

Welcome

Renting in Retirement – The Fault Line Below the UK Pension System

A report from the PPI UK Pensions Framework Series

Chair's Welcome

Chris Curry,

Director

Pensions Policy Institute (PPI)

@PPI_Research

#PPIPensionsFramework

Pensions Policy Institute
PPI

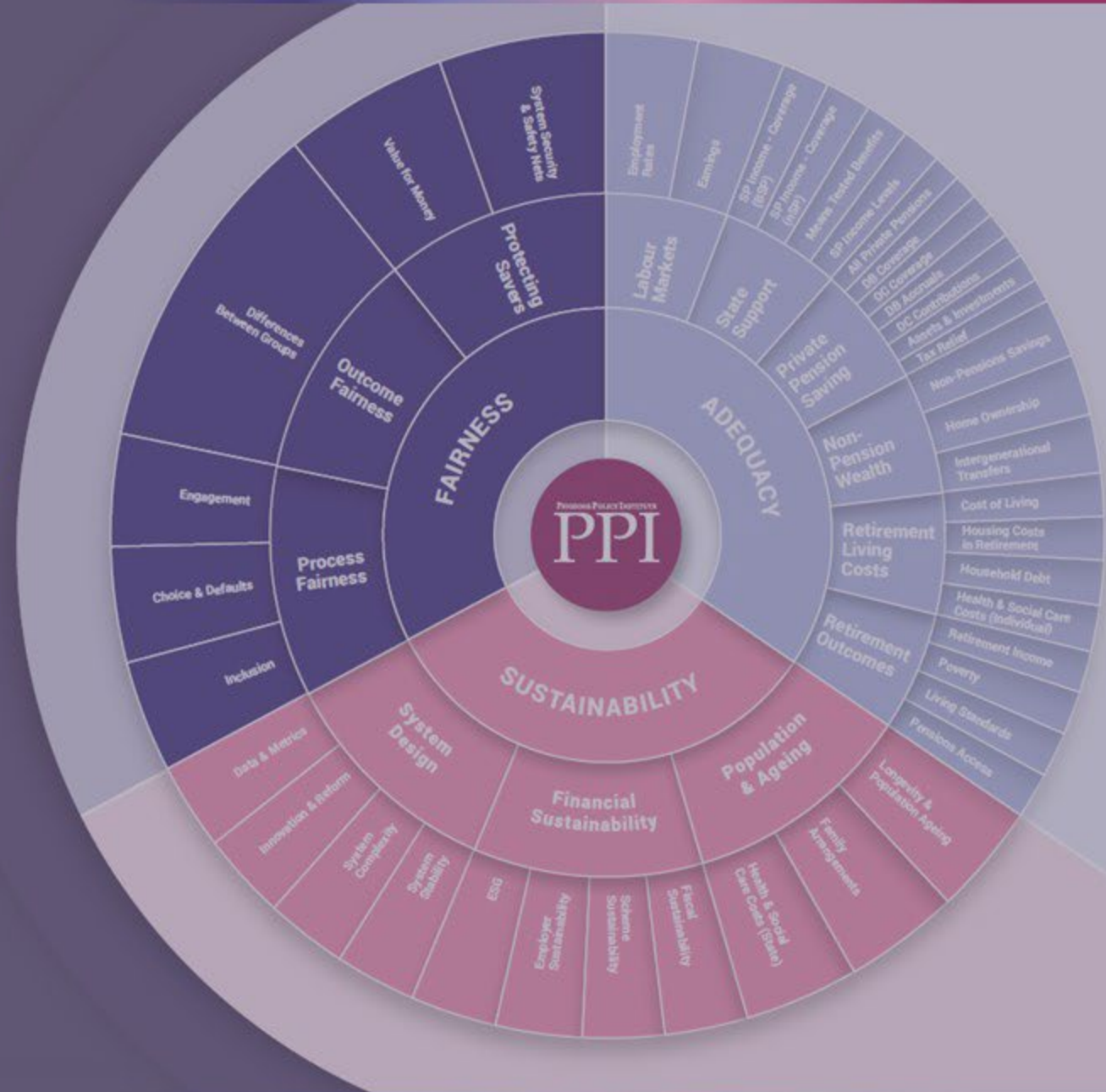


Pensions Policy Institute

PPI

The UK Pensions Framework

In association with Aviva



2023

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

Platinum Supporters



Gold Supporters



Silver Supporters

Aon, Barnett Waddingham, BP Pensions Trustees Ltd, The CII, Exxon Mobil, LCP, MNOFF, PLSA, Royal London, Shell, USS,

