

PPI Research Plan 2012

- (1) **Core Research – funded with income from the PPI’s Supporting Membership Scheme**

The Pensions Primer

This Pensions Primer gives a detailed description of the current UK pensions system. The Pensions Primer is intended for people wanting to learn about the UK pensions policy framework.

The current version of the Pensions Primer reflects the current position of, and legislated future changes to, the UK pension system as at 12 May 2011. The current version of the Pensions Primer can be downloaded from the PPI’s website at the following link:-

<http://www.pensionspolicyinstitute.org.uk/default.asp?p=97>

The PPI will produce an updated Pensions Primer in the spring of 2012 reflecting Pensions Act 2011 policy changes and benefit uprating announcements for 2012.

Pensions Facts

The PPI maintains a compendium of key facts and statistics on pensions and retirement provision in the UK. The aim is to collate into a single place a range of different statistics on demographic change, key state pension and private pension indicators. Key tables will be updated as new data becomes available. Pensions Facts can be downloaded from the PPI’s website at the following link:-

<http://www.pensionspolicyinstitute.org.uk/default.asp?p=67>

Private Pensions Research

The PPI is currently providing an overview of the trends and developments in private pensions in the UK. The research will examine the latest data on both defined benefit and defined contribution private sector pensions in the UK. The research will consider the potential policy responses of employers to some of these trends, including de-risking strategies.

Model Update

The Pensions Policy Institute (PPI) has constructed a suite of micro-simulation models to analyse long-term outcomes from the current UK pensions system and possible reforms. The original development of the models was funded by the Nuffield Foundation. The models have been designed to allow different types of analysis under different pensions systems:

- The Individual Model projects future state and private pension income for hypothetical individuals with different characteristics.
- The Aggregate Model projects long-term government expenditure on pensions and contracted-out rebates, income from the private pensions system and the fiscal cost of tax relief.
- The Distributional Model projects forward the distribution of pensioner incomes consistently with the Aggregate Model.

Each year the PPI conducts a model update exercise in which the latest data are incorporated in the models and the long-term assumptions are reviewed. The PPI's Modelling Review Board will review all of the PPI's data sources and assumptions in November 2011.

Briefing Notes

The PPI produces short briefing notes on topical policy issues. Briefing Notes will be forthcoming on the following topics:-

- the recent State Pension Age changes legislated in the Pensions Act 2011;
- the latest lessons the UK can learn from the New Zealand's auto-enrolment work based pensions scheme KiwiSaver; and
- the implications of ending compulsory annuitisation.

We are always interested in ideas and suggestions for future Briefing Note topics. Please contact Chris Curry, PPI Research Director on chris@pensionspolicyinstitute.org.uk if you have any suggestions.

Consultation Responses, Submissions and Evidence sessions

The PPI will submit responses and evidence to all major Government consultations on policy on pensions and retirement provision. During 2012 the Government is expected to issue a White Paper on its plans for state pension reform and future SPA changes. The PPI will want to analyse and respond to any proposals. We will also submit evidence relevant Select Committees or other Parliamentary Inquiries.

(2) Commissioned Research

The PPI undertakes commissioned research for third party clients provided that the research is within the PPI's charitable objective, the PPI has the capability and the capacity to undertake the research and the research sponsor or sponsors are happy for the final research to be published.

Retirement Income and Assets: the implications of the Government's extending working lives policy agenda for retirement income

The PPI has undertaken a series of research reports examining the range of retirement income and assets that future generations of pensioners will use to meet their needs for retirement income.

The latest report in this series will be published in the first half of 2012 and will examine the impact of the Government's policy agenda to extend working lives. The research will examine the potential impact of Government policies to increase the State Pension Age, the abolition of the default retirement age and a range of other Government policies on future retirement incomes.

This research is being funded by a consortium of funders including Age UK, Aviva and Partnership and is being overseen by a research steering group.

