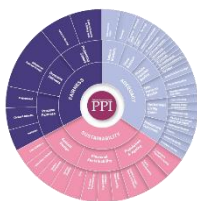


## Launch Event Write Up

### The UK Pensions Framework - Progress Required for Adequacy: Generational Pressures and Policy Gaps

#### Overview



On 16<sup>th</sup> July 2025, Aviva hosted an event to launch the PPI's report **The UK Pensions Framework - Progress Required for Adequacy: Generational Pressures and Policy Gaps**.<sup>1</sup> This is the fifth and most recent report in the PPI UK Pension Framework series funded by Aviva.

The event was chaired by **Chris Curry, PPI Director**. It was attended by around 60 people representing a cross section of the industry.

**Michele Golunska, MD of Wealth and Advice (Aviva)** welcomed attendees on behalf of Aviva and welcomed the report. The framework highlights the weakness of support for adequacy and how this has persisted. The pressures on the different generations include the impact of housing an example of how other spheres impact pensions and how it impacts differently across the generations. This is all within the context of change with a Pension Schemes Bill currently progressing in parliament.

#### Research Findings

**Dr Priya Khambhaita (PPI)** presented the key findings from the report. She gave an overview of the key conclusions from the research:

#### Pressing need to act as refreshed Pensions Framework shows no material progress since 2022

The Pensions Framework tracks and simulates how the UK pension system is performing against a set of core objectives that determine the financial security people have in later life. For the first time since its inception in 2022, the Framework Wheel has undergone a comprehensive refresh. We have found that:

- Only 3 of 41 indicators have improved, and
- Another 3 of the indicators have weakened.

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<sup>1</sup> Khambhaita, A., et al. (PPI) (2025), *The UK Pensions Framework - Progress Required for Adequacy: Generational Pressures and Policy Gaps*. Available at: <https://www.pensionspolicyinstitute.org.uk/research-library/research-reports/2025/the-uk-pensions-framework-progress-required-for-adequacy-generational-pressures-and-policy-gaps/>

## **Urgent Need to Progress Phase 2 of the Pensions Review to Address Adequacy**

While current pension policy reforms hold some promise, there is an urgent need for Phase 2 of the Pensions Review—with its focus on adequacy—to be progressed without delay. Building on the success of automatic enrolment, the next phase must give serious consideration to auto-escalation, higher contribution rates, and more flexible contribution structures that support pension adequacy, while avoiding adverse impacts on different generational groups who face distinct financial pressures.

The reform agenda so far has focused on improving investment returns and stimulating economic growth. However, savers can only benefit from investment performance if they are consistently building sufficient pension pots. Missed opportunities for early and sustained saving mean the focus must now shift decisively toward adequacy. Even then, the effects of reform may take decades to materially improve retirement outcomes.

Alongside policy reform, industry and employers can also play a more proactive role in supporting individuals. People need better access to tools that help them estimate the contribution levels required to achieve an adequate retirement income—and guidance on how to reach them.

While policy change takes time, delaying focus and action on adequacy risks pushing solutions beyond the point of meaningful impact for many in work today. This is likely already the case with the Baby Boomer group and older Generation X.

## **Each generation faces unique pressures**

Alongside the refresh of the Framework, this year's report considers how the pension system is working for different generations. Our analysis has identified the various pressures and associated potential solutions facing different generations.

- For Baby Boomers, the key priority is how best to convert their pension pots into a sustainable retirement income.
- For Generation X, key priorities are increasing contributions during their remaining accumulation years, maximising investment returns, and using dashboards to better understand and manage their retirement readiness.
- Millennials need support to prioritise value for money in accumulation through strong investment returns, alongside higher contribution rates and easy-to-use dashboards for managing their pensions.
- Generation Z need support to enter the labour market, which is essential for inclusion in the pension system. Alongside this, contribution rates that lead to strong replacement rates will be crucial to help them accumulate sufficient retirement funds over their working lives.

## **Key take away messages:**

- Momentum is overdue – but may be on its way. There has been no material progress in the health of the UK Pension Framework since 2022 and the gap between Sustainability and Adequacy has increased. Government reforms carry some potential to move the dial.

- Progress—not delay—must now be the priority. The timely delivery of reforms is essential. Future updates to indicator measures will start to capture the impact of upcoming reforms.
- One solution does not fit all ages. All actions must consider the different pressures facing different generations.
- The Pensions Adequacy Review is key - Phase 2 of the pensions review is a critical ingredient to boost adequacy and engagement.

### **Panel discussion, held under The Chatham House Rule**

The panel, Emma Douglas (Aviva & PPI Governor), Heidi Karjalainen (IFS), Dr Priya Khambhaita (PPI), Richard Mosley (DWP), Dr Aideen Young (Centre for Ageing Better), gave their reflections upon the findings.

