

## INTERVIEW

# A quiet revolution

**Minister for Pensions and Financial Inclusion**

**Guy Opperman provides an insight into the 'quiet revolution' in pension saving, the success of recent reforms and the DWP's plans to further improve the sector**

**F**or too long in the UK, savings, investment and pensions were in retreat. Moreover, this retreat was long and severe, spanning a number of governments. Quite simply, there was a need to get Britons to fall in love again with saving, investments, and pensions.

But we're witnessing a quiet revolution in pension saving and nowhere is this more apparent than in automatic enrolment (AE), which is transforming pension saving for millions of people.

AE has been based on a widespread and long-standing consensus about the need to re-energise retirement saving in the United Kingdom. And we're already seeing the benefits. More than 9.7 million people have been automatically enrolled into a workplace pension so far, with more people being enrolled every day.

This has seen the previous trend of dwindling workplace pension participation completely reversed. In 2012, the percentage of eligible private-sector workers participating in a workplace pension hit a low of 42 per cent. According to figures published last week this has now risen to 81 per cent.

We have completed the staging process for employers, and are now increasing minimum contribution rates to ensure that people can enjoy

a secure and sustainable retirement. In April the minimum total contribution was raised from 2 per cent to 5 per cent, with a further increase to a total rate of 8 per cent planned for April 2019.

Our review of AE aims to maintain the momentum that we've built up so far. We have set out a clear direction for the future of workplace pension saving, extending savings to those with multiple jobs, the lower paid, and young people.

The review also highlighted the diversity of the UK's growing self-employed population, and we are currently in the process of developing and testing targeted interventions to identify the best options to increase pension saving among the self-employed.

It's not only the accumulation side, though, where we are witnessing a quiet revolution. There is also change happening on the decumulation side.

The government believes that people should have the right to decide how and when they access their own pensions. That's why we have given them the freedom to take their pension savings in a way that best suits their individual needs.

The greater freedom and choice that people increasingly have over their own pension has obvious and significant benefits. It does also

mean, though, that people will need more support in making retirement decisions. This could be a prime area for industry innovation, and help people to make decisions that work for them.

We are taking big steps to support people in making retirement decisions and to help people understand the new options available to them. The government has introduced Pension Wise, for example, which provides free, impartial guidance for those aged 50 and over.

We are in the process of setting up the Single Financial Guidance Body (SFGB) – which recently received Royal Assent. The SFGB will bring money and pension guidance together with debt advice, in order to provide people with easier and free access to impartial help.

The government is also working with a range of stakeholders – including the regulators, wider industry and other sectors – to consider how we can work together to introduce the pensions dashboard. A feasibility study is ongoing, with findings to be published shortly.

Finally, we need to ensure that we have effective regulation in place to protect savers, alongside comprehensive guidance and support.

In March, we published our defined benefit (DB) white paper. Most of DB is working well, but the white paper sends a strong message that reckless behaviour will not be tolerated.

The white paper also highlights the significant potential benefits that DB consolidation can bring. Later this year we will consult on a new legislative framework, which provides for consolidation.

By working with industry and other partners we will provide the space to innovate and improve overall efficiency. ■