THE SOCIETY OF PENSION PROFESSIONALS

making pensions work

The Society of Pension Professionals Membership Survey - 2023

FOREWORD

In February 2023, the Society of Pension Professionals (SPP) surveyed its membership to better understand their views on SPP's strategic priorities. We asked for opinions on particular aspects of Auto Enrolment, Defined Contribution Retirement Options, Dashboards and Pensions Tax.

We received 83 responses from senior and leading professionals representing the views of our broad and expert membership. This short report summarises their responses and is intended to share those views back to the SPP membership.

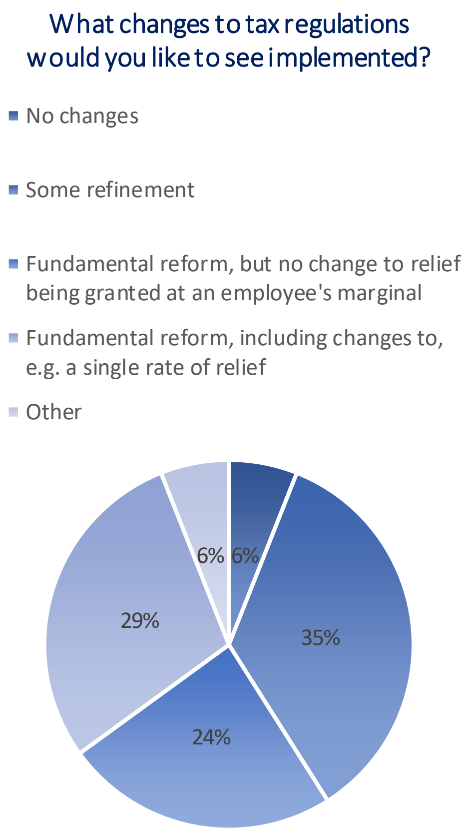
KEY FINDINGS

- **Pensions Tax**:
  - 53% support fundamental reform to the tax regime, although only 29% would support reforms that include changes to relief being granted at an employee's marginal rate. 41% believe there should be no change or some refinement only.
  - On separating DB and DC regimes, 53% think they could be separated, whereas 41% were against it (although some of those believed it might be beneficial).
- **Dashboards**:
  - 96% are supportive of dashboards.
  - Asked about the main/key challenges for dashboards, the three most preferred options were (i) Quality of data for matching, (ii) Capacity to deal with the number of users and (iii) Availability of pensions calculations. No respondents selected trust in the programme (Note: survey pre-dates Dashboards "reset" announcement).
- **Defined Contribution Retirement Options**:
  - On the possibility of designing *one* default pathway, the three priority elements for inclusion were (i) Drawdown, (ii) Cash-lump sum and (iii) Annuities.
  - Asked about ranking who is best positioned to support members at retirement, the preferred order was (i) Providers, (ii) Scheme, (iii) Employer and (iv) State.
  - On investment and illiquids, 68% support the inclusion of illiquids in DC investment strategies, noted as depending on the circumstances.
- **Auto Enrolment**:
  - On a sample of proposed policy changes to AE, a strong majority (71%) supported the implementation of the AE 2017 review by mid-2020s, and 100% were in favour of increasing contributions (52% by mid-2020s).
  - Members also expressed strong support, although with more nuance on the time scales, on adapting/enforcing AE legislation and lowering earnings trigger.

PENSIONS TAX

The goal of pensions tax policy should be to support sustainable long-term retirement savings. However, reform is not straightforward.

On that note, we asked about **changes to tax regulations**, and there was a mixed response on the level of reform that would be desirable. 41% thought there should be no change or some refinement of the tax regime, whereas 53% supported "*fundamental reform*". Of those that support fundamental reform, around half believe that there should be no change to relief being granted at an employee's marginal rate. Only 29% believe that reform should include changes such as a single rate of relief.



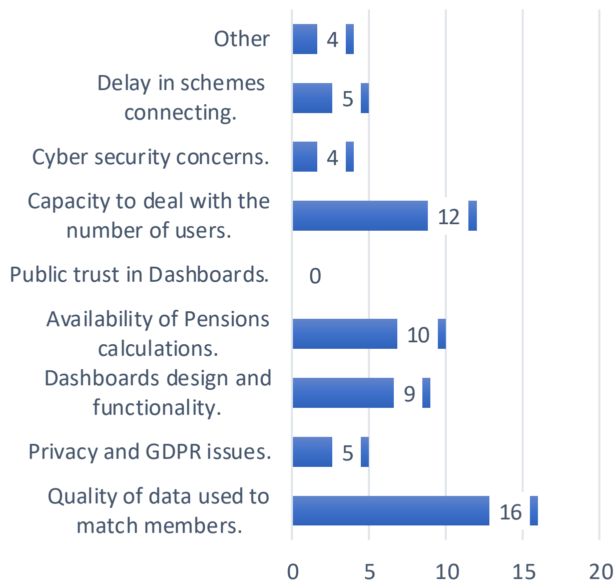
53% supported **separating DB and DC tax regimes**, while 41% were against. Of those against separation, a significant portion (23%) thought it could still have some benefits.

To address the **fiscal cost of tax relief**, respondents suggested that single or basic tax relief could be a solution, noting that this "*balances the fact that most higher rate taxpayers will only pay basic rate tax on their pensions*". Also, members commented on reforming the AA and LTA, stating that "*DB should be controlled solely by the LTA and DC solely by the AA*" (Note: Survey pre-dates LTA abolition announcement).

