

PRESS RELEASE

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2019

PENSIONS POLICY INSTITUTE

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“Automatic enrolment default scheme pension charges are not pre-eminent in influencing retirement outcomes” says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing **Pension charging structures and beyond; an outcomes-focused analysis** sponsored by Smart Pension. The success of automatic enrolment has seen significant expansion in the numbers of people saving into workplace pensions, and the introduction of the charge cap on default schemes has focused attention on charges, transparency and value for money. This report examines the extent to which charging structures affect savers’ retirement outcomes and what more could be done to aid people have a retirement outcome that meets their needs.

Mark Baker, Senior Policy Researcher at the PPI said “Charging structures and levels do have an important role to play in determining savers’ retirement outcomes, but they should be understood alongside a number of other factors, such as contribution levels, investment strategies, the impact of accumulating multiple pots, the strength of governance oversight and member communications and experience.”

“A charging structure that appears to offer a low charge for savers does not guarantee good value, as other factors, particularly investment performance, increased personal contributions and member engagement will affect outcomes. Automatic enrolment has two unique features that can work against savers achieving optimal outcomes. The first is that members do not have always influence over the scheme their employer elects to enrol them into, and the second is that they are likely to approach retirement with multiple pension pots accrued across different employers and schemes. Moving between different charging structures during accumulation will have an impact on retirement outcomes. There are potential approaches that can assist savers optimise the value of their pensions, such as retaining the same pension throughout their working lives or taking their pot with them when they move between employers. However, none of these strategies will guarantee better outcomes alone.”

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For further information please contact -

Danielle Baker, Head of Membership & External Engagement (PPI)
020 7848 4467 or 07714250910, email: press@pensionspolicyinstitute.org.uk

Mark Baker, Senior Policy Researcher (PPI)
020 7848 4404, 07795 438 455, email: mark@pensionspolicyinstitute.org.uk

Notes for editors

1. **We are an independent educational research charity: The Pensions Policy Institute (PPI)** does not lobby for any particular solution and we are not a think-tank taking politically-influenced views. The PPI is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.
2. This report was sponsored by:



3. Sponsorship has been given to help fund the research, and does not necessarily imply agreement with, or support for, the analysis or findings from the project.

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