We are funded by donations from our Supporters

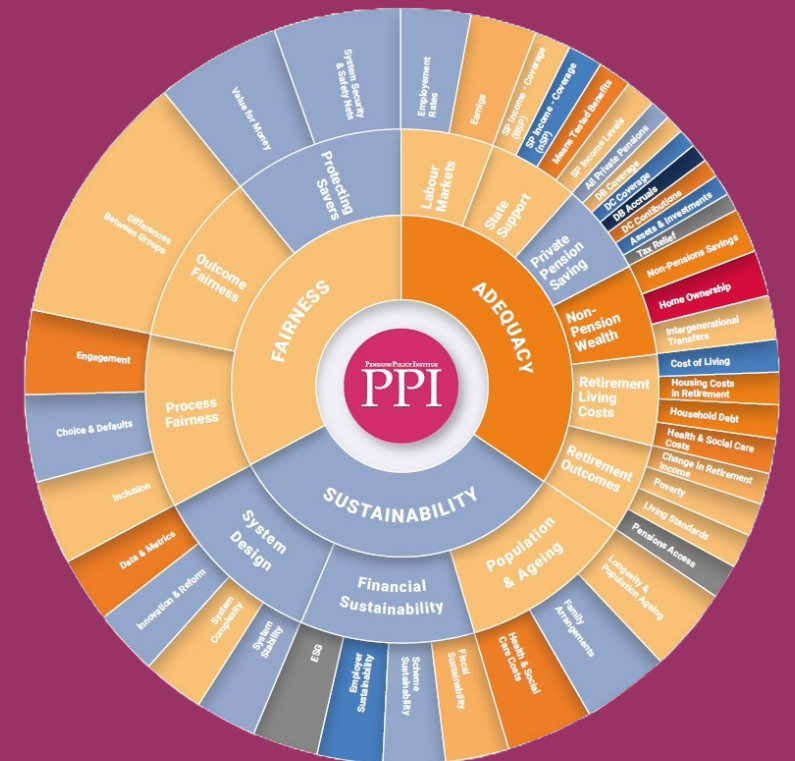
THANK YOU!

The UK Pensions Framework

The Framework is an innovative tool that measures how the UK pension system is performing against the objectives of **adequacy, sustainability** and **fairness**, which overall determine the financial security that people have in later life.

It can be used to:

- Build a picture of how the system is working at a point in time, repeated to show how outcomes change over time.
- Simulate the impact of “what if” scenarios on the UK pension system, by comparing results of modelled analysis to point in time analysis.

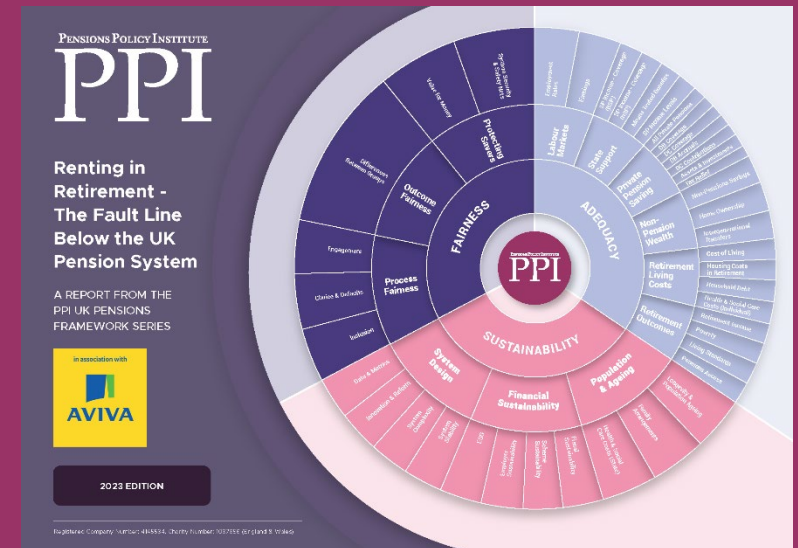


Event overview



The event today is the official launch of the 2023 report **Renting in Retirement - The Fault Line Below the UK Pension System.**

The 2023 report uses the Framework to simulate how outcomes could change as fast-growing numbers of people look set to reach retirement without the security of owning their own home in the future.



