HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Protecting pension savers – five years on from the pension freedoms: Saving for later life, HC 989

Wednesday 27 April 2022

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Watch the meeting

Members present: Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

Questions 86 - 125

Witnesses

I: Will Sandbrook, Managing Director for Strategy, Analytics and Nest Insight, NEST; Joanne Segars, Chair of the Board of Trustees, NOW: Pensions; Philip Brown, Director of Policy, B&CE, provider of The People's Pension; and Darren Philp, Director of Policy and Communication, Smart Pension.

II: Colin Clarke, Head of Regulatory Change (Product Development), Workplace DC Pensions, Legal & General; Jamie Jenkins, Director of Policy and External Affairs, Royal London; Chris Noon, Equity Partner, Hymans Robertson; and Peter Glancy, Head of Pensions Policy, Scottish Widows.

Written evidence from witnesses:

NOW: Pensions
B&CE, provider of the People's Pension
Smart Pensions
Legal & General
Royal London
Scottish Widows
Hymans Robertson

Examination of witnesses

Witnesses: Will Sandbrook, Joanne Segars, Philip Brown and Darren Philp.

Q86 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Select Committee in our inquiry on saving for later life. We are very grateful to the witnesses who have joined us for the first panel this morning. Thank you all very much for being with us. Can I ask each of you to very briefly tell us who you are, starting with Will Sandbrook?

Will Sandbrook: Good morning. Thanks for having us here. I am Will Sandbrook, managing director for strategy, analytics and the Nest Insight Unit at NEST.

Joanne Segars: I am Joanne Segars. I am the chair of NOW: Pensions Trustee Ltd.

Philip Brown: Philip Brown. I am director of policy and external affairs at B&CE, provider of The People's Pension.

Darren Philp: I am Darren Philp, and I am director of policy and market engagement at the master trust Smart Pension.

Q87 **Chair:** Thank you all very much for joining us. Can I put the first question to you? It is 20 years this year since the Pensions Commission was established, chaired by Adair Turner. What do you think are the most pressing current issues in pensions policy? Do you think we need a new pensions commission to address them or do you think they would be better addressed in other ways, without setting up a new body of that kind? Can I ask each of you that question, starting with Will Sandbrook?

Will Sandbrook: In terms of pressing issues, first, we should acknowledge the enormous success of auto-enrolment so far and that we are asking that question from a very positive place.

I would point first to the adequacy of savings levels. Do we understand whether they are sufficient, for whom they may be sufficient already and for whom they need to go up and we should get them up over time?

Secondly, certainly, we should think about groups who are not well covered by the current policy, the self-employed and issues around the gender pensions gap, which have been well discussed.

Thirdly, we should continue to think about how we help people draw income from defined-contribution pensions in ways that are sustainable and that suit their needs.

We do not have a strong view either way on whether there should be a new pensions commission, either temporary or permanent. One of the things that the Commission achieved that was incredibly powerful, particularly with its first report, was to set a standard around the evidence base on which policy decisions were made. It has stood the test of time incredibly well. As I think we will come on to later today, there are some areas where that evidence base needs to be refreshed, where we do not start from a strong enough common understanding of some of the issues and problems. I would certainly be keen to see a general effort across the sector to fill some of those evidence gaps. As to whether that is the role of a commission or not, I have no strong view.

Q88 **Chair:** Which are the most striking or significant gaps?

Will Sandbrook: I think we need to make some more progress in understanding what a good outcome in retirement looks like for people relative to their working-age situation. I suspect we might touch on this later on but while things such as the PLSA's retirement living standards have made a very good step towards understanding the idea of adequacy, going back to the Pensions Commission's target replacement rate model—something like that, which tries to help us better understand the trade-offs people are making between their living standards today and the living standards they might expect in retirement, would be a helpful platform for understanding decisions around things such as future contribution rates and to whom they might apply.

Perhaps we will talk later about the £10,000 earnings threshold for automatic enrolment. I think there is a deficit of understanding around who the population of people who do not have a single income above £10,000 are and how they split between those who may very well benefit from saving for their retirement and those who may not. When questions arise like, "Should that level be changed or abolished?" we probably lack the data that would help us to understand that in an evidence-based way at the moment.

Joanne Segars: We certainly would support a new pensions commission being established. I think the first Pensions Commission was an important factor in the lasting consensus that we still have after all these years around automatic enrolment and that settlement that Adair Turner led us to.

Looking back on it, the first Pensions Commission was revolutionary. I think we forget now quite easily just how revolutionary it was to introduce the concept of automatic enrolment and this concept of NEST, which we now take as part of the pensions landscape in the UK. We would see a new pensions commission as being much more evolutionary, building on those solid foundations of automatic enrolment. For us and our pensions there are two factors to consider here: first, what a new pensions commission might consider and, secondly, how it might work.

In terms of what it would consider, I think very much in line with the points that Will has made, first looking at adequacy. Are people saving enough? If not, who is not? If not, what is the right amount and how might we get there? Secondly, it would look at the issues around the under-pensioned, an issue that we have certainly championed at NOW:

Pensions. Who is falling through the gaps, why, and how do we fix it? Then it would look at the issue of the self-employed, which was parked back when the Pensions Commission made its report. It is an issue that people have put in the "too difficult" box ever since—we may well come to that today. Then it would look at decumulation, which is still very much a work in progress. Many of the people who are newly auto-enrolled have very small pension pots; they are not at a point yet where they need to think about decumulation, but that is a market that still needs to develop.

There is then the question of how we might go about setting up a new pensions commission. Part of the success of the Commission was very much its make-up, with an employer, a union and an academic as members of the Commission, so small and focused. It was also evidence-based and it got buy-in from all parts of the industry and from the social partners as to the problem—what that problem statement was—for the first time. Doing so, and taking a very inclusive approach, led to the lasting settlement we have had ever since.

We certainly would support a new pensions commission. However, I think we would also be very clear that a new pensions commission should not delay the implementation of the 2017 review of automatic enrolment. That recommended a number of changes, in particular around reducing the starting age from 22 to 18 and abolishing the earnings threshold for contributions. We would argue for the abolition of the £10,000 earnings trigger. They are pressing issues. They do need to be dealt with now, and the setting up of a new pensions commission should not get in the way of addressing those very pressing issues.

Philip Brown: I agree with the comments made so far that auto-enrolment has been a tremendous success. We have an additional 10 million people saving for their retirement. The social impact of that cannot be underestimated. Has auto-enrolment reached its full potential? Probably not yet. That is for coverage reasons. There are a number of gaps in the system that relate to earnings and the triggers that Joanne has referred to. There are a number of things that we can improve, and we certainly support bringing the 2017 review into action and having it implemented. We would like to see a timeline for that. At the moment, the commitment is to implement it by the mid-2020s, which quite frankly is going to be upon us very soon.

When it comes to a pensions commission, we have previously called for there to be another pensions commission, for the very reasons that both Will and Joanne have referred to. The Pensions Commission looked at the evidence base, it generated consensus around that evidence base, it looked at the options and then it produced a forward-looking plan to implement some of those changes. At the moment, I think we lack that. There isn't the forward-looking way of improving auto-enrolment, and there certainly would be a place for a pensions commission to do that. That said, you could equally take all of the methodology and use it with the existing stakeholders to assist Government to do that. It is a question of which is the most practical and the easiest to bring about.

To come to the issue of where auto-enrolment needs to improve, I would echo most of what Joanne has said. The earnings trigger is a challenge. Having multiple employers is a challenge, where you sit below the trigger with each individual income. The self-employed is certainly a challenge, and that challenge has been parked, I think, more than once, because the Treasury tried to do some work on this as well and ran a successful event with a number of organisations. The challenge with the self-employed is that it is not a homogenous group of people. There is a variety of business models and a variety of solutions they could be using to assist with retirement. Pensions is a big part of that and it will work for most of them, but it will not work for all of the self-employed.

Beyond that, we come to adequacy. Pension adequacy, as has previously been said, is something we are still aspiring to. The Commission set a contribution rate of 16% to achieve adequacy. That was made up half of contributions going into auto-enrolment, so 8% into auto-enrolment, and the other half from voluntary savings. The latter clearly has not happened.

The research we are doing at the moment with the Pensions Policy Institute, which is due to be published shortly, demonstrates that more than half of the population of Great Britain will not achieve the adequacy rate set by the Pensions Commission. That data will be published shortly and is based on the latest Office for National Statistics wealth and assets survey—the latest data—and that trend continues from the work that has been done on that data in previous years as well.

Darren Philp: The problem with going last is that you just tend to agree with what your colleagues have already said. However, I would start by saying that our pension system has come a long way since the Pensions Commission reported. We have gone from a system whereby the vast majority of pension provision was defined-benefit. The introduction of auto-enrolment and the new state pension has fundamentally changed our pension system for the better, and it is important that both the state pension and auto-enrolment are the bedrock of UK pensions policy.

I would argue that auto-enrolment was a huge social experiment. We did not know what the outcome was going to be—whether people would stay in or opt out—but we found that people like being nudged, in a way, and with opt-out rates being very low, we have seen very good participation among groups that are covered. Auto-enrolment is a resounding success from my perspective.

You raise an interesting question about a pensions commission. Sometimes in the industry I think we get a bit frustrated with the constant changing of legislation and regulation. Quite often, you do not see the impact of pensions policy for decades in the future, and that stability in policy making, regulation and legislation is really important to make sure that people can plan and the industry can provide good products. To my mind, that is why the Pensions Commission was so successful.

It has already been mentioned that the Commission spent a lot of time building the evidence base—I fondly remember having copies of the tomes of evidence on my bookshelf—but it was the consensus building that was really, really good. The Commission explained the trade-offs that society faced in a very clear way. It focused on outcomes, explained the trade-offs, and then spent a lot of time building the consensus around that.

I definitely think there is a place for something like that. People quite often talk about having a standing pensions commission and taking the politics out of pensions. I don't think that is viable, for the simple reason that pensions is about taxing people, regulation and big spending decisions. However, I do think we need to have a continuous evidence base and a continuing forum, even if it is not a pensions commission, within which we can build that consensus. We have the Office for Budget Responsibility, which provides external scrutiny on some of the numbers that the Treasury produces and the fiscal policies that the Government undertake. You could have something like that on pensions, which basically explains the trade-offs and ensures that decision making is done in an evidence-based way.

