

Press Release

For immediate release
London, 30 November 2005

Wealth creation is priority for pension provision

Tomorrow's Company, the independent business-led think tank, welcomes the Pensions Commission's extensive work, led by Adair Turner, on building a consensus on how to ensure adequate pensions for all. In particular, we:

- * Support the Commission's proposal for increasing the basic state pension, based on residency and linked to earnings
- * Agree that the disadvantages women face in pension provision demand serious and urgent attention
- * Fully endorse the report's opinion that there is neither a general current crisis of pension income nor a quantifiable "savings gap"
- * Back the proposal to establish a successor to the Pensions Commission charged with presenting a report every few years on developments relevant to pension provision.

The thrust of the Commission's report corroborates our recent report, "The Ageing Population, Pensions and Wealth Creation", which advocated a quinquennial review of pensions and concluded that there is no pensions crisis, provided governments pursue policies which enable wealth creation.

The Tomorrow's Company report argued that on sensible assumptions about economic growth, productivity and levels of employment, a decent universal state pension will be affordable even when the ageing of the population peaks 30 to 40 years from now.

It is clearly time to put wealth creation at the top of the pensions agenda. Questions of distribution, such as the Commission's other main proposals to raise the pensionable age and encourage saving, are certainly important. But the main constraint on the availability of adequate pensions for everyone is economic policy, not affordability.

For example, far too many people between the ages of 50 and 65 do not work. If the proportion of these people in work were raised from its current level of about 70 percent to 80 percent, closer to the Scandinavian level, the additional wealth created would greatly improve the prospect for pensions.

The report's proposed National Pension Saving Scheme may encourage the lower paid to save for pensions but it is important that it does not reduce alternative forms of saving or precipitate an investment crisis by squeezing consumption.

We believe, therefore, that the immediate priorities are to:

- * Introduce a decent universal basic state pension linked to earnings
- * Focus on wealth creation to ensure that the pension cake is big enough to guarantee a civilised retirement for all.

ENDS

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Notes to Editors:

1. The Tomorrow's Company pensions report is available from:
Tomorrow's Company
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2. Tomorrow's Company is a not for profit research and agenda-setting organisation committed to creating a future for business which makes equal sense to staff, shareholders and society. Its business-led programme of publications, events and activities focuses on three issues fundamental to the future of business:
 - * an improved investment system
 - * an inclusive approach to leadership and governance
 - * closing the gap between business and society.

Having had a strong influence on business leadership and governance in the UK, Tomorrow's Company is now approaching these issues on an international basis under the theme of Tomorrow's Global Company.