DASHBOARDS

During 2022, dashboards were at the centre of the debate, with several consultations to inform future implementation. 96% of respondents express support for the **principle of pension dashboards** for members.

On the **key challenges** for the successful delivery of the programme, members selected as their three main concerns: the quality of data used for matching, capacity to deal with the number of users and the availability of pensions calculations. No respondents selected "*public trust in dashboards*" (Note: survey pre-dates Dashboards "reset" announcement).



Which of the following will be the key challenges in successful delivery? (select up to three options)

Regarding the **most exciting potential impacts** of dashboards, our members said that it would be "*connecting people to lost pensions and helping them plan for a better retirement*", also suggesting that it is time for the industry to have "*caught up with other financial services in terms of technological solutions*".

Conversely, the **most worrying impacts** respondents flagged were the "*risk of members being misled and making the wrong decisions*" and the "*disappointment and disillusion if the system fails…*". Members also mentioned the potential increase in scams and data loss.

DEFINED CONTRIBUTION RETIREMENT OPTIONS

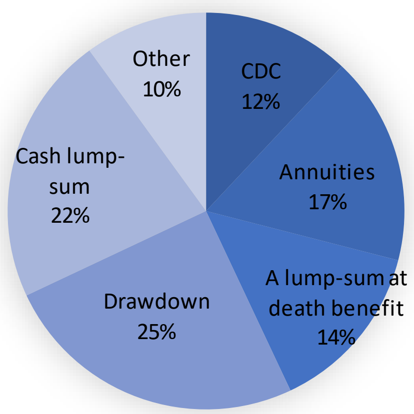
Improving DC retirement demands innovation and appropriate alternatives for members, maximising outcomes while minimising risks of poor decision-making.

Asked about the current **options available in the market** and how they could be improved, members suggested that a "*combination of flexible and guaranteed options may be suitable*" acknowledging that the *"lack of mainstream decumulation option which offers longevity protection … without the (relatively costly) full protection of insured annuities is a clear gap in the market"*. Also, several respondents cited CDC as an option with "*great potential*".

Providers and schemes were seen as better positioned to **support members**, followed by employers, with the State perceived as slightly less equipped to do so. Members noted that *"[a]s an industry, we need to find a cost-effective and accessible means for individuals to get tailored guidance that takes into account their overall financial circumstances*".

Members suggested defaults should be in place "*to help members navigate the information overload*". On the **components of *one* default pathway**, the majority preferred that drawdown, cash lump-sum, and annuities to be included.

If there is one default pathway, what element(s) should be included (tick all that apply):

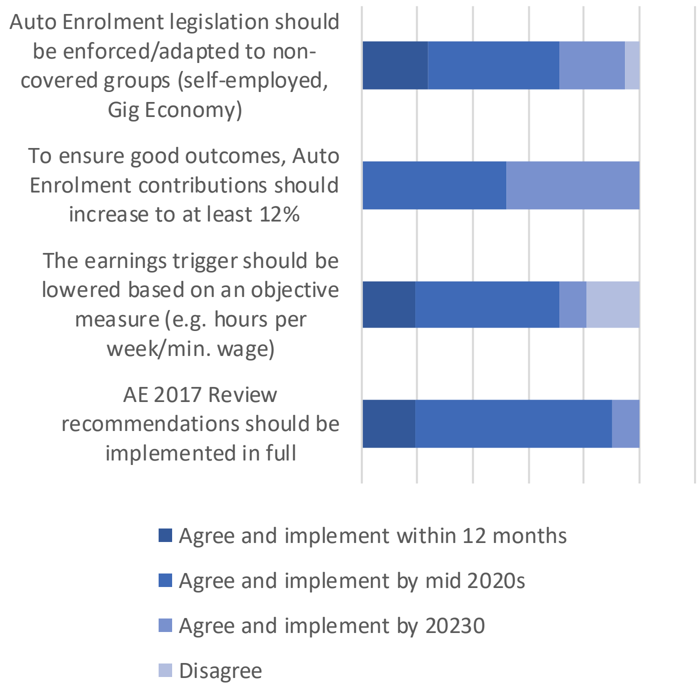


Asked about the role of **illiquids**, 68% of members expressed support, subject to circumstances. Regarding the **inclusion of illiquids**, members expressed that "*illiquids are one/option opportunity, but not an answer in themselves*", and that "*scale is needed to ensure that there is sufficient overall liquidity to manage outflows for members and that pricing is fair*".

AUTO – ENROLMENT

Members were surveyed about their agreement and urgency regarding a selection of **policy developments on AE**. The majority agreed that the AE 2017 Review should be implemented by the mid-2020s (71%) and that contributions should be increased to at least 12% (100%). The urgency of increased contributions was split (52% mid-2020s, 48% by 2030). There was also support for enforcing/adapting AE legislation for non-covered groups, with 47% preferring this to be implemented by the mid-2020s.

To what extent do you agree with the following policy developments, and on what implementation timeline?



Members also suggested **other policy options**, including **auto-escalation** "*to increase the rates people pay – to avoid employees being enrolled at a base level and never moving on"* and making it more difficult to opt out. Likewise, respondents supported simplifying **legislation**, promoting equality in **tax treatment** across all scheme types/tax bands, and supporting **contribution increases,** noting that "*it should be in small increments and the employer contribution should be at least the same as the employee.*".

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The Society of Pension Professionals
124 City Road, London EC1V 2NX T: 020 7353 1688
E: info@the-spp.co.uk - www.the-spp.co.uk