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Centre for the Study of
Financial Innovation

The future of workplace pensions: ‘Defined ambition’ or an outbreak of realism? A round-table with Mike Le Brun (DWP), Ros Altmann and Michael Johnson (Centre for Policy Studies).

**To be held on Wednesday, December 18, 2013, from 12.30-2.15pm.
At the London Capital Club, 15 Abchurch Lane, London, EC4N 7BW.**

Employers and employees are caught between a rock and a hard place over pension schemes. The “defined benefit” version, where decades of regulation have hardened promises, is regarded as unaffordable for employers; the lack of certainty over retirement income from “defined contribution” schemes is seen as too scary for employees. So the UK Government’s exploration of the middle ground in the DWP’s consultation, “Reshaping Workplace Pensions for Future Generations”, is welcome. Squaring the circle is not easy. Guarantees are expensive. In DB, reducing the cost means eroding promises eg by cutting index-linking and survivor benefits, and by raising the pensionable age. Such flexibility does, however, introduce a new note of realism into managing the cost of liabilities.

Certainty also conflicts with seeking the best investment returns, especially if protection against capital loss is an annual target. The DWP paper, drawing on work with the industry, offers suggestions as to how risks can be shared between employer and employee, or insured. Dutch-style pooling of risk in “collective DC” is also an option, but you wouldn’t start with the fragmented UK system.

Most importantly, a national debate is at last under way on how to innovate in this area. To help us contribute, as part of the CSFI/PIC Pension Fellowships series, we are delighted to welcome:

- Mike Le Brun, who leads the DWP teams working on Defined Benefit and Defined Ambition workplace pensions. He is helping the minister, Steve Webb, to develop proposals for DA pensions through the current consultation exercise.
- Ros Altmann, an expert on pensions policy, investment, savings and retirement. An economist by training and investment banker by profession, she is a Non-Executive Director and a Governor of the LSE and chairs its Investment Committee. She is also a Governor of the Pensions Policy Institute.
- Michael Johnson, Research Fellow at the Centre for Policy Studies (CPS), for which he has written several pensions-related papers. Another ex-investment banker, he had a spell with Towers Watson before running David Cameron’s Economic Competitiveness Policy Group. He is also a Director of Embrace Success Ltd.

Sincerely yours,

Jane Fuller
Co-director
CSFI