

GOOD ADVICE?

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For those not wanting to entirely condemn the efforts of the Pensions Commission, some comfort has been taken from the view that it has at least started the debate on UK pension reform. Some of us, who have been chewing on the subject for rather a long time, are more inclined to think that, after three years, the Commission should have been much closer to *ending* the debate. The mixed reaction to the Turner report – or the red mist response in the case of the Treasury – suggests that we are some way off consensus. What the report will do is coalesce interests and define strategies: not least because it is much easier to take a position once a benchmark has been set.

Debate about the Basic State Pension will always be around affordability and fairness but Turner is attempting to buck the trend in proposing the removal of the link with need. There are mixed messages here: do we want to encourage self responsibility or not? Changes in attitude do not emerge from either - or arguments.

Trying to do too much can be a recipe for muddle and mediocrity. The Commission's time would have been better spent considering what would encourage retirement saving by those able to afford it. The answers would have included compulsion 'soft' or otherwise, greater confidence in the returns on investment and advice. Turner has accepted the former only. Auto-enrolment in Sweden has not persuaded people to play a more active role in retirement saving: most contributions fall into default funds with very modest returns. Education and advice, which has boosted investment activity in Australia, will not be offered by the proposed National – or Nationalised – Pension Savings Scheme if its fees are to be only around 0.3%.

Some sharp questions should be asked anyway about the assumption that simple and cheap must equal state-run. Why has the Commission set its face against the industry's expertise in collecting and investing private pension contributions? To use an infrastructure analogy: the Commission seems to be suggesting that existing airports and airlines should be ignored and a new state-run airline should be created for NPSS 'travellers' who will have very limited choice of destination. Apart from the unnecessary cost, this flies in the face of market and public policy trends to provide *more* choice for well-informed consumers who make decisions according to their circumstances. Shifting retirement provision to lowest common denominator status may be simple, it may be fair, but will it be good for us in the long run?

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