

➤ **What does your work as the UK Government Older Workers Business Champion entail?**

I have been asked to help lead the thinking on later-life working, the opportunities, benefits and challenges of rethinking retirement, so that people can work longer, but not necessarily full time. In light of our ageing population, with millions of us staying fitter and healthier to much older ages, the traditional retirement model is no longer appropriate. Flexible working, a new phase of life of part-time work after a full-time career before finally stopping work altogether is much healthier for the individual - and for the economy.

➤ **How would you describe the nature of the relationship between the government and the pensions industry? Have you noticed a change during your career? How would you like it to be improved?**

Pension providers have posed big challenges to the government in the past. A succession of scandals, such as pension mis-selling, Equitable Life and pension liberation have made many politicians and indeed the public, sceptical about the trustworthiness of pensions. Periodically, government imposes new controls on charges and business practices, or tries to force the industry to operate differently, but not all the measures



Dr Ros Altmann

Both sides of the debate

➤ **As a regular adviser to the government on pensions and later-life issues, Dr Ros Altmann has a unique insight into the government/pensions industry relationship. Laura Blows finds out more**

succeed. In recent times, the government seems to be taking a tougher stance, by challenging traditional pension business models, insisting on charge and fee caps, more disclosure, better governance and trying to improve customer service. The latest Budget moves to introduce flexibility to pensions and end mandatory annuitisation came as a shock, but perhaps this can be a wake-up call to the industry to make sure it offers products that work well for customers and have fair charges and terms.

➤ **Do you agree with complaints from some of the pensions industry that the pace of reform brought about by this government has been too fast? Do you think the next government should allow a 'bedding-in' period or is there still urgent reform that needs implementing?**

I truly believe that the government should have introduced much of this reform long ago and that the pensions industry was relying on 'no change' even while so many aspects of people's lives and the economy were changing. Yes, the pace of reform has been fast, but sometimes that is the only way to effect meaningful change. I do have sympathy with the dilemma posed for the pension providers, however

the changes to annuities were really important and, because annuities are irreversible, they had to be done as quickly as possible. The introduction of auto-enrolment has been over many years (although I do believe the rules of auto-enrolment are unnecessarily complex).

➤ **Do you think government broadly listens to, and is sympathetic to, the needs of the pensions industry? Do you think it plays an important role of making the industry think beyond its own needs?**

I think the government has tried to encourage the pensions industry to look after the needs of its customers, develop new and better products and offer better terms, however it has been frustrated that the industry itself has not always been willing to depart from past practices or introduce radical and exciting new products.

➤ **In your opinion, does the government intervene with governing the sector too much, or not enough?**

I think the government has been rather too slow to intervene on behalf of consumers in the arena of DC pensions, especially on annuities and charges. However

in terms of DB pensions there has been far too much regulation that was well-intentioned but ultimately perhaps too inflexible. In terms of auto-enrolment, I believe that the complexity of the regulations has created unnecessary problems and costs for employers.

▶ Steve Webb is currently the longest serving pensions minister, with a not-incredibly-long four and a half years. A common consumer criticism is that pension policy changes far too much over the course of their saving, due to the short-term needs of a political party, do you think having pension policy monitored by an independent body sitting outside of government would be the best solution?

I do think there is merit in having an independent pensions panel overseeing pension policy, however it would still need politicians to endorse it. The problem is that we have had a system that was far too complex and often inadequate, with unfairness and vested interests. The inadequacies of the system were addressed piecemeal, with no holistic assessment of the later life income needs of an ageing population.

▶ The government last year called upon pension funds to increase their allocation to infrastructure. To what degree do you think the government and the pensions industry should work together in order to fund infrastructure projects? Do you think pension funds should have a social obligation to use their money in this way?

I think investing in infrastructure is an ideal way to use long-term pension savings. I do think that there is not only a social case but also a strong investment case for using

pension assets to fund long-term growth-enhancing investments. I also believe there is a strong case for some government underpin to infrastructure funding by pension schemes, especially funded public sector schemes. At the moment, overseas pension funds are buying up our infrastructure investments but I would rather see the benefits go to UK funds.

▶ Do you think auto-enrolment will be the most successful example of government and the pensions industry working together? Or are there other contenders for this title?

The jury is out on this!

▶ If you could make any piece of legislation in regards to pensions, what would it be?

I would make pensions more user-friendly and flexible, with pensions becoming more like lifetime long-term savings that can fund care needs in later life too. I would like to encourage Save More Tomorrow schemes, where workers put some of any pay rise into a savings scheme at work, with the employer contribution staying locked into later life, while the workers' own funds would be available if they wanted. Currently, when workers need money to repay debt or save for a house, they lose the employer contribution to long-term savings. We should be encouraging saving per se, not just one product. That means re-naming pensions too - the money from the state is called 'pension' but the rest is just your own savings. The Australians call it 'super' - can we not find a catchy name. I've thought of 'lifesaver', 'mytomorrowmoney', 'laterlifefund' etc.

▶ Written by Laura Blows

▶ Dr Ros Altmann CBE

Dr. Ros Altmann CBE is an independent expert on later life issues – particularly pensions and retirement policy, investment, savings, annuities and social care funding. She is an economist by training and worked in fund management in the City for many years. Altmann has advised governments, regulators, industry bodies, corporates, finance firms, trustees and consumer groups and was director-general of over 50s' specialist Saga Group from 2010 to 2013. She was recently appointed as the UK Government's Business Champion for Older Workers. Altmann previously managed institutional investment portfolios for 15 years, including pension funds, insurance funds and mutual funds, as well as advising central banks and private client fund managers. She was head of international equities at Chase Manhattan's International Investment Operation in London, and a director at Rothschild Asset Management and at NatWest Investment Management.

Altmann then established herself as a consultant specialising in pensions, savings, retirement and investment-related issues both from a practical and policy perspective.

Altmann is a governor of the Pensions Policy Institute, and chairs the Lord Chancellor's Strategic Investment Board for the Ministry of Justice. She has a first class honours degree in economics from University College London, a Ph.D. degree in economics from London School of Economics and was a Kennedy Scholar at Harvard.