Political turmoil sidelines UK pension reform

By Editorial Staff *Thu, Jun 15, 2017*

'If you're under 40 your income has been eroding and your ability to grow wealth assets is almost non-existent,' said one official. 'The parties' promises need to catch up with that.'

A review of the UK's defined benefit (DB) pension system has been cast into doubt by last week's election result, when the Tories lost their majority in the House of Commons, *IPE.com* reported.

The Conservative Party pensions minister had begun to review DB plan regulation, and the Department for Work and Pensions (DWP) published a "green paper" on the topic last February.

Now all bets on pension review are off. With negotiations about the UK's exit from the European Union—i.e., "Brexit"—due to occur in less than two weeks, former Labor pensions spokesman Gregg McClymont said major pension reforms were unlikely soon. "A delay was always likely given Brexit. This has just taken it to a new level," he said.

Theresa May had also reduced the post of pension minister to an undersecretary role in her administration, he added, which means that pensions have a weaker voice.

The DWP green paper would not be scrapped outright, however, said Sir Steve Webb, a pensions minister from 2010 to 2015. Now director of policy at Royal London, Webb said: "The government can't do anything particularly bold – a big shakeup of pension tax relief for example. It would have to be targeted and incremental."

With 318 seats—13 fewer than before the election and eight short of a majority–the Conservative Party is still remains the largest party in the UK parliament. To create a majority, it may form a coalition with Northern Ireland's DUP, which has 10 seats. Labor picked up 29 seats in the election.

"Age has become an issue – it's a party political divide in a way it has not been before," McClymont said. "Younger voters have [always] supported Labor but the extent of the correlation is unheard of. It's driven by economic reality.

"If you're under 40 your income has been eroding and your ability to grow wealth assets is almost non-existent. You could argue that the parties' promises need to catch up with that. We might get into a bidding war between who can promise the most to younger generations."

As a result, over time auto-enrolment could become a bigger political issue, he added, as more people entered the pension savings arena and saving levels rose. Kevin LeGrand, president of the Pensions Management Institute, echoed that view:

"At this early stage it looks like the younger generation have been influential in changing the political landscape. If that proves to be correct, the recent focus of policies on pensioners' interests on the basis of

the strength of the grey vote may be reversed. This could result in a different policy approach between the generations."

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