Key Findings

Anna Brain,

Research Associate

Pensions Policy Institute (PPI)



Renting in Retirement – The Fault Line Below the UK Pension System

Introduction






Renting in Retirement – The Fault Line Below the UK Pension System




Introduction

- ✓ • Falling home ownership among working age adults identified as fastest growing risk to retirement outcomes in UK Pensions Framework report 2022
- ✓ • The notion of secure and affordable housing tenure through retirement is one of the most overlooked presumptions in the UK pension system
- ✓ • The number of households reaching retirement in the private rented sector is about to soar
- ✓ • Households aged 45-64 are a particularly important group, and are the focus of this research

By 2042, up to 1.2 million more pensioner households could be renting privately

<u>Tenure Type</u>	<u>Pensioners 2022</u> (Baseline)		<u>Pensioners 2042</u> (Projected Scenario)		<u>Projected Change</u> (Projected Scenario)	
	Households (000's)	(%)	Households (000's)	(%)	Households (000's)	(%)
 Owner Occupiers	6,314	78%	6,242	63%	-72	-15%
 Private Renters	504	6%	1,701	17%	+1,197	+11%
 Social Renters	1,243	15%	1,911	19%	+668	+4%
 Total	8,065	100%	9,854	100%	+1,789	

Change compared to households of the same age 20 years ago:

-  Significant Improvement
-  Moderate or No Change
-  Significant Decline

Costs are not the only risks that lie ahead for households who rent through later life

Renting in England



£8,700 rent per year

£170,000 rent over retirement

£179,000 extra in a pension pot

Renting in London



£15,300 rent per year

£313,000 rent over retirement

£315,000 extra in a pension pot

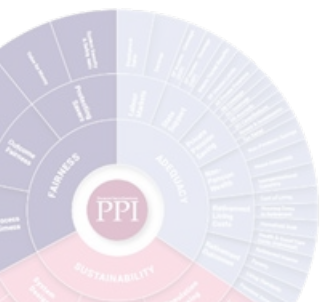
So, what does this mean for the UK pension system?

