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HEADLINE: The FTSE 100 is neither fish nor fowl. Now here's an index that reflects how people invest;
OUTLOOK

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BODY:

...Pensions debate reaches denouement

The mound of proposals for pensions reform has grown into a veritable mountain as this week's deadline for submissions to the Government's pensions white paper approaches. Every day brings a lorry load more.

One of the more interesting comes from Frank Field, the MP asked by the Prime Minister to "think the unthinkable" on pensions reform when the present Labour government first came to power more than eight years ago. Mr Field thought about it a little, and came up with a commendably simple and in some respects compelling response.

Needless to say, it never got beyond the drawing board, with the Government choosing instead to opt for a chaotic combination of means tested pension credits and stakeholder pensions. By common consent, it hasn't worked. Fast back to Mr Field's original idea, which he has since been refining under the umbrella of The Pensions Reform Group. This envisages a non state, universal pension which would run alongside the basic state pension to deliver an income to all in retirement worth between 25 and 30 per cent of average earnings.

To fund this pension, employees and employers would be compelled to pay into a central fund governed, a bit like the Bank of England's Monetary Policy Committee, by an independent panel of wise men.

Mr Field believes that his proposals have key advantages over the recommendations put forward by Adair Turner's Pensions Commission, which indeed he dismisses in a speech tonight as a "squandered opportunity for pensions reform". The key difference between the two is that Mr Field envisages a collective, or pooled, approach to a funded pension, with the monies collected like a tax on a compulsory basis, whereas Lord Turner's approach is based on individual savings accounts, with the employee given the right to opt out if financial circumstances don't suit.

Mr Field points out that the Turner approach won't eradicate means tested benefit, as many savers will in practice exercise the opt out. Furthermore, depending on how and where they are invested, some individual accounts are bound to perform better than others, leaving the Government open to the charge of mis-selling.

Yet his own approach seems to me to be even more dangerous. Problem number one is the strong likelihood that it would end up costing a great deal more to achieve the desired result, and would in any case lumber the taxpayer with the liability if the investment strategy failed to deliver as planned.

Some people will make mistakes under the Turner approach in the way they invest their money, but this is surely preferable to the possibility of one gigantic, collective mistake, the danger of which will make the trustees of Mr Field's Universal Protected Pension extraordinarily risk averse in their investment strategies.

However independent of Government they are, in practice, highly likely to become just a branch of the Debt Management Office, with all the money going into gilts. To the extent that they do invest in equities, there is also a risk of what one City veteran in a misguided criticism of the Turner proposals has called "nationalisation by the back door". This could apply to the pooled national investment vehicle envisaged by Mr Field, which might build up substantial positions in certain companies, but it couldn't happen with individual savings accounts where there are individual rights of ownership.

The pensions debate that Mr Field began is all these years later reaching its final denouement, But though Mr Field can claim credit for some of its central facets, I fear that the Government will still think of his keyproposal as essentially unthinkable.

The only thing that gives meaning to the FTSE 100 at all these days is that all its constituents chose to have their primary listing in London

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