My final remark on the Pensions Commission—I know you took evidence from Chris Curry in a previous session—is that the Pensions Policy Institute has been very active in developing a pensions framework based on looking at adequacy, sustainability and fairness. I think that is the type of useful tool that we need to inform better policy making. That is something that we are very supportive of.

On potential gaps, I agree with what everyone has said so far about coverage, adequacy and what success in terms of retirement outcomes looks like. I would add small pots and consolidation to that.

Finally, while auto-enrolment has been a huge success in getting people in, we are relying on inertia to do that, and we know that in the context of defined-contribution pensions, people have to make decisions. How do we get people making the right decisions at the right time when it comes to perhaps increasing more or taking their retirement income, and how do we move from that position where we want people to be inert or to just default into a position where they have the education, guidance and support to make effective decisions?

Chair: Thank you all very much.

Q89 **Sir Desmond Swayne:** From the mid-2020s, the Government are committed to auto-enrolment at 18 and from the first pound earned, subject to consultation with the stakeholders. Comrades, how is that consultation going, from your point of view as stakeholders?

Darren Philp: Like everyone you have heard evidence from so far, there is almost universal support to get on and implement the conclusions of the 2017 review. Everyone sees them as a sensible evolution of auto-enrolment. The Government and esteemed pensions industry colleagues led the review, built that consensus and got the evidence base. For me, it is not a question of policy; it is a question of how. We know that legislation is needed for some parts of this, and it is a question of how the reforms are implemented—whether they are phased in over time—and we need to do the work on that.

Q90 **Sir Desmond Swayne:** Is that consultation actually taking place? Is it going fast enough?

Darren Philp: That technical consultation is not taking place at the moment. We keep calling—I think collectively—on the Government to bring forward proposals. My fear, and I speak from experience on this, is that there is a wider question that is probably getting in the way of this consultation as to the potential cost on the Exchequer. If you expand coverage and get people saving more, that has obvious implications for tax relief. I can imagine an interesting discussion going on within Government as to potential timings on some of this.

Joanne Segars: I think one of the key things we do need is for that consultation to start and for there to be a very clear road map. As Phil has said, the mid-2020s is not all that far away now, as we hurtle towards the middle of this year. Having that clear road map is going to be absolutely vital, because it is a question of implementation. As you all know, having sat through many evidence sessions with many pension providers and industry representatives in the past, we need time in order to be able to implement, operationalise and make those changes, around which there is that broad consensus, into reality. That is not something that can be done overnight. We need that very clear road map and for that consultation—that engagement—about the practicalities to start.

Q91 **Sir Desmond Swayne:** You have shown some enthusiasm for removing the £10,000 trigger. What evidence base do you have to support that?

Joanne Segars: We are very clear that by removing the £10,000 earnings trigger, we could bring huge numbers of people into auto-enrolment, particularly if combined with the other changes that we have been talking about—the removal of the qualifying earnings threshold, for example. That could bring 3 million people into auto-enrolment. The majority of them will be women. If we think about the groups that are missing out still from auto-enrolment, 3 million people are locked out of auto-enrolment, mostly because they earn too little; they simply do not hit that £10,000 earnings cap. For us, it is about making sure that automatic enrolment can work for everybody. That is the basis upon which we and others have been calling for the abolition of that £10,000 cap.

Q92 **Sir Desmond Swayne:** Philip, you have touched on the issue of people having multiple occupations, none of which reach the £10,000 but collectively would. Is there a technical solution to that out there?

Philip Brown: That is a good question. Potentially there is, but the challenges with this relate to the fact that—let's say you have two or three employers. They may be dealing with different pension schemes, so there is a question about how you join up those pots. We don't have a solution for that at the moment. It is a similar challenge to the challenge that Darren raised on small pots.

Changes such as looking at multiple employments and taking the earnings trigger down will have a huge implication for the gender pensions gap and the ethnicity pensions gap as well. It is the biggest single contributor to helping with those two challenges.

As I said earlier, the self-employed are a slightly different challenge. It was widely acknowledged that there was potentially an auto-enrolment solution you could use through the tax system. A number of bodies that represent the self-employed were not comfortable with that. I think that is because the self-employed are not a homogenous group, so it is quite difficult to apply a very broad brush without building the evidence base around the impact of that.

Q93 **Sir Desmond Swayne:** Would I be right, then, in concluding from what you have said that there is a lack of a proper sense of urgency on the part of the Government about the consultation that we thought was taking place?

Darren Philp: We would be keen for the Government to crack on with it and consult on the detail of implementing the conclusions of the 2017 review.

Q94 **Nigel Mills:** You would make a politician with that sort of answer.

Isn't it an unfortunate reality that in 2017 there was probably a pretty good consensus around these changes and not that many obvious barriers to them, whereas we are now sat in a cost of living crisis, having just increased national insurance for employers and employees and it looks a little trickier to ask the same people to effectively pay even more out of their incomes? How do we get savings rates above 8% in the near future?

Philip Brown: That is a really important point. In the middle of a cost of living crisis—we may not be at the mid-point yet—it doesn't feel like the right time to be increasing contributions, and lots of care is needed with low earners. One could argue that low earners making their contributions plus their state pensions probably have a pretty good replacement rate; it is higher earners, or those earning more, that have a bigger challenge. There remains a consensus that the figures are not right at the moment and they need to be increased. We probably need to build more evidence about what the increased rate should be but, most of all, we need a trigger for when it is right to implement it. I think the point you make about the cost of living crisis is very important. Now would not land well with those on lower earnings.

Will Sandbrook: I agree with everything that Phil just said. With anything that increases contributions, including the abolition of the lower earnings limit, which we are absolutely supportive of in terms of helping people to get more adequate outcomes, the timing of that and the detail of the implementation does need to be considered in the light of the current cost of living situation that people are in.

The other comment that I would make to try to reinforce something Phil just said is that when we think about what is the right level of contribution for people to be making for their retirement, we cannot just think about the impact in retirement; we have to think about whether people are better off as a whole through their working age and into retirement.

The reason that the £10,000 earnings threshold was put in place was not to exclude people from pension saving—people below the earnings threshold can opt into pension saving and some do—but to try to draw a line at where the balance of risk is around the extent to which you can be comfortable that a majority of people will benefit from the quite strong nudge that automatic enrolment represents. I think that when the Government looked at that aspect of the 2017 review, they concluded that there was some mixed evidence around that.

This was the point that I was making earlier. It would be really beneficial for there to be some work breaking down the population of people who do not have a single income source that is above £10,000 to understand the broader situation those people are in. Some will be in a household where the overall income may be much higher and, as a result, it may be very sensible for gender pensions gap and equality reasons for those people to be saving. Some—although I think not many—will have multiple jobs that aggregate to over £10,000 but where none of the individual jobs is over £10,000, but others will just be systematically on low levels of earnings.

The question there needs to be for us to understand how the 3 million that Jo referred to breaks down so that we can understand, on a balance of risk basis, whether bringing those people in on an automatic enrolment nudge model is the right move or whether we should be doing more to encourage people within that group to self-identify—to opt in to pension saving—if that is suitable for their specific circumstances.

Darren Philp: To add to what has been said so far, I think how the changes are implemented is really important. We would not want a big bang. We would want the changes to be phased in over time, very much like contributions were increased gradually when we introduced auto-enrolment.

A wider point is that the adequacy debate—the figures that Phil quoted earlier—is live and it is real. The Pensions Commission reported its final conclusions in 2005; we got up to 8% contributions in 2018-19. It takes a long time from a consensus being reached for changes to be implemented. When we talk about adequacy, we are not necessarily just looking at adequacy over the next three or four years or so; we are looking at potential changes in the next decade or in the 2030s to get people up to that sort of adequate income in retirement. It is important to have the debate now, because it takes a long, long time for these changes to come through the system.

Q95 **Nigel Mills:** I know you are all thinking that the 12% is still the magic number and I think the PLSA advocates that, doesn't it? Is that where we should be aiming?

Joanne Segars: Some people say 12%, some say 15%. That will be one of the topics for a pensions commission to look at—and also who needs to be hitting those kinds of numbers, for some of the reasons that Will talked about. One very striking thing is just how much the labour market has changed since 2005, and the nature of self-employment has changed since 2005, as Phil has been talking about.

For us, it is about making sure that we can have that informed debate about the right level of contributions—the 12%—and how we get there, but none of that should get in the way of the long-term debate about what the right level of contributions is and how that would be implemented. I very much agree with Darren that it would need to be phased in, just as automatic enrolment contributions were phased in initially to prevent high levels of opt-outs. None of that should get in the way of implementing the 2017 changes, which would make a very significant difference to many people already within the current framework.

Q96 **Nigel Mills:** It is fair to say, isn't it, that the current 5% individual and 3% employer contributions are the minimum, not a limit or a target? It is perfectly open to all the employers who use you guys, and all their individual members, to increase their savings and they will get the tax relief if they do. Are you encouraging all your employers and members to put escalation schemes or optional top-ups or more matching in place to try to get the level of saving up without it being mandatory?

Philip Brown: That is something we do regularly and we provide employers with the tools to assist with that. I would say that predominantly it is larger employers who engage in that. That sounds like a very obvious statement, but smaller employers are more challenged in doing that with their workforces and pensions are a bigger challenge for a smaller company to manage. We have to be clear about when that will be effective and how it will be used.

To your question about what the correct rate is, I absolutely agree with Joanne. We need more evidence built around what the correct rate is. I think it is very difficult for a pension scheme in isolation to say the rate should be X because the response will be, "You are a pension scheme and you are asking for more money." It just sounds a bit too self-serving. We need a dispassionate review of what it should be and that should involve policy makers, it should involve the Government, and it should involve research organisations like the PPI, who do a lot of work in this space. It needs a lot of people to sit down and work this out. I don't think that a pension provider in isolation calling for an increase would land that well with either the public or the media.

