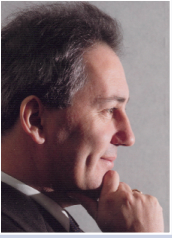


INDUSTRY INSIGHT



The 2006 pensions simplification push did little in assisting the navigation of saving for retirement, as the system is still so complex that it acts against encouraging people to put money aside, says **Steve Bee**, head of pensions strategy at Scottish Life

The pensions war will be waged as distinct battles

To my simple way of looking at things, we have three distinct pensions problems in the UK today. Firstly, half of the working population (nearly 12 million people) either have no pension savings at all, or have insufficient pensions savings to produce a realistic level of income in their retirement.

Of those who do have a decent pension to look forward to, half are working for the government in some way so have pensions that are promised by statute, but are not backed by any funded assets. The other half of this group have private sector pensions that are backed by real money, but the complexities of the system that supports those funded assets has begun to work against the employers and individuals who are voluntarily putting money aside for retirement.

In a nutshell that's about it. Half of us have no pension savings, whereas the other half have generous pensions to look forward to in retirement. But of the people with pensions only half of those are paid for and the other half will have

to be funded from taxes levied on all of us some time soon.

Over the last few years or so, the government has tried to come to grips with these very different pension problems facing us.

We saw an attempt in 2006 to simplify the pensions system so that more individuals and employers would be encouraged to put money aside for retirement. That was the plan anyway, but the unfortunate outcome is that we have a new pensions system that is every bit as complicated and awkward to use as the old one it replaced.

After that attempt, we saw towards the end of last year the government's blueprint for dealing with the massive problem of half our working population saving nothing at all for the future. The big issue there is that the current system of means-tested handouts for those who have already retired acts as a disincentive to savers, which needs to be changed before we can expect people to start saving for the future. It looks very much as though this key

issue is going to be ducked, however, and the prospects for any real success seems slight.

But the third pensions crisis we face in this country – the fact that public sector pension promises will one day have to be paid for with hard cash – is one we rarely hear about and, to date, the government seems to have no plans to deal with the fact that the unfunded pension promises for its own employees could eventually cost as much as £1 trillion.

When we are talking about the pensions crisis, we should be careful we know which one we're talking about: the crisis where half the workforce have no pension and the system acts against saving; the crisis where our private sector pension schemes already outpace the pension savings of the entire European Union, but the system is so complex that it acts against saving; or the crisis that we'll one day have to face when we pick up the enormous tab for the benefits promised to the public sector workforce, which no money has been put aside to cover.

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