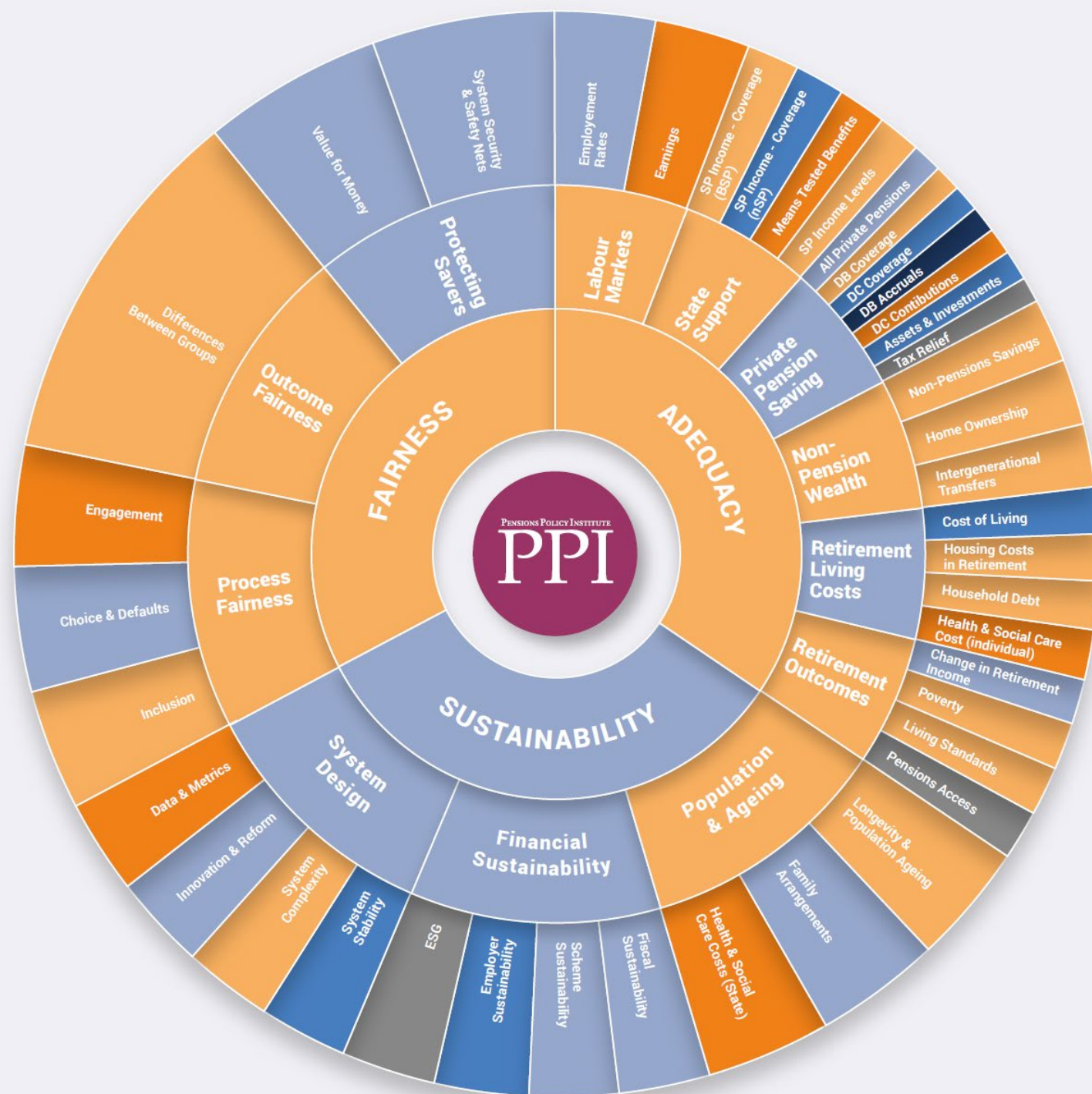
Impacts

Findings from PPI UK Pensions Framework what-if analysis

What could change the course of the scenario in the future?