Darren Philp: I think you said in your opening remarks, Phil, that the Pensions Commission thought that auto-enrolment would bring up about half of people's pension saving. We have not seen swathes of people voluntarily contributing. The evidence does not show that, although, as providers, we do work quite hard to encourage people to increase their contributions.

Where I am on this at the moment is that, subject to the evidence base, extending auto-enrolment, extending defaults and using that inertia is the main tool that will make a difference. Once you go above 8%, you will get into a debate quite quickly about whether people are over-saving. That is why Will is so strong on the evidence base for this.

What I would like to see in the future is consideration not just of increasing contributions to 12% but of allowing people to opt down, so that, for people for whom 12% might be too much, it is not all or nothing. You are not necessarily in at 12% and have zero, but you might be able to opt down to current contribution levels. By considering things like that, we can change default behaviour and build on the success of auto-enrolment, but we are making it easy for people to make sure they can afford to stay in, which is really important.

Philip Brown: There are some serious design considerations required to do that, though, because if you allow a step down in contributions, which for some will be appropriate, you need to work out whether that step down is the individual, whether it is the individual and the employer, how it works at a practical level, and what mechanisms you would put in place to allow them to step back up when they feel it is appropriate to do so. There is quite a bit of work in the intricacies of a step-down process.

Joanne Segars: I agree with that. When people step down, they may never step back up again and then we might be reinforcing some of the issues we have been talking about and some of the adequacy issues that have been a concern to this Committee.

Darren Philp: We do have tools like re-enrolment we can use that can default people back up to the 12% level in the future, so it forces people to make a decision again.

Will Sandbrook: Can I add a couple of thoughts to this? Both Darren and Phil have pointed to the Pensions Commission's original analysis, which talked about the 8% of auto-enrolment plus the 8% that people might do voluntarily to get up. The parameters of that analysis were set around the median earner, and I think it is really important as we work through this that we also consider the half of people who are not median earners, for whom, in some cases, as you get down towards the £10,000 entry threshold, 12% is quite likely to be, by at least some measures of adequacy, too much. As we think about how to build on automatic enrolment, making sure we do that in a way that will work for people at different levels of earning will be important.

I was going to mention the opt-down thing if Darren had not. It is worth mentioning that our current system is very binary. If you do not want to save the 5%, you give up the right to an employer contribution at all. For that reason, some level of capacity to opt down if default rates were to go up might well be advantageous, recognising all the points Phil rightly makes about the detail of that.

I would also observe that there is evidence, for example in America, where a number of states have introduced automatic enrolment programmes modelled largely on the UK system and the default rate is not a minimum. Average contribution rates tend to cluster very tightly around the default level. Some people go up a bit and some people go down a bit.

Those defaults are very powerful. While it is absolutely right to highlight that some people who perhaps should not opt down will do so, and they may stay there, on the whole, if well designed, default settings are very effective. Therefore, as a model, to have those who could and should and would benefit from saving at a higher rate, while giving some kind of safety valve to those who perhaps should not be, is certainly worthy of consideration alongside other design approaches that might enable the slightly better targeting of higher contribution rates than you would get if you simply made a blanket increase in the minimum contribution rate for everybody.

Q97 **Nigel Mills:** With a similar panel to this, I once went through all the websites and pointed out that all the auto-enrolment schemes were still marketing on how easy and cheap they were for employers and not what great pensions and quality of investment they gave to attract people to it. I just had a quick look and we are still a little bit in that situation. The front pages say, "We're a digital pension and we help employers and it's easy." Do you not think we need to move auto-enrolment now on to saying, "We provide the best pension for your employees and it's the most climate-compliant, it's the best investment return and it'll give you a better retirement," rather than trying to focus on how easy and cheap it is? Isn't that one of the problems we end up with here?

Philip Brown: I think that is right. The introduction of auto-enrolment was very much about employers—helping employers become compliant and meeting the duties placed on them by the Pensions Regulator. All our schemes have evolved over time on that. We have lots of debates around costs and charges—transparency on costs and charges, and the level of costs and charges—and they are the right debates to have, but as an industry we are quite keen to focus on value because cheapest is not always best.

As we all get scale as schemes—as we grow our assets under management—we can do more interesting things in terms of our investments, our digital engagement, our member engagement, all of that type of stuff. I think you are right. We are still building on that as an industry, but with the consolidation agenda, with achieving scale, I think you will see some quite exciting stuff come through from an investment perspective in particular, when we all have the buying power to make that difference.

Q98 **Chris Stephens:** I have some questions for the panel on guidance and advice. Darren, how much of a difference can we expect improved access to guidance to make to retirement outcomes and, more importantly, for whom?

Darren Philp: The whole guidance and advice debate and its interaction with auto-enrolment is really important. As I said, inertia works wonders for getting people doing the defaults, but, especially in a defined-contribution context, we need people to engage. We don't need people to become pensions experts or investment experts but we need people to make decisions, and people making the wrong decisions could have a pretty big impact on their outcome.

The key question for me is how we support people in the world of strong defaults to make good decisions. The Committee has had lots of conversations around Pension Wise. We all think Pension Wise is a really good, strong service. It makes some good interventions. The problem is around take-up, and the Committee has identified that as a key issue before.

Q99 **Chris Stephens:** That point moves me beautifully on to my next question. We have been advised that the Government do not agree with this Committee's proposal to look at automatic Pension Wise appointments. I say this as someone who is 49 years old; obviously, there is a suggestion that at 50 there should be some sort of automatic appointment. What are your views about whether we should trial the automatic Pension Wise appointment process?

Darren Philp: We would be quite keen on that. The Government is currently introducing its stronger nudge policy, which is almost a halfway house between prompting people to Pension Wise and having that automatic booking. From an implementation perspective, it is pretty difficult to do. It is causing quite a lot of burdens on industry, and it means people will be asked whether they want a Pension Wise appointment—and we would have to book it for them—on multiple different occasions. We do not know whether automatic Pension Wise appointments would be successful or not, but you mention the word "trial", and we think building the evidence base and trialling something on this would be a really powerful contribution to the debate.

The other aspect around guidance is that we know people do not just struggle with pensions but also with day-to-day finances and budgeting, and basic financial wellbeing. There is evidence to suggest that if people struggle to manage money during their working lives, there is an impact on their retirement, so we are quite keen on things like money coaching, helping people, financial wellbeing, right the way through the savings journey, and a key point of this is joining it up.

The Committee has been looking, interestingly, at the pensions advice allowance. We know that the advice market works for people who have big enough pots or are well off enough to get advice. However, there is a huge gap below that. Pension Wise can fill part of it, providers can fill part of it, but I would encourage the Committee and the Government to look at the effectiveness of the pensions advice allowance but also what it could be used for. A lot of these people do not necessarily need regulated financial advice and a full fact find; they need coaching, guidance and enhanced help. If the Committee is looking at this again, looking at what the pensions advice allowance could be used for could play an important role in filling that guidance or support gap we have for a vast number of people.

Q100 **Chris Stephens:** Thanks. Philip, the regulators are working to identify the best points to offer consumers support. Who is best placed to provide that and how can it be done?

Philip Brown: That is a critical question in this issue about where you deliver advice and guidance and how much capacity there is in the market for advice and guidance. We have done a unique longitudinal study, which has been running since pension freedoms came in, called New Choices, Big Decisions. That predominantly highlights a lot of what Darren has been saying: that people have their hand held on their way into auto-enrolment—they have choices made for them, they use default funds in the vast majority of cases—and then when it comes to retiring, we expect them to be part financial adviser, part economist, part fund manager, probably part doctor, and they probably need a crystal ball as well. Most people do not have that unique set of skills.

To plug that gap, providers of pensions need to be able to give more guidance than they do today, but I worry, because I am a former regulator, that if we ask a regulator to define guidance, we end up with something that is very hamstrung—very specific—in the way that financial advice is at the moment. The biggest challenge with financial advice is language. A member of the public will interchange between the words information, guidance and advice. Let's call that advice with a small "a". When we as an industry use the expression "financial advice", we mean "personalised recommendation", which goes way beyond what a consumer would think advice is. So there is also a language challenge here, and it sits predominantly at a regulator viewpoint. We need to get to a place where we can really expand guidance and that can be delivered by pension providers.

Q101 **Chris Stephens:** In our "Accessing pension savings" report, the Committee recommended that MaPS should develop a guidance service to support savers using the data on pension dashboards. What impact do you expect the dashboards to have on savings behaviour and what needs to be done to maximise the potential of dashboards?

Will Sandbrook: We are really supportive of the dashboard programme—dashboards could be very powerful for people—but I think we need to be clear that that power may not extend for quite a lot of people to actual changes in behaviour. The evidence around the gaps between information, advice, guidance, education and financial capability on the one hand, and changes in behaviour on the other, is challenging. There will be a lot of people who can become more informed, more educated and have a clearer sense of the opportunities available to them, yet none the less not do anything.

Dashboards have the capacity to be enormously helpful to people in understanding where they stand, and that is absolutely a necessary precondition to people doing more, but there are all the points that have been made already around other things that need to go around that, such as access to guidance and where people choose to use it. That should absolutely include neutrally provided guidance—I am not at all against providers being more active on the guidance side, but there needs to be a neutral provider of guidance as well.

Whatever happens with dashboards advice and guidance, up to and including were there to be some approach to automating the use of guidance appointments, there must also be safeguards in the system for those who do not use that advice and guidance—defaults, and things along the lines of the guided investment pathways that the FCA has proposed, which try to navigate people towards broadly suitable products and minimise harm to individuals who do not seek advice and guidance. Even automated, there will still be people who do not do that.

Q102 **Chris Stephens:** One concern is that the new dashboard system that has been developed does not enable data for individual savers to be aggregated, yet the Government are looking to fund an amalgamation project to look at that. Do you believe those two projects are co-operating with each other seamlessly, or is it a case of passing ships in the night?

Will Sandbrook: Others on the panel may have a more detailed understanding of that. My understanding is that they are co-operating and there is a genuine effort across the industry to understand how to make dashboards work and how to address some of the not insignificant challenges around data quality and data sharing and data security that go into making dashboards work in the fullest possible way.

