Industry reflections: Roger Cobley

Roger Cobley has had a long career in pensions in many different roles, including chairman of Stamford Associates, president of the PMI and chairman of the Independent Pension Trustee Group

After taking A-levels, I left school and got a job as an actuarial student with an insurance company. On my first working day I was assigned to the pensions department and I have been working in pensions ever since.

In those early days some well-established companies and public-sector employers already operated a pension scheme for their employees. Employers were allowed to require employees to join and to contribute to the scheme as a condition of service. Benefits were often of a generous DB type. There was no requirement to provide any dependants' benefits although some companies provided widows', but rarely widowers', pensions. There was no guaranteed inflation protection on benefits in deferment or payment, and no rights to any benefit for those who left service, apart from a refund of employee contributions. In all of those areas significant changes have subsequently been made in terms of accrued rights, dependants' benefits and some inflation protection, and I welcome those changes.

In those early days in my working life many other companies did not provide any pension benefits at all, so many workers had to rely solely on the state pension in their retirement. Recognising that this would lead to impoverishment for many retirees, politicians began to think seriously about significantly increasing the state pension itself or alternatively adding a layer of earnings related state pension. Various designs were proposed for increasing the state pension but strong resistance was met from the insurance companies to such an enlarged state pension as they saw this as squeezing their opportunity for new business.

Eventually this dispute was settled by the dreadful compromise of "contracting out" of the second layer of state pension. It is rumoured that the insurance companies, represented by the powerful Life Offices Association, threatened to cease to invest in government issued gilts to force the government to back down and to agree to the compromise.

I was then, and am still to this day, totally opposed to the concept of contracting out and in my then role as a consultant I strongly advised my clients to "contract in" despite the apparent (but illusory) positive financial terms offered in the short term to sponsoring companies to bribe them to contract out. It took another three decades or more to put this right and we are still suffering the consequences.

Another mistake that was made was to take away the company's right to enforce scheme membership and allow employees not to take advantage of membership of company pension schemes which in some cases has left nearly a generation of employees with a significant lack of pension benefits.

Subsequently we had the 'Maxwell scandal' with employees losing their rights to pension benefits. Changes were clearly needed to avoid any repeat and the result is rightly a much tougher line on members' rights and protections, but a necessary increase in red tape and regulation. It led to the establishment of the Pensions Protection Fund and the introduction of The Pensions Regulator.

By the turn of the century and following far too much political interference from both sides it was becoming clear that a complete rethink of pension provision was required. The Pensions Commission was established, independent and free from short-term political influence and very successful. Its recommendations were accepted in the main and have led to a vast improvement in membership of company pension schemes through auto-enrolment; however, there remains the problem of contribution levels being too low and the likelihood of insufficient pension provision for many. With the benefit of hindsight it would have been better to have established from the outset a schedule of small contribution increases.

The introduction of the pension dashboard may serve to give people a timely reminder of the need for higher contributions but it will be difficult to achieve much in the next few years.

The taxation of pension arrangements is a serious and multi-faceted problem. For far too long it has suffered from political interference. The political time frame is a maximum of five years whereas pension provision is very long term. The taxation problem needs to be resolved by an independent commission, or similar body, although this looks unlikely in the near term.

Likewise we still have not resolved the problem of the lack of pension benefits for the self-employed which will come back to haunt us in the future. Sadly I cannot see any activity in this area in the near term.

So, although there have been many changes in the pensions landscape during my working lifetime, some good and some bad, there remains much to be done yet to improve matters. I will watch developments with great interest.