
“Government should consider ways to improve the incentives to save in personal accounts for some people” says Pensions Policy Institute

At a PPI seminar held today (18 March), jointly funded by B&CE Benefit Schemes and the Equality and Human Rights Commission (EHRC) and attended by Pensions Minister, Mike O’Brien MP, the PPI highlighted the potential for some individuals to be at risk of low returns if they are auto-enrolled into personal accounts. B&CE Benefit Schemes and the EHRC discussed the proposals that their organisations have put forward to reduce this risk.

Niki Cleal, PPI Director said:

“It is important to remember that many people stand to gain from the Government’s proposals to introduce personal accounts in 2012. But there are some people who are at risk of low returns from personal accounts because they may lose eligibility for means-tested benefits as a consequence of their saving, for example, some people who may rent in retirement or low earners in their forties and fifties who haven’t yet started saving.”

“This is not a compulsory system. Individuals who have been auto-enrolled will have the right to opt-out but they will need information and generic advice to help them to make the right decision for their circumstances.”

“I am pleased that the Government is now taking forward a work programme to look at the incentives to save in pensions. I hope that the Government will consider the role that information and generic advice could play, but also, what more could be done to improve the returns for those at risk of low returns from personal accounts. The PPI looks forward to helping to provide the evidence base for the Government’s work programme.”

John Jory, deputy chief executive at B&CE Benefit Schemes added:

“If we want to encourage those on lower to moderate incomes to save for retirement then we must be able to assure them that they will be demonstratively better off for doing so. Current means-testing benefits do not give this reassurance. We know that for many people pension saving is not a priority so we must ensure that all possible disincentives are properly addressed.”

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**PRESS RELEASE
FOR IMMEDIATE RELEASE****Notes for editors**

1. The Pensions Policy Institute (PPI) is an independent research organisation that produces research on pensions policy and retirement provision. Its aim is to improve information and understanding about pensions (state and private) and retirement provision through research and analysis, discussion and publication. It does not lobby for any particular policy proposal, but works to make the pensions and retirement policy debate better informed.
2. On 18 March 2008 the PPI held a seminar, jointly funded by B&CE Benefit Schemes and the Equality and Human Rights Commission (EHRC), to discuss the incentives to save in personal accounts. The seminar was attended by 70 pension experts including representatives from: the main political parties, senior civil servants, the pensions and insurance industries, academia, trade unions and charities. The PPI published a short briefing note summarising its research on incentives to save in a pension. Available here:
<http://www.pensionspolicyinstitute.org.uk/news.asp?p=306&s=6&a=0>
3. In February 2008 the Government announced that it would conduct a Pension Savings Incentives Work Programme to establish a shared understanding of the evidence on financial incentives to save for retirement following reform and to assess the potential costs, benefits and other impacts of relevant measures which could affect incentives to save for retirement against an appropriate set of evaluation criteria. The work will involve active engagement with key external stakeholders, with Government leading on producing or commissioning work as necessary. The Government will aim to complete this work programme by the end of 2008 and publish a report.
4. B&CE Benefit Schemes commissioned the PPI to undertake analysis of a policy reform to disregard a limited amount of pension income in calculating eligibility for means-tested benefits designed to improve the incentives to save in personal accounts. The full report is available from the PPI website:
<http://www.pensionspolicyinstitute.org.uk/news.asp?p=288&s=2&a=0>

B&CE is dedicated to improving the personal and financial wellbeing of everyone in construction. Since 1942, B&CE has provided financial welfare benefits to those working within the construction industry and their dependants. Today it manages assets of £1.6 billion and provides financial benefits to 230,000 operatives on behalf of 6,000 construction employers.

In 2001, B&CE launched EasyBuild, a stakeholder pension scheme for the construction industry. This is now the largest and most popular stakeholder pension scheme in the UK with 500,000 members and £440 million under management.

5. The Equal Opportunities Commission (now part of the Equality and Human Rights Commission) commissioned the PPI to undertake analysis of changes to the trivial commutation limit designed to improve the incentives to save in personal accounts. The full report is available from the PPI website:
<http://www.pensionspolicyinstitute.org.uk/news.asp?p=280&s=2&a=0>

The Equality and Human Rights Commission is a statutory body established under the Equality Act 2006, which took over the responsibilities of the Commission for Racial Equality, Disability Rights Commission and Equal Opportunities Commission.

The Equality and Human Rights Commission is the independent advocate for equality and human rights in Britain. It aims to reduce inequality, eliminate discrimination, strengthen good relations between people, and promote and protect human rights.

The Equality and Human Rights Commission enforces equality legislation on age, disability, gender, race, religion or belief, sexual orientation or transgender status, and encourages compliance with the Human Rights Act. It also gives advice and guidance to businesses, the voluntary and public sectors, and to individuals.

6. The PPI published research *Are Personal Accounts Suitable for all?* in November 2006. The research report can be downloaded from the PPI's website at:
<http://www.pensionspolicyinstitute.org.uk/news.asp?p=251&s=2&a=0>