Darren Philp: The key thing about the dashboard is that it relies on consent, so data is not released unless the member requests it. I think the project you refer to, Chris, is one where a bunch of providers have come together and are trying to amalgamate data to create the evidence base, and that has a number of challenges. We published a report on some of those challenges that we fed into the dashboard consultation. I would say that there is good joining up between the programmes, not least because it is a Pensions Policy Institute programme led by Chris Curry. The dashboard is being led by Chris Curry as well, so there is someone at the top who is joining this stuff up.

Q103 **Chris Stephens:** That is very helpful; thanks, Darren. My last question is to Joanne. Your organisation has reservations around the Government's stronger nudge proposals. Can you say more about that and how it affects members with small pension pots? Does your organisation have a view about whether there are any particular problems with these stronger nudge proposals for people with larger pension pots?

Joanne Segars: We are clearly committed to making stronger nudge work but, some of the reasons Phil has talked about—people with multiple pension pots, people not necessarily taking up the offer of a nudge to Pension Wise and the operationalisation of it—do mean that there are some gaps there. We would be very much in favour of seeing how stronger nudge works in practice, but we also see the stronger nudge and the move to Pension Wise—we are great supporters of Pension Wise. We know that when people go to Pension Wise, they are very supportive of it and grateful. Pension Wise gets cracking reviews from those who use it, for all the right reasons.

We think it is one of a number of factors that need to be taken together to solve this issue of engagement. The dashboard will be part of the solution, not the full solution. Stronger nudge will be part of the solution, not the full solution. We are also great advocates of the midlife MOT. I can barely remember being 49 but, in those halcyon days when I was that young, having something like a midlife MOT would have been really helpful in making me think about some of those choices and decisions that you might need to make.

We need to think about all these things together because one single solution will not crack it. It is about all those things, how we bring things together, and how we can consolidate people's pension pots so that there are fewer disaggregated pieces of information that people need to seek answers to and people can address their pension solution—their pension pot, their pension saving—much more easily by having a more consolidated pot.

Q104 **Dr Spencer:** My questions are largely about the self-employed and mainly directed to Will Sandbrook. It is clear that there is a big challenge in terms of supporting self-employed people to save. Five years on from the review, are we closer to cracking this problem?

Will Sandbrook: We are a bit closer but not that much closer. We have been doing work over the last two or three years to explore what the different barriers are to the self-employed more actively participating in pension saving. Do those differ from the barriers that would have existed for everybody else prior to automatic enrolment? What are some of the attitudinal differences and what are some of the routes into trying to encourage—nudge—the self-employed to save more for their retirement?

To the point that I made earlier about homogeneity, one of the biggest challenges there is that the ways in which the self-employed are paid, manage their money and receive their income are wildly disparate, ranging from still very high uses of cash and paper and Excel management of accounts, across to accounting software, money management platforms. Many self-employed people do not distinguish between their work finances and their personal finances. So finding the intervention points within which those nudges can be applied in a scalable way is extremely difficult.

What we have found so far is that there are some messages that resonate well with the self-employed, particularly highlighting the presence of tax relief, which many self-employed are not that aware of. There are certain design features that we believe would make pension saving more attractive to the self-employed, including highlighting flexibility around contributions so that you are not committed to a single, fixed contribution rate each week or month when your income may be volatile.

I expect that these are all things that may well have an impact at the margin and will work for some people some of the time. When you start from the point that 15% of the self-employed are currently saving for their retirement, if we are pursuing an intervention that will have the same kind of impact as automatic enrolment had on workplace pension saving, it is unlikely to be found in those areas. The area that perhaps is the most fertile for exploration is around the digitalisation and real-timing of tax as we move towards a world in which self-employed tax filings are more frequent.

To the point made earlier about whether the intersection with the tax system creates an opportunity for some kind of auto-enrolment type intervention, we certainly would like to think about and explore that, and look at what could be trialled in that space. That is the area where I feel there may be potential for a more material step change. But we have to accept that automatic enrolment works as it does because there is a third party—the employer—who is able to act kind of in loco parentis in setting up the account and creating the income deferrals. For the self-employed there generally isn't that third party, at least not in any consistent way, so it is very difficult to see how to create the same conditions.

Q105 **Dr Spencer:** So essentially the taxman becomes the "in loco parentis", in that context.

Will Sandbrook: The tax system provides a common interface where it would be possible to create default-type nudges that would be likely to touch a large proportion of self-employed people and therefore perhaps create the best opportunity for a big step change in behaviour.

Philip Brown: I agree with that. Auto-enrolment through the tax mechanism is probably the easiest way to create the intervention. Beyond that, the only other commonality you find in the self-employed is there is a large proportion of them using accountants, so accountants may be another intervention point. That said, not all of them use accountants; some manage their tax relationships directly.

The biggest challenge of all, though, is that it is not a homogenous group of people in the way that employees all go through the pay-as-you-earn system so they all have very similar characteristics. They may do very different jobs and get paid very different amounts of money, but there are similar characteristics to what they do. That is the piece that is missing with the self-employed. I agree 100% with Will that the evidence base needs more work here before we work out what the right solution is.

Darren Philp: I agree with what others have said. Being clear on who the self-employed are and why they are self-employed is really important. We talk a bit about the gig economy; recent court cases have clarified the status of some gig economy workers. A lot of the characteristics of gig economy workers are very similar to people in retail, hospitality and catering. It seems to me that, ultimately, that is an employment law issue and we just need to get the dividing line right on that. I would encourage the Government to look at that, again based on evidence.

When it comes to the more traditional self-employed, I do not think we will move the dial by messaging and stuff. As Will said, at best, it will only have an impact at the margin. I think we need a legislative solution that mimics some of the features of auto-enrolment but that is not auto-enrolment. We have presented ideas in papers on that, but it is really important that it is informed by evidence, and also building consensus with the self-employed community. It is very easy for pension professionals to sit here and say, "Why aren't the self-employed saving more in a pension?" but there might be other products outside a pension that might be more suitable for self-employed individuals.

Will Sandbrook: There is also scope for product innovation here. We think about hybrid financial products for the self-employed that might allow some accessible saving to build up over time but with built-in precommitments for that saving to roll over to become pension saving at a certain level, or once there is a degree of liquid savings created. The psychology of saving—again, not homogenously—is quite different among a lot of self-employed people, who can be quite resistant to the idea of locking up their money when they may need that to manage income fluctuations or to invest back into their business.

From all sorts of other settings, we know that precommitment devices, like auto-escalation in the workplace sense, are a really good way of getting people to feel more comfortable committing to lock their money away in that way at some point in the future when you have said to them that they will already have solved some of these other issues. There are some interesting questions about product innovation for the self-employed that would also be worthy of exploration.

Q106 **Chair:** NEST is trying some of these out this year—is that right?

Will Sandbrook: With the self-employed, this year we are primarily looking at how different types of nudges within some of the platforms the self-employed use might best be deployed, thinking particularly about flexibility around contribution levels.

Q107 **Chair:** When might you have some findings to tell us about?

Will Sandbrook: We will publish the findings from that research later on this year—probably late summer, but certainly this year.

Q108 **Chris Stephens:** I was conscious that Darren was trying to steal my thunder there, because I am going to move on to some questions about so-called gig economy workers. Joanne, your organisation has been working with Uber to offer an industry-wide pension scheme for drivers. What impact has that had for Uber and its drivers? What consultation and response have you had from other employers? Has your organisation met any resistance to what you are trying to do?

Joanne Segars: We are very pleased to work with Uber and their partner, Adecco, to provide a pension to Uber drivers. It is the first major step into pension provision for gig economy workers, which is a rapidly growing part of the economy, and we are very proud to be part of that. For me, that is part of what automatic enrolment is about, taking us back to the very first question that you asked. This is about providing pensions to previously excluded sectors of the economy and the labour market. That is very important, given the rise of the gig economy. To date, around 70,000 Uber drivers are now actively saving towards a pension with us.

Uber have been clear that they want to see other gig economy employers—other driver providers—following their suit, and we have certainly encouraged that too. We think it is very important that pensions can be extended to this group of workers. We are very proud to be working with Uber, and to date that has been very effective in bringing people into pensions.

Q109 **Chris Stephens:** According to press reports last week, the App Drivers and Couriers Union started legal action against Uber for failing to make compliant pension arrangements for its majority Muslim workforce. Looking at your own organisation and the advice it has given Uber, how did it come to that? Is there any action that should be taken in response to that?

Joanne Segars: I am pleased to be able to tell you we have been working with Uber since the end of last year to provide a sharia-compliant fund, and that will be available soon.

Q110 **Chris Stephens:** That is good to know. The concern we have on the Committee, perhaps, is whether that is potentially the tip of the iceberg. Are there other ways that employers' pension schemes might be blind to the needs of their members and possibly even discriminating against them?

Joanne Segars: We, other providers here and those that are still to come to provide evidence, are very alert and alive to feedback from members. Over the last 12 months we have refocused our investment strategy to have a much greater focus on ESG issues. I think all of us would agree that that is increasing in the minds of our members. It is about being receptive to those issues.

Q111 **Chris Stephens:** Thanks very much for that. Darren, you touched earlier on employment status; obviously, I think that is a major issue. You will be aware of the Supreme Court judgment against Uber. This Committee has repeatedly called for a new employment Bill. I have tabled a private Member's Bill—a beautifully written piece of legislation, Chair, it must be said—the Workers (Definition and Rights) Bill. Is it the view of your organisation that the Government now need to introduce legislation to clarify that status for workers and that that will help workers not in pension schemes to get into pension schemes?

Darren Philp: I think so. Having that clarity of definition, driven by proper, informed policy analysis and legislative scrutiny rather than an ad hoc case in the courts, has to be a good thing. We know that a lot of, as you say, so-called gig economy workers exhibit very similar characteristics to other sectors, where auto-enrolment has been very successful. Having clarity of definition through legislation is something we would support.