Earlier reports in the PPI's retirement income and assets series can be downloaded here:-

<http://www.pensionspolicyinstitute.org.uk/default.asp?p=11>

The implications of the Government's reforms to introduce Automatic enrolment into private pension saving.

2012 sees the beginning of the introduction of auto-enrolment into workplace pension schemes in the UK. Between then and 2017, every employee aged between 22 and SPA and earning more than £7,475 will be auto-enrolled into a workplace pension scheme, where they will remain unless they opt-out.

By the time that contributions are fully phased in in 2017, auto-enrolled individuals will have a minimum of 8% of band earnings being paid into their pension, with at least 3% from the employer and the Government making a contribution through tax relief.¹

¹ Although the 'standard' case is likely to be a 4% employee contribution, 3% employer contribution and 1% Government contribution, as long as the employer pays at least 3% of band earnings and the total is at least 8% of band earnings, any combination is possible.

Over the last six years the PPI has undertaken a range of pieces of research examining the implications of different aspects of the reforms. However, the policy framework has changed following Paul Johnson's review of auto-enrolment and the passing of the Pensions Act 2011. The wider market for private pensions has also evolved with more employers closing existing defined benefit schemes than predicted in earlier research and with changes to the indexation arrangements for private pensions.

This research will consider questions such as:-

1. Will automatic enrolment increase pension saving?
2. How adequate are the minimum required pension contributions?
3. Does it pay to save in a pension?
4. Should older workers be auto-enrolled?

The PPI is intending to put together a consortium of sponsors to fund this research. The consortium is likely to include main sponsors who will sponsor particular research reports and series sponsors who will contribute to the project as a whole. Anyone interested should contact the PPI's Research Director, Chris Curry on 020 7848 3731 for an informal discussion.

The PPI has conducted previous work in this area. See the following PPI Briefing Notes.

<http://www.pensionspolicyinstitute.org.uk/default.asp?p=124&publication=0173&pagesize=999&>

http://www.pensionspolicyinstitute.org.uk/uploadeddocuments/Briefing%20Notes/PPI_Briefing_Note_44.pdf

(3) Grant Funded Research

As a charitable organisation the PPI is eligible to receive research grants from the UK Research Councils and other charitable foundations. During 2012 the PPI is fortunate to have confirmed two research grants from the Nuffield Foundation.

PPI Model Development Grant (Nuffield Foundation)

The PPI has been awarded a two-year grant from the Nuffield Foundation to further develop the PPI's suite of models. The project will develop the PPI's models to ensure that they remain fit-for-purpose and can accommodate recent policy changes in both the private and public sector pensions. Model development that will be undertaken during the 2 year project includes:

- The incorporation of stochastic modelling of investment returns
- Separate modelling of public sector and private sector pensions to enable the PPI to model the implications of the reformed public sector pension schemes which may no longer be final salary
- Changes in the way in which defined contribution pension lump sums are converted into income streams to incorporate greater use of income drawdown and the new flexibilities introduced by the Government's minimum income requirement.
- Improved modelling of retirement decisions and transitions during retirement, including the interaction with working longer and health and disability trends.

Public Sector Pension Reform (Nuffield Foundation)

The PPI has been awarded a research grant from the Nuffield Foundation to provide an assessment of the Coalition Government's final agreed reforms to the public sector pensions. The research will be undertaken once the Government and the Unions have agreed the final shape of the reforms.

The aim of this research is to provide an independent assessment of the potential impact of the Coalition Government's final agreed policy reforms to the public sector pensions: for scheme members themselves (in terms of the value of the benefits they are being offered), for the long-term affordability and sustainability of the schemes and for the comparison with pay and pensions in the private sector.

The PPI provided a similar assessment of the Labour Government's reforms in 2008. This research can be downloaded from the PPI's website here:-

<http://www.pensionspolicyinstitute.org.uk/default.asp?p=12&publication=05&pagesize=999&>