Policy implications and conclusions

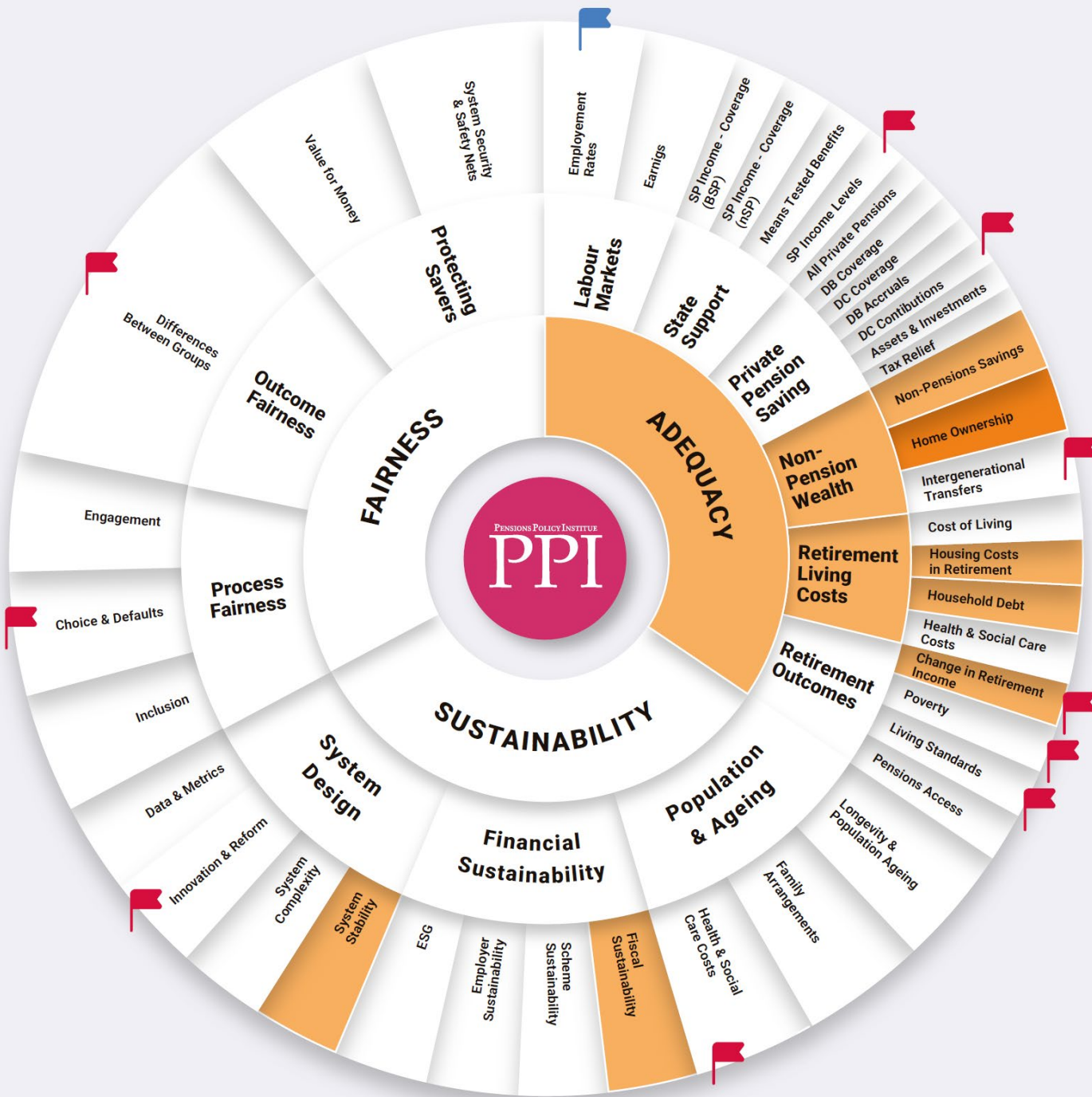




Improving financial sustainability may be compromising living standards in retirement, but the effects of these changes are felt unequally across the population

L6	Strong support for system objective
L5	Good support for system objective
L4	Some support for system objective
L3	Somewhat fails to support system objective
L2	Poor support for system objective
L1	Fails to support system objective
	Unrated in 2022 Edition due to quality of data

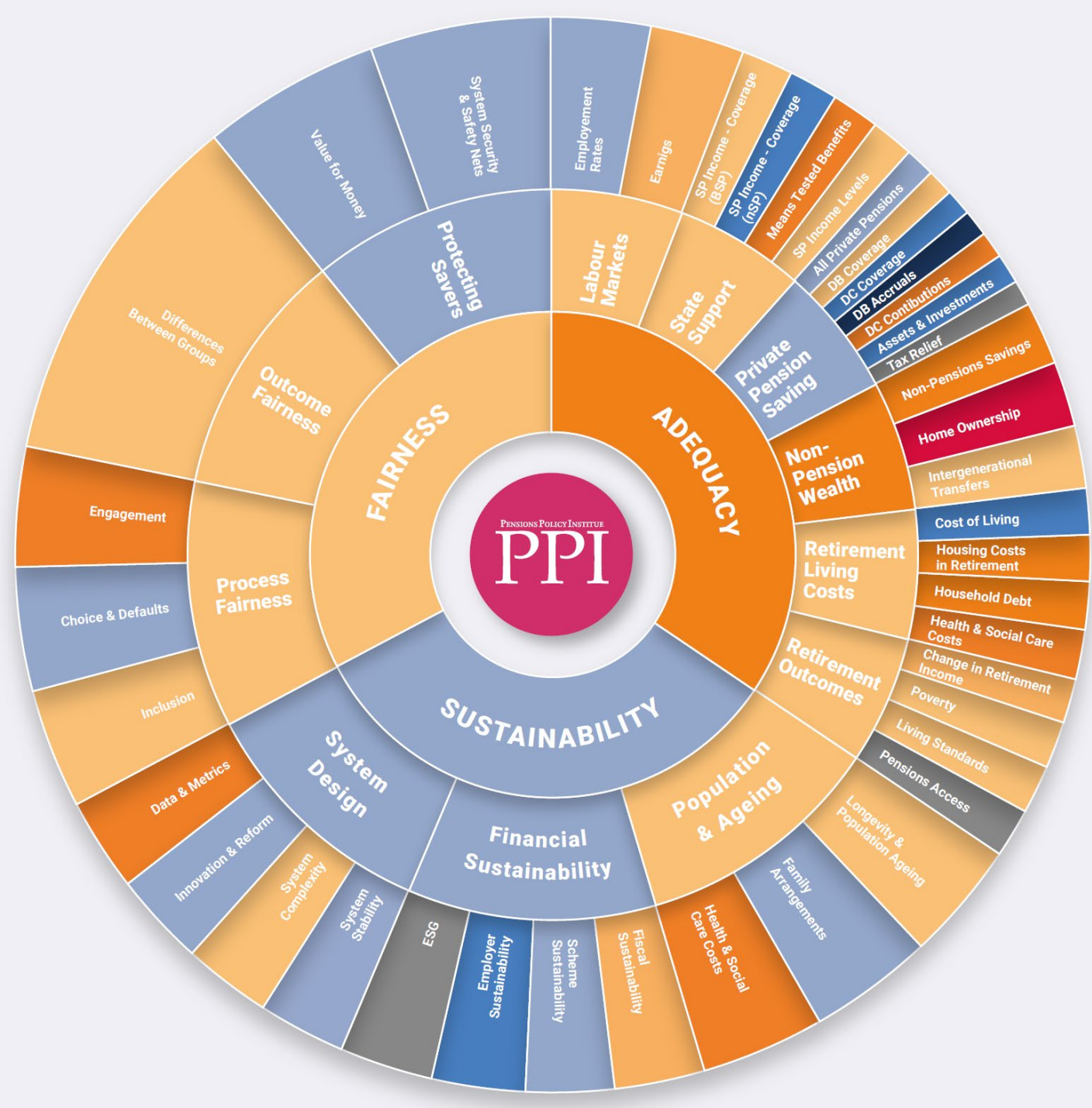
Source data relates to financial year 2020-21 or most recently available data