#### **Rate of progress within the pension system**

- System has not progressed in recent years, and adequacy is the weakest link. Recommendations on adequacy from 2017 are still on the shelf.
  - There have been other challenges in recent years, e.g. Covid-19, Brexit.
  - Conditions have become more challenging for employers
- It may be too late for Gen X on adequacy, but they may benefit from other developments, such as default decumulation, advice / guidance improvements and dashboards.
- Planning and preparing for retirement remain challenges despite being highlighted as an issue over many years.
- There needs to be urgent action:
  - Decumulation challenges for people accessing pensions
  - Need to get more money in (higher contributions) for younger generations so they can sufficiently benefit from pension saving

#### **The impact of external factors**

- The labour market disadvantages many groups (including ethnic minorities and disabled groups) and this will translate into a future pensions issue.
- The covid pandemic was handled with different measures around the world. Often parallels are drawn to the Australian pension system.
  - Australia allowed early access to pensions savings during the Covid pandemic. This took a lot of money out of the system and was not used towards retirement adequacy.

#### **There are reasons to be positive!**

- DB schemes are in better surplus positions and are more financially secure than they have been.
- Automatic enrolment remains a success, and contributions are still coming in despite the challenges savers have faced.
  - One size fits all has worked to get it rolling, but this may need to evolve in future.
- The Pension Schemes Bill is making progress having passed its second reading.

The following discussion areas were raised during the panel discussion.

### **Understanding and engagement**

- Financial literacy and engagement are limited in the population:
  - People may only actively engage with pension saving for a short period, the engagement level is not sustainable.
  - People don't want general engagement, they want to know what it means at a personal level.
- The lack of engagement presents different issues across the generations:
  - Generation Z may have low understanding impeding their ability to make informed decisions. They may not even know their pension is invested.
  - Older generations are making at-retirement decisions without sufficient understanding and engagement.
- The use of targeted support could be widened and made more impactful:
  - The pensions industry is cautious, may need more of a push to overcome inertia.
  - The pensions industry doesn't hold as much data as the public may think they do. Acquiring sufficient data to deliver the desired personalization and targeting may feel invasive.
- There are also other developments which will make engagement simpler and reduce the consequences of not engaging. These include: Small pots consolidation activity; Pension dashboard implementation; Default decumulation within DC pension schemes; Targeted support to offer direction and critical times.

### **The challenges confronting Generation X**

- There are particular challenges that will manifest for Generation X:
  - In ten years' time, as Generation X is retiring, there may be greater inadequacy than now due to lower aggregate amounts of private pension saving.
  - Sustainability of the state pension may deteriorate as dependency ratios worsen.
- There is little scope and remaining time to create a positive impact for this generation.
- Workplace / labour market solutions may enable people to work for longer in appropriate roles.
  - This will allow current savings to be supplemented with earnings and further savings.
- Guided retirement solutions may help optimize the use of available private pension savings.
- A higher proportion of generation X will receive the full amount of the new State Pension than earlier retirees.

### **The interaction of caring with pensions**

- 6.8 million people are unpaid family carers and may not be aware of the impact this will have upon their future income and pension savings.
  - Taking on caring responsibilities has an unpredictable impact, particularly in relation to the duration of the commitment being made.

- Their primary concern of people take on caring responsibilities is not the potential long term financial impact.
- State benefits for carers are limited and there is unawareness of other support that may be available.
- The understanding of carers is hampered by social stigmas and underreporting.

### **Approaches to improving future adequacy and overcoming barriers**

- There is a level of burden on employers (e.g. recent increase in employer NICs) that may prevent more immediate action.
- A roadmap for improving adequacy would allow for increased preparedness:
  - A phased approach, that is timetabled with adequate notice can mitigate the negative impacts
  - Australian experience of pension contribution increases can be used as an example.
- Coverage of pension savings:
  - There are many gaps in current saving
  - Only around half of working age adults are saving through the current workplace AE system
- Saving rates into pension schemes:
  - DC AE schemes can be contextualised by making comparisons to other schemes
    - E.g. For an AE scheme with contribution rate of 8% compare to an example such as Teachers DB scheme, which is based upon a contribution rate of 26%
    - Employers are not comfortable to be portrayed as only offering a minimum
- Phase 2 of the government's pension review:
  - Need to deliver on future adequacy
  - Consensus needs to be at the heart of policy solutions

### **Pot consolidation**

- Progress to resolve pot proliferation is currently slow and will take until 2030 (leaving space for limited other activity).
- Current consolidation actions takes too long and this reduces member confidence in the system.
- Small pots are uneconomic to providers.
- Sequencing:
  - Pot consolidators should follow scheme consolidation else members will be bounced around;
  - A roadmap is needed for future activity to be better able to target effort.
- Future approaches to the small pots problem:
  - Pot follows member could be a future solution to pot proliferation;
  - Applying the Australian approach of using the tax system.

### Future retirement ages

- There were reflections upon international experience and communication and the applicability to the UK. In particular:
  - Denmark has reached announcement of retirement age of 70;
  - Resistance of retirement age increases in France.
- Poorer people have lower life expectancy and will struggle more with increasing retirement ages.
- Mitigations for increases to State Pension age increases that could be applied:
  - Improving health - Policy codependency outside of the pension system;
  - Means tested benefits as a tool to reduce the worst impacts;
  - The communication of changes to allow adjustment and planning.