Q112 **Chris Stephens:** Thank you. Philip, in August last year the Pensions Regulator called on employers in the sector to check if their staff were eligible for auto-enrolment. What impact has that had?

Philip Brown: The challenge here, especially with the gig economy, is that the three or four court cases that have taken place now have all turned on a very specific fact within the employment contract, or the self-employment contract, of the individual. The Uber case is quite interesting: it does not extend to Uber Eats, because they have different contract wording from Uber drivers. I agree with Darren that we will keep seeing a variety of different outcomes here until we have a different definition of what is self-employed and what should be employed.

Q113 **Chris Stephens:** Thank you. Will, I will give you the last word: is there any carrot-and-stick approach that you think is needed to persuade employers to check their staff's eligibility for auto-enrolment?

Will Sandbrook: No, my immediate view is that the existing regulatory framework should be operating to do that, and that is exactly why the regulator has got involved in the way that it has.

I would just add one other thing to all of this. Wherever that line is drawn legally, and whatever is done to make sure people are compliant with it, there is also a huge opportunity in the platform sector—so, even for those self-employed who none of us might dispute are genuinely self-employed but who operate through commerce platforms and are paid through those platforms. That creates an opportunity, along the lines we were discussing earlier, for someone to be acting in that third-party role, because now you have a single platform through which income is being managed and people are being paid their income.

The creation of defaults within those systems could be adopted voluntarily by those platforms without it becoming a legislative issue, even in those areas where everyone might be comfortable that this is a genuine self-employment relationship. Examining what could be done to encourage anyone operating any of these touchpoints that help the self-employed to manage their income is certainly something that we should be thinking about as well.

Chris Stephens: I would like to thank the panel for all their answers.

Chair: That concludes the questions we wanted to put to you. Thank you all very much indeed. If there are any other thoughts you have after the session that you would like to add to what you have said, please do. If there are any early conclusions from your work with the self-employed, for example, we would be very interested to know about those. Thank you all very much indeed. We will move on to our second panel.

Examination of witnesses

Witnesses: Colin Clarke, Jamie Jenkins, Chris Noon and Peter Glancy.

Q114 **Chair:** Thank you very much for joining us and thank you also to Colin, who is joining us virtually on the screen. As I did with the first panel, I will ask each of you in one sentence to tell us who you are, starting with Chris Noon.

Chris Noon: Thank you. Chris Noon, partner at pension consulting firm Hymans Robertson.

Peter Glancy: I am Pete Glancy. I am head of policy for pensions investments at Scottish Widows, which is part of Lloyds Banking Group.

Jamie Jenkins: I am Jamie Jenkins, director of policy at Royal London.

Colin Clarke: I am Colin Clarke, head of product policy strategy for workplace pensions at Legal & General.

Q115 **Chair:** I will put to each of you the question that I put to each member of the first panel. Twenty years on from the establishment of the original Pensions Commission, what do you think are the most pressing current issues in pensions policy, and do you think we need a new commission to address them?

Chris Noon: Yes, we probably do need some form of pensions commission to address some of the residual issues that exist in the pensions framework. We have a great foundation through the changes in the state pension and the auto-enrolment framework that has been put in place, but there are some significant issues that need to be addressed. Some of those were touched on this morning, but just to reiterate, the first is the adequacy of pension saving. Is 8% the right number? How do we deal with the self-employed? How do we deal with the gender pensions gap and the fact that females are generally in a worse position than males?

The second issue is the sustainability of withdrawal of pension funds. We spend a lot of time thinking about accumulation and savings, charge caps and investment strategies for accumulation. There are huge losses to individuals generally at the point of retirement, because they are not necessarily receiving the guidance and advice that they might need and therefore exhibiting poor behaviours.

Thirdly, we put some great changes in place in pensions policy with auto-enrolment in 2012 and with some of the state pension changes in 2015, but there is a squeezed middle bunch of people, perhaps in their 50s, who do not have a full career of auto-enrolment contributions and do not have state pension accrual in the way that it accrues post-2015, and are therefore likely to be retiring on pensions that are less than perhaps a new person entering the workforce might have when they reach their state pension age.

Tax structure is a hugely complicated area. I know it is a Treasury issue, but it is a hugely complicated area that makes it difficult for individuals to understand how to save—particularly higher-paid people, who I know are not necessarily in need of great sympathy, but it is a significant structural issue that is causing issues. We had the issue two years ago when we had to change some of the annual allowance thresholds to deal with some of the medical profession that were not working additional shifts and those sorts of things. Structurally, the tax system today is odd for pensions.

The final issue, more generally, is communication and education around pensions—how we educate individuals, employees, schoolchildren about long-term saving.

Peter Glancy: If we go back 20 years, we were in a situation where only 30% of employers were setting up a workplace pension scheme voluntarily, and of those employers, only 30% to 40% of workers were voluntarily joining. We are now in a situation where all employers are setting up a pension scheme and 93% of workers are joining, so we are considerably better off as a result of auto-enrolment.

One big area we need to look at is participation. You heard from the earlier panel that we have a challenge in respect of the self-employed—they are still excluded from the ecosystem—and also people whose total earnings are made up of multiple jobs. Some of or all of their earnings can be excluded because they fall foul of the £10,000 trigger.

Regarding the overall level of savings, at 8%, that is not going to be sufficiently adequate. We have modelled people that have low career growth, high career growth, low investment returns, high investment returns. In general, for the majority of career journeys that we look at, you need to be looking at 12% to 15% contributions if you are going to have a moderate level of income in retirement. At the moment we are at 8%.

The gender side of things is still a problem. Women are predominantly the gender who take time out to look after children and elderly relatives. That means that there are periods during their career when they are not working or they are on reduced incomes. We need to find a way of levelling that up.

On the commission point, we do support a commission, but we would not keep it as narrow as the P-word—pensions. We probably need to think about retirement more generally. There are about £3 trillion to £4 trillion in pension assets, depending on what you count. There is a similar amount in housing equity. We need to think about other savings and investments, power of attorney, long-term care—all of these things. We would probably be suggesting a retirement commission, because if you try to look at these challenges in silos you will come up with suboptimal answers. Looking at them in the round is likely to lead to something a bit more innovative.

Jamie Jenkins: Peter only went back 20 years; I don't think that does it justice. If we go back half a century, we can see that at the end of the 1960s the peak of defined-benefit membership was reached; it has declined ever since. Of course, we had had several attempts to get people saving privately throughout the 1980s and—more famously, perhaps—in 2001 with stakeholder pensions.

The history there was all about asking people to opt in and save, opting in being the key to it. The key difference that we saw following the Pensions Commission with auto-enrolment is that it moved to opting out, and it was a night-and-day different result in terms of getting people into saving. That is the key to it, and I think that is the key problem that we have with the self-employed population, because it is not easy to see how you would put them in an opt-out situation. We are asking them to opt in through most of the things that we do there.

The beauty of the Pensions Commission was that it achieved consensus that lasted through several different Governments. Any party could lay claim to some hand in the success of auto-enrolment, and I think that is fair. That consensus has really persisted through auto-enrolment, even through some pretty difficult times economically and for households. That is no different now.

I am a strong supporter of a pensions commission. I disagree that it should be made very broad, because then it becomes unwieldly and loses focus. I would keep it to focusing on "what next for automatic enrolment?" and I would think about where we should we take contributions, what should be the structure of those contributions, and who pays and over what timeframe. I would perhaps put in place some economic indicators that would be the conditions upon which you would apply those timescales so that we don't interfere with a year like this year, where everybody is facing a huge crisis in the cost of living.

Colin Clarke: For me, there are two main priorities that should be focused on, which others have touched on. Savings adequacy is one key area. There is a lot of evidence showing that there is a large group of people that are not on track to receive even a moderate level of income in retirement. I know we are going to talk about the gender pensions gap a bit later on, but there are that and other inequalities in the system.

One of the previous Commission's objectives was to consider ways to look at the under-pensioned and inadequate provision. The auto-enrolment changes that came off the back of that have been very successful, with over 10 million auto-enrolled and the decline in pension savings that was seen prior to the start of auto-enrolment being reversed.

There is a lot of work going on by various Departments within Government, and also the industry, to look at various policy initiatives around this. As others have touched on, one of the key successes of the previous Commission was building consensus across the whole industry, including with employers. If we are going to get to a position where we might suggest that people need to pay more into pensions, including employers, it is important that you get that consensus approach and a buy-in from everybody if anything is going to be successful. I would support a commission's role in bringing all that together and looking to get that consistent approach to understand what actually works best to improve savings.

Since the original Commission recommendations came out, the labour market in the UK has changed quite considerably. There are more people working in the gig economy, people are living longer, and working patterns are not quite the same as 16 years ago, when the report came out. We have also had pension freedoms introduced since then, particularly in DC schemes, to enable people to make the right choices to give them a sustainable income in retirement.

Given that changing landscape and all of the different silos of work going on at the moment, a commission would bring all of that together and look at a new evidence base, to look at what has changed from before and come up with a new set of recommendations.

Q116 **Sir Desmond Swayne:** We established with the last panel that the consultation with stakeholders preparatory to the Government's intention to bring in reforms to auto-enrolment in the mid-2020s is not taking place yet. Where would you attach the priorities to the proposals that have been made? Is it starting at 18? Is it abolishing the £10,000 trigger? Is it increasing the rates? Give me some sense of the urgency and the level of importance that you would attach to each of the different elements.

Jamie Jenkins: I was involved in the 2017 review. The results of it were launched on 18 December 2017, the same day that my son was born—you can imagine which of those two events I attended. I'll let you guess on that one.

To me, the two key recommendations are reducing the age from 22 to 18 and removing the lower earnings limit from calculations. There is absolute consensus on trying to get that done in the mid-2020s, but at the moment we lack a plan we can put in front of employers and employees and say, "This is what is happening." We need to do that. We cannot do that the year before we make the change; we need to do that two, three or four years beforehand. We are already running slightly late on that timetable.

