

The new pensions minister - in his own words

By **Natalie Holt** 2nd August 2016 8:59 am



After what feels like a whirlwind of change here in Westminster, I am delighted to be speaking to *Money Marketing* readers as the new Minister for Pensions.

I want to take this opportunity to speak with the pensions industry early on and let you know how committed I am to continuing the delivery of our key reforms. We have already achieved a huge amount and there is now a real platform to build upon.

I want people to enjoy a more financially secure retirement, and my task now is to continue the pensions revolution and ensure the changes we have made over the last year set people on the right path for their later years - whether that is through automatic enrolment, the new state pension or providing additional protections for those enrolled in master trusts in the upcoming Pensions Bill.

I recognise that I am taking the reins just after the historic decision to leave the EU, which created some uncertainty in the markets. Some people are understandably concerned about their pensions.

However, it is important that we put things in context. The country is in a great position. A couple of weeks ago we saw that the UK has a record employment rate and there are more people in work than at any other point in our history. This is fantastic news and shows the strength of our economy.

People certainly should not be dissuaded from saving. Pensions are a long game and it is more important than ever that people are saving regularly throughout their career. People are living longer and by the mid-2030s, the over 50s will comprise half the adult population in the UK. This is great news and all the more reason to start planning early on for a longer retirement.

At the moment, many young people think pensions are so far away as to be irrelevant; we must try and change that perception. It is astonishing, but true, that someone who starts saving at the age of 21 and then stops at 30 will end up with a bigger pension pot than someone who starts saving at 30 and puts aside money for the next 40 years. We need to get that message out there - the sooner people start saving, the better.

Sensible decisions taken now really will pay off in the long run and the best option for the majority of young people is to save into a workplace pension. Therefore one of my biggest priorities is to ensure the continued successful delivery of auto-enrolment.

Auto-enrolment is the cornerstone of our private pension reforms, creating a culture of saving and reversing the decade-long decline in pension savings. In fact, over 6.4m people are now either newly saving or saving more into workplace pensions as a result of its rollout.

Figures released earlier this month highlight that the momentum created through auto-enrolment continues - last month over 28,000 new employers signed up, which represents a 20 per cent increase and the largest amount of employers doing so in one month since the policy was introduced.

However, we are still only a fraction of the way through, with the most challenging phase upon us - ensuring our smallest employers set up pension schemes in the next couple of years. By 2019 minimum contributions will rise to 8 per cent, which is quadruple the current level. I understand this will pose further challenges but we are ready to help employers adjust to the changes.

I myself am a former business owner. I know the pressures of taking an idea, setting up a business, investing your life and savings into it, and dealing with the challenges that it can bring. We must help employers feel in control and ensure they have the tools they need to fulfil their auto-enrolment duties.

In 2017 there will be a review of auto-enrolment. This will be an important step in planning the future for this vital programme and I intend to use the opportunity to consider broadly

how best to build on the success so far and to increase the amount people are saving. Speaking with employers and employees will be a big part of this.

There are other key priorities which I will focus on, particularly the continued delivery of the new state pension and bringing through the 2017 Pensions Bill. Having successfully delivered changes to the new state pension and to private pensions it is right that we now turn our attention to tightening up regulations on master trusts to better protect savers, improving the guidance available, and protecting people from excessive exit fees.

I look forward to working with the Treasury on the radical pension freedoms which were introduced last year. In particular I will be keeping a close eye on the hugely popular Pension Wise so that we are doing even more to provide personalised support and tailored guidance for people over 50. There is a real need for the free and impartial service it offers.

I also look forward to working closely with both The Pensions Regulator and the Pension Protection Fund. We have seen high-profile employer pension schemes going under recently and I want to reassure people that most funds are being managed perfectly well and where there is a scheme deficit, robust recovery plans are in place which spread the cost over time.

As Pensions Minister my role is to ensure that pensions is at the top of this Government's agenda. I am absolutely committed to this. The pensions industry has already done a fantastic job to get us to this point and I see my role very much to ensure our plans stay on track. I look forward to working with you all.

Richard Harrington is pensions minister



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