

Speech: Association of British Insurers long term savings conference

Thank you for that introduction, and to the Association of British Insurers and its Chairman, Andy Briggs, for inviting me to speak here this morning. I am delighted to be addressing you in my first speech as Secretary of State for Work and Pensions.

In my previous roles as Financial Secretary to the Treasury and Chief Secretary to the Treasury, I witnessed great advances being made in the pensions industry; therefore I hope that I'm already familiar with some of the key issues you face.

I am also somewhat familiar with the ABI. Indeed, there was a period when I was Financial Secretary that no day felt complete unless I had had a meeting with Huw and his team.

I intend to build on my Treasury experience in my new role as Secretary of State; I hope you will feel the benefit of consistency, and my commitment to working with you to secure long term objectives.

I know, all too well, that pensions reform is a long term game. We need a well thought-out approach, built on a solid evidence base.

As we consider the repercussions of increased life expectancy on future generations, I welcome the contributions of John Cridland, and the Government's Actuary Department, to our thinking on the future State Pension Age. It represents exactly the sort of longer-term approach I want to cultivate within my Department, and across wider Government.

I should also mention Andy Briggs's excellent work to support the Government as our Business Champion for Older Workers, because employers are crucial in helping secure those prizes.

Government's Ambition

We should be ambitious about improving our pensions saving system.

We've already had some notable successes where Government and industry have collaborated to achieve positive outcomes for both consumers and pension providers.

A good example is the new prototype of the Pensions Dashboard. We believe this tool has genuine potential for making our financial lives much simpler.

The dashboard presents a clear picture of all a person's pension entitlement in one secure online location, and will make it easier for savers to plan ahead.

A cross-section of the industry worked with us to develop the working prototype. The successful demonstration of the prototype last April showed the feasibility of providing information from different pensions schemes in one place; and was met with enthusiasm by technology start-ups, financial advisors, and the media.

Such a tool would encourage people to properly consider their retirement arrangements earlier in their working lives, and could help savers reconnect with an estimated £400 million in lost pensions accrual – something which we'd all like to encourage.

Pension freedoms is another example of Government and industry successfully working together. In an expanded pensions market, we are giving savers more control over their money to use in ways that suit them – while supporting financially sound decision-making through Pension Wise, the Pension Advisory Service, and the Money Advice Service.

And I await with interest the Financial Conduct Authority's 'Retirement Outcomes Study' report, and look forward to continuing to collaborate with you to ensure that reforms deliver for both consumers and the industry.

And I must mention the major success story that is Automatic Enrolment. By automatically enrolling people into workplace pension-saving, we have reversed a decades-long decline in participation, and improved millions of workers' future prosperity.

Latest estimates show that over 8 million individuals have already been enrolled, a figure that is projected to grow rapidly. 600,000 businesses and employers have got behind the scheme, fulfilling their duties so their workforce can start saving – often for the first time.

The bedrock of this success has been the sustained consensus between industry, Government and other stakeholders.

Challenges faced and still to face

It has not all been plain sailing to reach our current position. Not so long ago, engaging employers on such a large scale was considered an insurmountable challenge. Without the industry's backing and support, the programme would have struggled to leave the planning room. From working together on the high-level design, to fine tuning the detailed requirements, Automatic Enrolment's success flows from sustained collaboration across the many sectors to deliver the programme on the ground.

In particular, I'd like to recognise the role the Pensions Regulator has played in supporting, encouraging, and (where necessary) ensuring that employers met their duties. And also the part played by NEST, in providing access to a pension for all employers, regardless of their size.

That is why we have worked hard to ensure that employers are prepared and able to enrol their workers. And that is why we will continue to work with the ABI, its member organisations and the wider industry as we try to build

on our success to date. Not just in terms of pension providers but also the wider eco-system – payroll, intermediaries and many others have an essential role to play.

Our original forecast was that around a third of people would opt out of the pension they were automatically enrolled into. In practice, we have seen incredibly low opt-out of the workplace pension automatic enrolment scheme – something to be celebrated.

We have seen particularly low opt-out rates amongst young savers. Getting people to save from the very start of their working lives is a tremendous result to build on. However, we won't see people who have saved through automatic enrolment for their whole careers until the 2050s.

We still have a lot to achieve. The Conservative Party manifesto commits us to expanding pensions entitlements to include workers who are self-employed. Just as before, this may feel an overly-ambitious challenge, but I have reason to feel positive.

Look at what we've already achieved: workplace pension saving is set to increase by £17 billion every year by 2020. And an estimated 10 million workers will be newly saving, or saving more, as a result of automatic enrolment by 2018.

And the current review of automatic enrolment will help us to explore the best solutions for self-employed savers. In partnership with employers and industry, we are now in a strong position to build on the successes we have already seen, and set the future direction of the automatic enrolment scheme.

I'm also looking forward to the findings of Matthew Taylor's review of modern employment practices. It will tie-in with work that is already going on across Government on the issue.

Encouraging the industry to adapt

Looking ahead, it is apparent that we must do more to encourage new savers, many of whom are young, to engage with their pension provision.

Both Government and industry must look closely at the ways in which we can support this new type of saver to devote more of their earnings to their workplace pension, or a private pension provider.

I think it is worth reflecting on the opportunities an improved private pensions landscape will present.

I would encourage the pensions sector to see the potential that new savers will bring. By adapting your services to emerging trends you will better serve individual savers, by increasing the value-for-money they will reap from their retirement saving – a goal that we all share.

Get to know the new pensions landscape – your industry and society can prosper from its success. It is about informing consumers and supporting them

to make the right choices. Look at how you communicate with your customers, and consider adapting your products to the new types of saver entering the market.

Government is fulfilling its end of the bargain

As I said at the start, I am keen to provide the consistency and continuity that your industry is seeking. But I am also keenly aware of Government's responsibility to help and support new savers. And it is clearly also in the interests of the pensions industry to ensure that savers are properly supported, and informed in their choices.

That is why we have announced that we will be introducing a single body for the provision of public financial advice, which will replace the three existing public advice services. Streamlining to a single body will make it easier for people to seek advice, and make effective financial decisions.

Setting up the new single financial guidance body will require legislative changes, and we have already commenced introducing the Financial Guidance and Claims Bill to Parliament, which took place last week as part of the Queen's Speech.

Yet another issue on which the Department is working closely with industry is the sustainability of Defined Benefit Pension schemes. What recent cases have shown is that, even in difficult circumstances; better outcomes are achieved when all parties – members, sponsors, regulators and Government – play their part.

My Department will continue to work closely with industry to develop sensible policy proposals in this space for the long term which will work for both Government and industry to protect members and business.

Conclusion: Together, let's get this right.

Industry has been instrumental in what has been achieved so far.

We have overcome some really challenging situations in the past, which is part of the reason that I have great confidence for the future pensions landscape.

I have spoken about the challenges we anticipate, such as increasing savers' engagement, finding sustainable solutions to an ageing society and ensuring peoples' security in later life.

And we will have to overcome these challenges against the backdrop of a legislature intensely focused on delivering Britain's successful withdrawal from the European Union.

Now more than ever, building consensus across the sector, and across party-lines will be absolutely key.

But I feel confident that with your support we can substantially widen

individuals' engagement with the pensions industry – wake them from their pension-inertia to invest more in their future prosperity from a younger age.

I have set out both the challenges and the opportunities facing the industry and I look forward to working together in charting the new pensions landscape.