Of those two, I would say that the removal of the lower earnings limit is the more important, particularly because that is not something that employees can overcome at their own behest. It is in the rules. There are people on lower earnings, predominantly women, who are adversely affected by that, whereas 18-year-olds can start saving on an opt-in basis. One is more important than the other. We should seek to plan that, and we need to tell employers and get them to be prepared for that.

I don't think you will see consensus around removing the £10,000 earnings trigger. I agree with some of the other comments made around retaining it, for the reason that it does protect the very lowest paid from being opted into a pension scheme when perhaps their priorities are different and the state pension may well be their best form of replacement income in retirement.

At the risk of misquoting it, the Institute for Fiscal Studies recently made the point that its analysis shows that there are people—even with the £10,000 trigger in place now—who arguably could be spending their money in better ways in the current climate rather than putting it into a pension. That £10,000 trigger is a very important function of auto-enrolment to ensure that it is broadly hitting the right people. I would not advocate removing that, but I would advocate that we should put a timetable in place now for the other two recommendations.

Q117 **Sir Desmond Swayne:** When would you put the rate up, if you would?

Jamie Jenkins: Put the rate up from 8%?

Sir Desmond Swayne: Yes.

Jamie Jenkins: I would suggest that is the subject for a pensions commission to set out a timetable. I would like to think it is within this decade, but again—particularly if you are moving from 8% to, say, 10% or 12%—how you construct that and when you do it is very significant for employers to plan for, and I would think you would want to give them at least five years' notice before that happens. That is why we should be thinking about it now.

We are in a year of a cost of living crisis. Nobody is talking about making that change right now, but if we tell employers we are going to do it in 2027, 2028, or something of that order, at least they can think, "Well let's plan for it." You could hinge that on certain economic conditions so that you don't end up doing it in a really bad year for people putting away extra money.

Chris Noon: I mostly agree with Jamie on that. Pensioning from pound one would be the biggest impact we could have as a first step.

For me, the £10,000 threshold is a bit more important because I think it does have an impact on the gender pay gap. We have heard that women tend to take a lot more of the caring responsibilities and therefore perhaps take breaks from work or perhaps come back to work part time but, because of that £10,000 threshold, they may not be receiving pension contributions. I know they can voluntarily do that but we should not underestimate the power of this quasi-mandatory provision that auto-enrolment is. For me, it is pensioning from pound one and the £10,000 threshold that are the critical things.

On the timing for the increase from 8%, 8% is too low. We have done the modelling as a firm and I am happy to share that—we have done so in our submission. It is too low generally; it leaves people at minimum levels of PLSA retirement living standards, which is broadly pensioner poverty thresholds, so it is definitely too low. There is never going to be a right time to increase it above 8%. There is always going to be an excuse for it not to happen. Similarly to Jamie, I would like that to happen at some point in this decade.

Peter Glancy: On the two triggers that have been committed to by Government, lowering the age from 22 to 18 will help a young person's pension pot be around 15% larger when they come to retirement. Therefore, young people entering the labour market in 40-odd years will have pots that are about 15% bigger than otherwise would have been the case.

In respect of the banned earnings piece, if you just tip over the £10,000 trigger and someone is knocking off over £6,000 of your earnings, you are having 60% of your pension contributions denied. Low earners who are just over the £10,000 threshold could see their pots increase by up 150% if every pound was counted in those calculations. One benefit impacts everybody and the other impacts a small group of people to a great extent.

We are in favour of flexibility on the £10,000 trigger. We think it is important not only to close the gender gap but to address the challenge of multi-jobbers, where people have multiple earnings that could take them to average earnings but some or all of those earnings are below £10,000. We would introduce a unique flexibility for people earning £10,000 or less whereby they could opt out of the employee contribution and keep the employer contribution, uniquely for people on low earnings.

If you think about it, employer contributions are basically deferred income, and they are taxed as such. You pay tax on that deferred income when you eventually receive it. We are in a situation at the moment where, if people are struggling to make ends meet, the response to that is that you get docked some of your pay, which doesn't really seem right. We would allow people to be auto-enrolled below £10,000 but have the ability to opt out of the employee contribution if they were struggling to make ends meet at that level.

In terms of increasing contributions, we think 12% is the minimum. Britain is a bit of an outlier; the burden falls mainly on the employee contributions. We are a bit of an outlier internationally in terms of that. We would be looking to increase the employer contributions, but very slowly over a period of, say, up to 10 years. As Jamie was saying, you need to give businesses a heads-up, not only in terms of the planning, the technology and the payroll systems but in terms of planning how they can manage the cost of labour in the round. British businesses need to remain competitive; they need to manage the cost of labour in the round, and Government can work with them on that through other fiscal measures that are part of policy making.

Colin Clarke: I agree with most of the comments the other panellists have mentioned this morning. I also have reservations about just getting rid of the £10,000 earnings trigger completely, because I know that there have been mixed views on that and the impact it has on low earners. However, I agree absolutely that something needs to be done to address the issue of people with multiple jobs. There is evidence that suggests that those people are predominantly women, so it is currently contributing to some of the factors that are causing the gender pensions gap.

I agree that the first priority would be to look at removing the lower qualifying earnings level because people are missing out. As Pete said, people who are just above the £10,000 trigger are missing out on a significant part of their earnings being counted towards pension contributions. But for the earnings trigger, there might be other solutions that could be looked at that could bring people with multiple jobs into pension savings, such as perhaps through the tax system.

For example, HMRC could notify employers when a particular individual's earnings are above that or a particular threshold. That could be a trigger for that employer to auto-enrol that employee. That would address any concerns with the impact that removing that trigger would have on lower earners. There needs to be some more research on that to understand whether that would work and what impact it would have.

I agree that contributions should be increased. I know that the industry has been anchoring itself on a rate of 12% over the last few years but there is probably some more research to see whether that is the right number now. The success of auto-enrolment is based on inertia and people taking the path of low resistance, but there is a danger there that, while it has been very successful in getting a lot of people in and saving on the minimum rates, people might think that is okay and they are going to be okay in retirement because they are now in a workplace pension. We think that the contributions should be increased. We are supportive of getting it up to 12% but, as Pete said, that should be phased in over a reasonable period of time.

The first stage should be to get to a point where the burden is shared equally between employers and employees. We participated in some research through our independent governance committee a few years ago now, where members were asked to express different areas that they placed big value on, and there was quite a lot of support for employers paying in as much as the employee does. I think the first stage of getting the contributions increased is to start looking at increasing the employer contribution so it matches the level of employee contribution, but mindful that, given the current cost pressures on employers with national insurance increases and things like that, it needs to be considered and phased in over a period of time, and we should get consensus from employers and their representative bodies that they are in support of that. That is where a commission could come in handy.

Q118 **Nigel Mills:** Can I turn to advice and guidance and how we help people through this journey? We understand the regulators are working on the pensions consumer journey to identify the best points at which people could get some support. Does the panel have any views on when the best times to intervene for people are? Is it just before they reach retirement age or does it need to be earlier than that?

Chris Noon: I think it is earlier than that. The biggest area of intervention is in the run-up to retirement when I am deciding what to do with my pension pot. I have the temptation of a tax-free cash lump sum that I can take at 55—it is moving to 57, but it is currently 55—so you get suboptimal behaviours being exhibited by individuals. We have seen that through some of the reporting from Government in terms of what people are withdrawing from pension pots over time. I think it is in that run up to retirement. Personally, I think it is probably from 50 that is the critical point, and perhaps multiple interventions through to the point that you start crystalising your moneys from your pension pot.

Q119 **Nigel Mills:** I think you suggested that we should also give people some guidance at 50-odd on what their state pension was looking like and what they could do about it if it was not going to be a full one. Is that also a useful thing to do?

Chris Noon: That is really useful to do. I don't know if you have been on to the Government Gateway and looked at your own state pensions. It is a great resource, but it is not understood or used by individuals. We need to figure out how we can give people access to that data. I was supporting a friend over the weekend. She didn't realise she had a state pension and didn't realise that it was going to be £9,600, and was planning on selling her house. I think there are a lot of people out there who do not use the existing resources. Integrating that into the pensions dashboard might help.

Q120 **Nigel Mills:** Thank you. Has anybody got anything different to add to that? Should it be after 50, or something, that it is time to start helping people?

Peter Glancy: There are some very big and irreversible decisions that you have to make around the age of 50, so they are critical. If you annuitise and you have made the wrong decision it is difficult to reverse out of that, but it is also too late if you decide that you are underfunded. Some of the key decisions need to be made early on in your career. So, "Should I join?" I think for most people the answer is yes and they remain defaulted in, but some employers have a tiered contribution structure so the more you pay, the more they will pay. That is not the default position.

A critical decision early on for a lot of people is: "Should I understand the structure of my employer's scheme, and could I pay more and benefit more?" Then there are questions around where you should invest. If you are younger, you can take more volatility in your portfolio—it is not more risk; it is just more volatility—and that can generally get you better returns than a much more cautious asset allocation. There are big decisions you need to make early on.

From our research and industry research, we know that between 75% and 80% of the population want an expert to tell them what to do with making these big decisions. When an expert tells you specifically what to do, that is classed as regulated advice. The minimum cost is around £2,000. These people are also telling us they don't want to pay anything, or they want to pay very little, for that. That is the advice gap: 80% of people have a demand for a service that doesn't exist or isn't permitted. We need to find a middle ground between giving people information so that they can make a decision, which is guidance, and a very expensive expert telling them what to do, which is advice.

That could either be extending guidance into making some more personalised recommendations and looking at how we interact with the GDPR constraints on nudges and so on and being proactive, or it could be a more restricted form of advice where, instead of looking at someone's entire personal and family circumstances, we just get an expert to address a specific question that they have. It will be a better answer than they get down the pub but it will not be as good as paying £2,000 for full, regulated advice.

Jamie Jenkins: I think there are two aspects to this. The first is the rules. To pick up on some of what has been said, looking at the guidance and advice boundary, how we define that and what constitutes advice or guidance, it does seem very odd that if one of our customers with a pension phones up and says, "I plan to withdraw 10% each year for the rest of my life," I could say to that person, "You could run out of money. That is quite a high amount to withdraw every year," and if the customer then said, "Well, how much should I withdraw?" I would have to say, "I can't tell you that. You need to go and get advice," and it would cost money for somebody to tell you what the right amount was. It seems odd that we do not even have rules of thumb around this, which we could talk to people about in a more realistic way, without getting embroiled in giving them specific advice. There is something around the rules, and we should be and we are exploring that, clearly.