What could change when we simulate a fall in home ownership among pensioner households?

L6	Strong support for system objective
L5	Good support for system objective
L4	Some support for system objective
L3	Somewhat fails to support system objective
L2	Poor support for system objective
L1	Fails to support system objective
	Unrated in 2022 Edition due to quality of data
	Negative impact likely but outcome does not change
	Positive impact likely but outcome does not change

And what could it mean for outcomes under the UK pension system?



L6	Strong support for system objective
L5	Good support for system objective
L4	Some support for system objective
L3	Somewhat fails to support system objective
L2	Poor support for system objective
L1	Fails to support system objective
	Unrated in 2022 Edition due to quality of data

Source data relates to financial year 2020-21 or most recently available data, adjusted for information relating to changing housing tenure among people aged 45-64

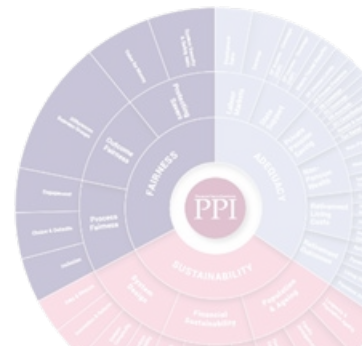
What could change the expected course of the housing scenario?

Inheritance

Saving

**Housing Supply &
Affordability**

Welfare Design



Risks highlight how pensions do not operate in their own ecosystem

Conclusions

- The fracture in the relationship between pensions and housing is putting strain on the over all UK retirement income model
- Unless policymakers adjust expectations around housing affordability and home ownership in later life, public spending could become the default solution to the housing crisis
- Many aspects of the UK pension system no longer reflect the increasingly individualised nature of retirement



Sponsors' Response

Michele Golunska,

Managing Director
Wealth and Advice



@PPI_Research

#PPIPensionsFramework

Pensions Policy Institute
PPI



Keynote Address

Rt. Hon Sir Stephen
Timms MP

Pensions Policy Institute
PPI



@PPI_Research

#PPIPensionsFramework

The remainder of the event will
take place under

THE CHATHAM HOUSE RULE

THE CHATHAM HOUSE RULE helps create a trusted environment.

Its guiding spirit is:

**“Share the information you receive,
but do not reveal the identity of who said it.”**



Pensions Policy Institute

PPI

Chatham House

Keynote Speaker

Q&A Session

When asking questions please state:

- Your name
- Organisation name



Panel Opening Comments



Emma Douglas



Sir Steve Webb



Ian Mulheirn

Please respect The Chatham House Rule



Q&A Session



When asking questions please state:

- Your name
- Organisation name



Closing comments from the Panel

Please respect The Chatham House Rule

Thank you

To our report sponsors



To our research authors, Anna Brain, Daniela Silcock, Tim Pike
and John Adams

To our Event Chair Chris Curry, Keynote Speaker and Panel
Members

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

Thank you for
attending today