

Welcome

**What can the UK learn
about other countries'
approaches to accessing
DC savings?**



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Chief Commercial Officer - EMEA Distribution



Chair's Welcome

Sarah Luheshi,

Deputy Director

Pensions Policy Institute (PPI)

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An INDEPENDENT Research Report by the

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Our Vision

Better informed policies and decisions that improve later life outcomes

We believe that better information and understanding will lead to better policy framework and better provision of retirement for all

Our Mission

To promote, evidence-based policies and decisions for financial provision in later life through INDEPENDENT research and analysis.

We aim to be the authoritative voice on policy on pensions and the financial and economic provision in later life

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Event overview

The event today is the official launch of the report
What can the UK learn about other countries' approaches to accessing DC savings?

This report gathers and analyses evidence from the US, Canada, Australia, New Zealand, the Netherlands, Denmark, Chile and Singapore, and offers some suggested lessons for the UK when thinking about the challenge of enabling good outcomes for those who will need to access benefits from DC pension arrangements.

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Key Findings

Nick Hurman,

Research Associate

Pensions Policy Institute (PPI)

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Who we studied and why



- US and Canada
 - Australia and New Zealand
 - Netherlands and Denmark
 - Chile and Singapore
-
- 5 of the 7 states with over \$1tn assets (inc. UK)
 - All rated as 'good' or better
 - With significant DC experience
 - Varying markets/approaches to DC

UK pensions in a world context



- UK second largest stock of pensions assets in world (2021)
- But only 19% of funded assets are DC
- US and Australia pay out most in pensions assets
- UK pensions system rated 'B' but could be improved:
 - Restore requirement to take an income stream
 - Higher level of minimum pension
- Previous global reviews have suggested flexibility and protection for DC through:
 - Defaults
 - Hybrid/multiple DC retirement solutions

“Nastiest problem in finance”

- ✓ **No easy answers to DC retirement decisions**
 - Striking balance between income for current needs and throughout your lifetime
- ✓ **Retirees, given choice, are often reluctant to draw down pensions**
 - Need to reverse a 40-year default to save
 - Requires advice, in a simple system, to decide how much to withdraw
 - Needs financial confidence in retirement to draw down
- ✓ **But each country has own social policy context**
 - e.g. social and health care, housing, State Pension underpin

DC as part of a wider system

- ✔ **'Freedoms' place reliance on State Pension underpin and effective guidance**
 - State Pension must act as longevity insurance - as pointed out by minister at launch
 - Pivotal role of guidance in absence of prescribed/default drawdown rates
 - Retirement Income Covenant (Aus) and Rules of Thumb (NZ) initiatives very relevant
 - Complexities from means testing or tax incentives/penalties can make decisions complex
 - Required minimum drawdown provisions (e.g. US, Can, Aus) become de facto defaults
- ✔ **Workplace DC must be considered as part of the wider pensions system**
 - Australia and Netherlands recognise need to segment by financial situation and preference
 - UK has specific features to consider

DC as part of a wider system

- ✓ **DC provides new opportunities to address changing retirement patterns and risks**
 - Variety of approaches to mitigate inflation and longevity risk
 - Employers and industry groups have a potentially important role to play
- ✓ **The regulator can be vital in establishing frameworks, enabling consensus and implementing timely protections against new risks, e.g.**
 - Improving customer support and guidance at retirement (Aus, NZ)
 - Regulating journey to new DC income solutions (NL, Den)

Other specific lessons

USA

Forcing decumulation on retirees often unpopular; demand failure for specific income products.

Australia and New Zealand

Housing assets also a key factor in level of individuals' retirement needs.

Singapore

Conflicts between retirement income adequacy and housing or care costs.

Some thoughts for discussion

- ✓ Will the Australian or New Zealand approaches to facilitate adequate drawdown succeed? Could they work here?
- ✓ OECD replacement rates suggest UK is in for poorer retirements than peers – could DC decumulation become even more important for us?
- ✓ Should retirement income policy be segmented toward needs for those on lower, mid and higher incomes separately?

Keynote address

Nausicaa Delfas,

Chief Executive

The Pensions Regulator

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take place under

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Keynote Speaker

Q&A Session

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Opening Comments from our Series Sponsors



Andrew Brown



Graham Moles



Claire Altman



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Q&A Session



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Closing comments from the Panel

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Thank you

To our report sponsors



To our event hosts



To our research authors, Nick Hurman and Daniela Silcock

To our Event Chair Sarah Luheshi, Keynote Speaker and Panel Members

To everyone who has made the launch of this report possible today.

Thank you for
attending today