The bigger thing, though, is how we engage people in the value of guidance and advice over their journey through savings. It is quite difficult to get somebody at the point of retirement and say, "We are going to push you into guidance." I appreciate that it is worth trying—I do agree with that—but if we push them into guidance, it is a bit like sending someone on a training course they do not want to go on. How much do you get from it if you are not engaged, you are cynical at the outset and you look at it as an obstacle? That is going to be one of our problems. However, if they had a history of thinking, "That is exactly what I should do," I think it would be quite a different experience. We need to work on the whole education process in the lead-up to that. I appreciate that is a much bigger issue, but I think it is important we look at it.

Colin Clarke: I will just go back to the original question: at what point should guidance start to play a part within the journey? Picking up the messages when people are aged 50 or over, leading up to retirement, is key. Up to that point, auto-enrolment is based on people not making any decisions but, particularly in the DC context, when it comes to getting to retirement and wanting to access their money, they are going to have to make a lot of decisions and they need the support to get that.

However, I think that access to guidance and prompts to use guidance should come a lot earlier, when people are starting out saving. As well as people asking questions like, "How much should I be withdrawing from my pot?" another question is, "How much should I be paying into it?" The questions on the advice and guidance boundary are equally relevant in that situation and when it comes to people wanting to access their money.

There are lots of tools that people make available that illustrate the impact of paying particular contribution rates, but they are very much reliant on somebody playing around with that and choosing their own contribution. If somebody then says, "Okay, well how much should I be contributing?" that is when it starts getting towards regulated advice. We support there needing to be some kind of a middle ground of personalised guidance where you could make those kinds of recommendations to people based on information that they have given to you, without it being seen as full regulated advice. That ultimately comes for free, because we know a lot of people cannot afford advice. Looking at free or, at worst, cheap personalised guidance that people can use at a very early stage would be helpful.

Chris Noon: Could I just make one other point, in relation to defaults? You have talked about advice and guidance, Nigel. Defaults are extremely powerful, as you have heard from both panels today, in the accumulation phase, but we effectively have no default in decumulation or spending your retirement pot. To Jamie's point, people are taking either too little or too much. Having some form of default in retirement if you do not do anything else—3%, 4%, whatever the net withdrawal rate might be—might be a sensible way forward. That is a pensions commission issue, I think.

Q121 **Shaun Bailey:** Sticking with the theme of advice, this Committee highlighted in its "Accessing pension savings" report that the one thing that employers and schemes needed to do was provide that signposting and guidance as part of their journey. One of the things we talked about in that report was the idea of the regulator and MaPS producing a plan for this. In your view, what would any plan need to include? What would be the key features of a plan around signposting advice for schemes particularly?

Peter Glancy: The starting point is to get people to visualise what standard of living they want in retirement, and the PLSA's retirement living standards are a good guide to that because they help you think about one holiday or two meals out a month, or whatever, in real terms. You then need to turn that around to say, "What size of pension pot would I need to accumulate in order to purchase a lifestyle like that?" You then need to turn that back into, "At what age do I need to start saving and how much do I need to save? Where do I need to invest and what sort of returns do I need to get?"

If you start at the end and work back, employers—whether through working with their corporate advisers, employee benefit consultants or the product provider that they are working with, or referring people to new services that will be developed by MaPS—need to be building that in. We are quite encouraged by the retirement hub that MaPS are proposing to build. That will have a midlife MOT. It will look at the entire suite of things that people need to be thinking about as they go into retirement. That is a starting point, but we would build out from that.

We are also looking at the industry, through the ABI and the PLSA, working with the Pensions Minister. The DWP has committed to an engagement season where we are really going to go hard, Government and the industry working together, to get people thinking about some of these big questions. If we can tee people up to think about these things more often and then the services are there in the background for people to go and access, that is a big step forward.

Chris Noon: As a primary attribute, any plan needs to have an income focus. One of the issues with defined-contribution saving is that it is a capital sum and how that relates to income is quite difficult. Those sums are, when you get to retirement, perhaps half the value of your house and you think it is a big number, but when you divide it by 30 or 40 it is not such a big number.

For me, an income focus to the way we communicate and plan for retirement, which is the way that defined-benefit plans operate, is the way forward. If we get into a narrative with individuals and members about that—"You are on track for an income of X", or, "You need to make this intervention to get back on track for an income of X"—that would be good. Having things like the retirement living standards that the PLSA have put forward, or Adair Turner's income replacement rates, is a good thing. It would be good to settle on a standard that we could, as an industry, communicate, work around, believe in and update with the cost of living and those sorts of things. Income is the primary issue.

Jamie Jenkins: I think the onus should be—and it largely is—on the providers of pension schemes to communicate with people along the way and to pick out particular moments to tell them about things that they might want to think about. There are some challenges ahead with that, with some of the electronic communications regulations as they are approaching. Maybe we will come on to that. Notwithstanding that, most providers now do have a programme of how they communicate with members along the way.

I would argue that pensions are something of a template in how we nudge people, at the point of joining employment, into saving, and then talk to them thereafter. We do not do that with so many other forms of what I would argue are financial resilience. We do not nudge people in any meaningful way into life assurance at the point that they get married or have a child, or the things they do around buying a house. There are different life events that people have that I think lend themselves to different types of financial resilience that they might want to think about. There is a broader point beyond pensions; I actually think pensions are something of an exemplar.

However, we did not start that 20 years ago; we have started that just very recently, so we have to accept that, while the very youngest people being auto-enrolled now, at 22, might enjoy a good journey, become engaged and thoughtful, do everything online and use all the online tools, that is not where—as many have mentioned—the 50 and 60-year-olds of today are. We might need to do something different for them.

Colin Clarke: I agree with very much of what others have said. The starting point is that people need to have a plan, understand what their future income needs in retirement are likely to be, and then work backwards from that as to how they can get to that point. It should also include looking at the impact of different life events along the way, such as different working patterns, perhaps, when people are younger and they might shift between multiple jobs, whereas when they get older in their careers they might have a bit more of a stable working pattern. Other life events that will impact on finances, such as house purchase, repaying student loans, divorce and that sort of thing should also be factored in.

A lot of the tools that are available at the moment tend to be based on a pretty stable career path where contributions are going to continue at a similar rate throughout somebody's working life. There needs to be a lot more thought given to how different life events interact with those kinds of tools and calculators, to make sure that people have the support at those critical points to know what those life events mean for their long-term finances and to equip them with information that they can use to make decisions.

Q122 **Shaun Bailey:** That is really useful. To pick up on a point you have just made, Jamie, obviously the way we can do that is through communication. Clearly, at the moment, data protection legislation makes it difficult in particular for providers to communicate with members of schemes. Providers cannot have access to things like email addresses. Where do we think data protection legislation needs to go to allow more effective communication? We are talking a lot about communicating these options, these choices, these plans, but clearly, at the moment, providers are prohibited from doing that. Should there be scope for providers more easily to communicate with members of their schemes? Where is the gap in that regulatory framework and how, in your view, can we improve it?

Peter Glancy: GDPR is there to protect people from being marketed and sold to on a nuisance-type basis, and their data being used inappropriately. The intention certainly was not to stop experts who have the answers on the tip of their tongue sharing those answers with people who need the information. If people have an existing product with my company, say, it makes sense for us to be able to interface with those people to tell them how to get the best out of that product. That is not interfacing with them to cross-sell them something else. Often, it is just helping them with their sums—some complicated arithmetic.

As I understand it, if you are meeting an existing statutory, legislative or regulatory requirement, that would override the GDPR rules. If we were to introduce a statutory requirement to have certain conversations and to help certain people in certain ways, which are specific to pensions and retirement planning, that would allow us to go beyond what GDPR currently permits us to do.

Chris Noon: I think we have some of those, in terms of the materials that can be sent out by providers. There is probably a difference between employees and deferred members, so previous employees. I think most pension providers will work with an employer to communicate with members and agree a way of doing it, and that will be allowed because the employer can communicate with its employees about the benefits that they provide. Deferred members—members who have previously been employed by a company but now have left that employment and are orphaned in some respects—do need to be thought about, and if there are changes like Peter outlined to allow that to happen it might be a good thing.

Jamie Jenkins: Our view is that GDPR is some way in now—it is embedded—and I think we are right to say that there are things like the performance of contract or legitimate interest or lawful basis that allow you to overcome that, for good reasons. We now have the privacy and electronic communications regulations—PECR—coming in, which will present some new challenges around the opt-in basis that we need from individuals. We will work through that and hopefully strike a balance between privacy and, equally, being able to speak to people about genuinely worthwhile things. I think that will mature.

The slight danger in all of this, though, is that if you think about any day where you go on the internet, you spend quite a lot of that time initially on any website answering the question, "Do you accept the cookies?" The options are "Yes" or "No, I'll manage them". Does anybody click on "Manage" and then go into that world of legal speak to decide which of the cookies you might accept and which you would not? It has become, quite literally, a tick-box exercise. Therefore, I think there is something about we think through how that should really work in practice and how we separate the importance of things like communications about your pension pot from the triviality of many of the other cookies that you might agree to as you traverse different websites. That has to mature a bit more. I think more work is needed there.

Colin Clarke: Jamie touched on the PECR. One of the key challenges that those regulations present is that they further limit the ability for providers to engage with our members through digital communications where we do not have specific permission to do so. It all boils down to the definition of permitted communications. There is a very broad term—marketing-type communications—and there is a bit of nervousness in some places as to what would be a piece of marketing communication. If we were to write out to people or send them an email that suggested increasing their contributions or pointed them towards tools that might equip them to be able to make those kinds of choices, is that promoting a service? Is that deemed to be marketing? What restrictions would inhibit us from doing that?

