

Thursday 14 June 2007

The Department for Work and Pensions

Personal Accounts

The Secretary of State for Work and Pensions (Mr. John Hutton):

I have today published two papers on personal accounts.

In December the Government published its Command Paper *Personal Accounts: a new way to save*. During the 15-week consultation period that followed, we received 82 responses from the pensions industry, stakeholders and the public. Our consultation response that we have published today shows that while there is a range of opinion on some of the details, there is also a clear consensus around the aims and core structure of Personal Accounts.

Personal Accounts will provide a huge boost to retirement saving in the UK; helping the 7 million people who are currently not saving enough for their retirement and generating £4-5 billion of new saving.

Members' interests will be at the heart of Personal Accounts. The scheme will be managed by a board of trustees and we announce today that there will be an influential members' panel which will be able to nominate one third of the trustees.

Personal Accounts will also be designed to meet the needs of a specific target group, people on moderate to low incomes without access to a workplace pension. They will complement rather than compete with existing provision. In setting the level of the contribution cap we have sought to find the right balance between giving the individual sufficient flexibility to save while protecting existing good pension provision. We announce today that the annual contribution limit will be £3,600 in 2005 earnings.

The Work and Pensions Select Committee published its report on Personal Accounts in March this year. I am today publishing the Government's response to the conclusions and recommendations of that report. I am grateful to the Committee for its work and analysis. We agree with the Committee's comment that achieving a low level of charges and maximising simplicity are particularly important aspects of Personal Accounts.

We have designed the objectives for the Personal Accounts Delivery Authority and scheme trustees to ensure that this can be achieved. The trustees of the scheme will be required to act in the best interests of members and the Delivery Authority will be tasked with delivering a scheme that will meet members' needs with low charges, appropriate investment choices and a panel for future members.

We believe that our proposals in response to the consultation and the Committee's recommendations strike the right balance between providing clarity for industry and employers while giving the Delivery Authority the flexibility it needs to implement the programme of reform.

Copies of both documents are available for hon. Members from the Vote Office.