Member Trustee News

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Pension v ISA

Former Pensions Commission member Baroness Jeannie Drake has warned that pension tax relief is vulnerable in the wake of the EU referendum result.

Baroness Drake, former president of the Trades Union Congress, said tax relief on contributions is a "big ticket item" attractive to Chancellors seeking to save money in the short term.

Leaving the EU is a "seismic act of intergenerational unfairness", Baroness Drake told a "Pension v ISA" debate held by the TUC.

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She also cautioned that the proposed introduction of Lifetime ISAs (LISAs) could create further generational inequality by undermining pensions and the tax relief that supports them. Baroness Drake told the event that the consensus that underpinned auto-enrolment is "now very fragile".

Centre for Policy Studies Research Fellow, Michael Johnson, said that pension tax relief is regressive. He argued that the LISA, with a proposed 25 per cent bonus rather than tax relief, "breaks the mold".

He called for the introduction of a Workplace ISA to accept auto-enrolment employer contributions. He also proposed a doubling of the proposed bonus on Lifetime ISAs to be raised to 50 per cent with an £8,000 a year contribution limit.

TUC Deputy General Secretary Paul Nowak, opening the event at Congress House, said: "Yet another rocky financial period demonstrates the need for more risk-sharing in workplace pensions to give greater security and peace of mind to workers putting money aside for their retirement."

Unfinished business

The event launched the new TUC publication, *Unfinished Business: building a fresh consensus on workplace pensions*.

The report looks at the gains from auto-enrolment and the challenges remaining, including the exclusion of three million part-time female workers from workplace pensions.

It calls for the forthcoming Department for Work and Pensions review of auto-enrolment to tackle the problems of insufficient coverage and low contribution levels.

The report sets out a number of policy options for improving auto-enrolment. These include:

- abolition of the earnings trigger
- reform of the system of band earnings
- auto-escalation by pay increase.

Download the report here: https://www.tuc.org.uk/economic-issues/past-and-future-events/pension-v-isa-what-future-workplace-saving-27th-june-2016

Master Trust regulation

Provisions to improve the stability of Master Trusts will be contained in a forthcoming Pensions Bill, it was revealed in the Queen's Speech last month.

There are concerns that it is currently too easy for Master Trusts to be established; that many have weak governance; and that savers' money will be used to meet winding up costs if a Master Trust goes bust.

Possible approaches include:

- an authorisation system for new Master Trusts
- requiring Master Trusts to hold capital to be used for wind-up
- a so-called "fit and proper" test for trustees.

Public service scheme returns

The Pensions Regulator (TPR) has called on public service pension scheme managers to prepare for and submit their annual scheme return, or risk being fined for failing to comply with the law.

TPR is this month issuing notices to scheme managers of the UK's 210 public service pension schemes, which provide pensions for more than 13.7 million people.

Scheme managers are required by law to provide TPR with information about their scheme by submitting a scheme return to TPR. For the first time schemes will be asked to complete a return specifically designed for public service schemes.

MPs scrutinise DB pensions

Funding and governance requirements for occupational pension schemes have come under the spotlight after MPs on the Work and Pensions Select Committee began an inquiry into the collapse of retailer BHS.

The entry of the BHS pension scheme into the Pension Protection Fund is being scrutinised by MPs concerned about the growth of the scheme's deficit before the company's collapse.

In its submission to the inquiry, the TUC said that it is important to seek to distinguish between matters that are directly related to the operation of workplace pensions and those that are to do with wider issues of corporate behaviour and responsibility.

The TUC highlighted the problems caused by the use of gilt yields in determining scheme funding.

It also warned of the dangers of excessively conservative funding requirements, which could lead to more scheme closures.

The committee has announced a separate inquiry into the long-term viability of DB pensions.

British Steel Pension Scheme

Members and trustees of the British Steel Pension Scheme (BSPS) have been placed in an unfair position, the TUC has argued, in its response to a government consultation on proposed changes to the scheme benefits.

It said that possible cuts to accrued benefits are not a substitute for an evidence-based, long-term industrial policy that encompasses a clear role for steel production in the UK.

The TUC supported the view of the National Trade Union Steel Coordinating Committee (NTUSCC) that there is a strong argument that government should back the BSPS trustees' proposal to enable them to reduce indexation to keep the scheme out of the PPF in the absence of an alternative.

These should be subject to a number of conditions including:

- that such an initiative should only be instigated by the scheme trustees, not the sponsors, and should only come after the trustees have collected the maximum possible under employer debt provisions
- a high degree of consultation with members and recognised trade unions
- clear protections that prevent the BSPS case setting a precedent for benefit cuts without member agreement in other schemes
- safeguarding of the system of pension protection centred on the Pension Protection Fund (PPF).