE reforms and the recent bill, many in the industry already begun to look ahead at the next steps, particularly around raising minimum contributions. Is this something that the DWP is actively looking into, and what would be the next steps if so?

We are going to look into that, because I think it's right to have that debate. I think it's really important that we get the 2017 AE reforms actioned first because that is something that there is more consensus about and that hasn't been done for a number of years.

But there is a debate that we need to have about contribution levels because adequacy is really important.

However, we can't do that without also thinking about the structure of the market, because if we're going to put more money in then we need to make sure that it's being put into a system that people have faith in working really hard for them.

➤ And steps to look into these broader structural changes are already underway, as the government previously announced a bumper package of reforms in January, and another bumper package of reforms in the summer. So, what are the next steps on all this work, and are you able to share any early insight from the consultations?

Since becoming Pensions Minister, I have tried to set a clear direction for where we're trying to go with industry,

and you're right, that has involved a lot of changes, but they're all working together.

It's about making sure that we are increasing the value that people are getting from their DC pension pot, so that savers have that greater adequacy at retirement. Value for money is absolutely crucial in that; we've put out a consultation response on that recently, and we'll be talking about the next steps soon.

It also means that we have to do a lot to address lost pots and small pots. We've got plans for the default consolidator, and we'll be saying a little bit more about that, as well as a little bit more about the direction of travel that we want to go to address that flow *[of small and lost DC pots]* as well.

We also need to look at the structure of the industry, in terms of accumulation and decumulation and how those services work, and making sure that people have equal access to those as well.

Alongside this, we need to focus on DB, and making sure that DB is working in the right way for members, but also the economy.

So there's a lot going on but it is all the things that you would have expected that I've signalled previously and so there is a clear direction of travel. I think the industry is clear in terms of where I'm trying to go and what I'm trying to achieve and so I will be relentless in pushing that forward.

➤ With so many reforms on the horizon, some in the industry have expressed capacity concerns. Is this a concern shared by the DWP, and are you looking to share a roadmap to help show the potential route for these reforms?

That's exactly what we are doing, we are setting out a roadmap. These initiatives really do fit together because they are part of a wider plan, but it's important that we talk about it and we debate it.

I have been trying to spend as much time as I can with the industry to get its input on this because this is a shared mission, and this is something whereby we as an industry and as a government want people to have better retirements.

There has been a shift that has been under-remarked upon in the past 30 years where people have gone from having a DB pension, which they didn't really have to think about, to a situation in 2010, where only 40 per cent of people had any private pension, while 60 per cent of people didn't.

That is an extraordinary shift, but one that sparked very little public debate.

We are fixing that. We started with AE in terms of coverage, but we now need to drive the value and we need to make it easier for people to make sure that they are getting the best possible value for every pound that they put into that pension.

There have already been very exciting innovations in terms of collective defined contribution (CDC), which I'm very keen to push forward as much as we can.

But this is a journey that we're all on together and what is really nice about working with the pensions industry is there is a sense of shared mission. You cannot work in the pensions industry without being evangelical about pensions.

It is really important that we help people together and I think that's what we have done so far and I've been extremely impressed with the reaction of industry to the significant reforms.

This is not an industry that can sit still and nor should it.

➤ Thinking about that innovation more broadly, we have also seen some growing calls for more widespread reviews or reform, including the launch of a new pot for life lobby group. Is the idea of a lifetime pension model being looked at by the department, and if so, how could this play into the smaller

changes being fed through the Spring Budget and Mansion House reforms?

I do see the attraction of a lifetime provider model, but there's a lot of work that has to go into looking at this and while that is work that is going on at the moment, we don't have a firm position on it.

This is something that has been discussed endlessly since automatic enrolment has come in. The default consolidator is a definite way forward and obviously that deals with the stock rather than the flow. But we are considering what to do in terms of the flow at the moment.

➤ The push towards productive finance has been a key underlying aspect of a number of recent reforms facing the pensions industry, with a number of recent reports highlighting the potential role pension capital can play in the UK economy. Given the current concerns around adequacy, however, can you share some thoughts on whether this would also be beneficial for members?

Everything must be to members' benefit. My job is to advocate for pension savers and I would never do anything that I didn't think was in the best interest of pension savers.

I think it's widely recognised that there has been too much focus on cost and not enough focus on returns, so that is the dial that we are shifting as a government.

Now everyone has different jobs in government and the Treasury is obviously very focused on the economic impact of these things.

But the two things go very much hand-in-hand. Pension savers are the utmost of our thoughts and priorities and the project finance agenda does have some beneficial knock-on effects, but it's the interest of pension savers that we are focused on completely.

➤ Written by Sophie Smith