Because auto-enrolment is based on people not making a choice, we cannot force people to make an active choice about whether they are happy to receive those kinds of communications. There are a few things that need to be looked at there. One is communications that are delivered with the best intentions behind them to try to help people, and whether they can still be sent without people explicitly opting into them. Another is making it easier for providers to engage with people digitally, perhaps by making email addresses a mandatory piece of information that employers have to send through to providers, so that we can maximise the opportunity to engage with them digitally.

Q123 **Selaine Saxby:** Retirement saving among the self-employed is low—around one in five—and has fallen sharply since the mid-1990s. What do you think are the drivers of that? NEST is currently piloting some ways of encouraging self-employed savings. How effective do you think those might be?

Jamie Jenkins: This was, again, something we looked at in the 2017 review. I will not repeat what has been said by others. It was a population of 5 million people—I think it is a bit less, closer to 4 million now; it has dropped during the pandemic—who were very different, ranging from the people who are 17 or 18 delivering pizzas on a short-term basis, through to highly-paid consultants, and then everybody in between. It is a very mixed group of people.

I come back to a point I made earlier: what we cannot do—what we cannot easily do, anyway—is use the methodology of automatic enrolment by saying, "You are now in a pension; you need to opt out." That was the thing that worked so well for employees in automatic enrolment. The reason you cannot easily do it is because you do not have an employer who does all that. The challenge is replicating that, whether that is through some kind of communication—some kind of nudge—or through the tax system.

More work than is given credit has gone on in this field, and I have been involved in some of that over the years that have followed. There have been trials of different types of communications. There have been trials with some of the fintech or tech providers to think of different ways that self-employed people might save that are more attuned to their way of being paid. To my knowledge, HMRC has also been trialling different communication methods through the annual self-assessment since about October last year, and hopefully over the coming months we will start to see that bearing some fruit. I suspect it will not be a single answer, like that of auto-enrolment for employees, for this group of people in the self-employed population, who are quite different. It might be a combination of different things. It is not easy.

One final point is that looking at the gig economy and the way that its contracts are constructed seems like a useful thing to do, because there is a big population there that seems largely missed for a systemic reason rather than anything that they do.

Chris Noon: I agree with Jamie's comments, particularly on the way we classify employees and the self-employed. There is a diverse range of self-employed people from, as Jamie says, highly-paid consultants through to gig economy workers. One of the nice things about auto-enrolment is that contributions are on banded earnings. Even if you are a highly paid consultant, you might only be required to pay 8% of £35,000 or whatever the number is. It is not like you are being forced to pay a massive amount. I do wonder whether we get distracted by some of those issues when we are missing a great swathe of the workforce that is not saving and should be saving—because they should be classified as employees, potentially—which would be a shame.

I am open to the idea of looking at the self-employed and trying to find a solution for them to save to pension, most probably through the taxation system. As was said in the earlier panel, that feels like the most appropriate route for collecting those moneys and paying them into a vehicle.

Peter Glancy: In addition to those points, I think there is a mindset challenge among the self-employed. Most self-employed people would say casually, "I work for myself," and when you are in that mindset you are in the mindset of an employee: "Why is there no third party putting money into my pension?" The tax reliefs do not seem as generous, necessarily. If you change that mindset and you say, "I employ myself," that is not much different from a business that employs one person. Then you have an obligation to set up a pension scheme and to ensure that that worker, which is yourself, is provisioned for retirement.

There are other ecosystems, like the tax ecosystem. I understand that. It is questionable, I think, whether Government has the capacity or the will to progress that. However, self-employed people have bank accounts. In our experience in the wider Lloyds Banking Group, around half of the self-employed have small business accounts and the other half are using personal accounts to manage their finances.

We knocked up some wireframes and tested that a little bit, in terms of mechanisms that you could use. You could set triggers whereby if incoming moneys into those bank accounts go over a certain amount each month, a little bit is swept off and put into a pension or an ISA or some other savings product, and you could set triggers in terms of what proportion. You could set triggers that said, "Over a certain trigger amount each month, some of your money will be put into a long-term savings product for you," and then you could set what percentage you want that to be. That is on a voluntary basis.

Going back to your original question, what stopped self-employed people taking out pensions around the end of the '90s? I think it was really the retail distribution review. Prior to that, independent financial advisers and accountants were incentivised through very large commission payments—inappropriately large in some cases—to hard-sell individual pensions. You had a party there who had a significant financial incentive to persuade the self-employed to take out a pension.

I am absolutely not suggesting that we go back to that regime—there was a lot of money taken out of people's pension pots and paid in commission—but that is, I think, the reason that it has fallen away. There is nobody giving those products a hard sell anymore and the self-employed are not going to persuade themselves to buy the product. That takes you back to where we got to with employed people: you probably need a statutory default. However, I would be getting the self-employed to think, "I employ myself," rather than, "I work for myself."

Colin Clarke: Pete touched on statutory defaults and choices. I support comments that have been made previously about perhaps using the tax system as a way of auto-enrolling employees, but then the question is: where do you put them? Do you give people a list of options for them to choose or do you have a statutory solution, or perhaps a carousel where, depending on where you are and when you come into the system, your provider is picked for you from a list of providers that are open to taking self-employed people? That needs to be thought through as well—not just how to get people saving but with which provider and what type of scheme they would be saving into.

Q124 **Selaine Saxby:** Jamie, in the past, you have mentioned an increase in national insurance for the self-employed, which in 2017 was not felt to be the right thing to do. Do you think that has changed?

Jamie Jenkins: What was proposed previously was the harmonisation of tax rates for the self-employed with employed people, but it was aside from the pensions question, I think. There is an argument to look at that again in the context of how we increase pension saving among the self-employed. Is there a way of combining the harmonisation of taxes—I know that is a controversial issue, and I know it is a political one, beyond, perhaps, the scope of this group. It looks like the gap is broadly 3%, which is broadly the contribution from employers under auto-enrolment. Is there a way of, at the same time, harmonising tax rates but getting people paying into a pension with that increase? I do not think it is a short-term solution, for all the reasons I have outlined, but I do think it is worth looking at over the long term. In the short term we are doing the other things I have mentioned—the trials, the nudges and what have you—but I do not think we should ignore the possibly of looking at tax rates again.

Q125 **Selaine Saxby:** The second topic I wanted to come on to was the gender pensions gap. What changes to pensions policy would you like to see to enable the Government to prioritise it? Do you think targets should be a part of that?

Colin Clarke: There are a few things that the Government could look at to address the gender pensions gap, particularly around pensions policy. There is a limit at the moment of £3,600 that the Government allow to be paid in where somebody is not earning. For a non-working parent—those are predominantly women—is that limit appropriate? Should it be reviewed? Is there more that could be done, not just from Government but from the industry, to promote that as an option for people so that the working partner could be encouraged to perhaps pay into their partner's pension when they are not working? Also look at the annual allowance to a partner when they are not working, to allow for their contributions to continue. Also, as we touched on earlier with auto-enrolment and that £10,000 trigger, look at the issue of people with multiple jobs, and at whether an HMRC-driven solution to bring people in, rather than abolishing the trigger, is the right way to do it.

Peter Glancy: I agree with all the points that Colin made. Rather than repeat all those, in the interest of time, I will just make two additional points. I think it is important that pensions are talked about as part of divorce proceedings, because it will be a number of decades, even when we equalise the gender pay gap, before we get to the point where women's and men's pension pots are the same size. It will take a number of decades for that to work through. For some time to come, men's pension pots will be bigger than women's. Upon divorce, there is an awful lot of focus on what happens to the house and what happens to the pets. There is evidence that there is more focus on who gets the pets than who gets the pension, which does not seem correct.

The other point that we need to look at is having a joined-up conversation at retirement. In a recent survey that we conducted, only 22% of males said they would think about buying a joint life annuity. Most males—78%—are buying a single life annuity. Women live considerably longer than men. Their husbands' pots, at the moment, are the bigger pension provision for retirement. If they are buying a single life annuity, when they pass away—on average, at an earlier age—that cuts off the pension provision for their spouse. We need to have a higher focus on people thinking about joint life annuities and married couples having a joined-up conversation about how they establish pension income across their collective pots.

Chris Noon: To deal with the gender pensions gap, there are two things to address. One is career breaks, which tend to be more female-oriented, and then there is potential part-time working and the impact that has on pensions. We have talked a little bit about pensioning from pound one rather than from the lower limit, which would help, and about the £10,000 threshold potentially excluding women from pension saving altogether because they are going back part time. We have also talked about divorce, which I also agree with.

The only area I think does need some thought is the career break point. If you are taking 10 years out of work for whatever reason, for caring responsibilities, and getting no pension during that period, how are you going to make that up? I do not know whether there is any Government intervention or support—maternity or care-type provision—that could be provided for people in that situation. Just like you accrue state pension during that period, is there a way of Government sponsoring contributions during that period?

Jamie Jenkins: I agree with all of that. There are a number of things that we could do. On Chris's last point on carers' credit for state pension, it is a process that requires the individual to go and actively claim. I think we are planning to do the same thing on the net pay issue over the next two or three years, which then requires activity on the part of the individual in a subject area they probably do not understand. Is there a way of automating that, doing it for them, if they are due this money and they are due those credits for state pension?

There is a point around divorce. My understanding is that, aside from Scotland, in the UK it requires going to court to get a pension sharing order. You do not have to do that in Scotland; there is a way around it. Is there an easier way of doing it that does not require couples to go to court to set that up, which would encourage it to be done more commonly as one of the ways of making sure that women are given the right amount of pension on divorce?

The final point I would make is that we have a whole infrastructure set up around the gender pay gap, which we report on, disclose and measure, and companies are held accountable for. I am not saying it has solved the problem, but I think most people would argue that bringing that to life and shining a spotlight on it is probably helping. Why do we not do the same with the gender pensions gap?

Chair: That concludes the questions we wanted to put to you. Thank you all very much. Thank you, Colin, for joining us virtually, and thank you to the three of you for being here in the Committee Room. As I said to the previous panel, if there is anything else that occurs to you afterwards that you would like us to take account of, please do send us an email. You have given us very interesting and helpful answers to our questions. We are grateful to you for them.