Generation VeXed: solving the retirement puzzle

Launch write up

The Pensions Policy Institute (PPI) held a policy seminar on 7th November 2019 to launch ***Generation VeXed: solving the retirement puzzle***, sponsored by the Phoenix Group. The event was hosted by Phoenix at Westminster Central Hall. Over 70 people representing a broad range of interests within Government, the investment industry, the pensions industry and the third sector attended the seminar.

The time that Generation X have to prepare for retirement is reducing. Generation X will approach retirement over the next 12 to 28 years. This cohort is working and saving during labour market and pensions transitions, and a challenging economic climate, which have increased the complexity of preparing for later life. Three principal retirement income goals have emerged from previous PPI research on the changing nature of retirement: adequacy, sustainability and flexibility. This research explores the financial wellbeing of three generational cohorts (Baby boomers, Generation X and Millennials), measuring the extent to which employment patterns, income, assets, pension savings and draws on income might affect the ability of cohorts to achieve these goals in later life.

Chris Curry, Director, PPI, chaired the event.

Clive Bannister, CEO, Phoenix Group, gave a welcome from the sponsor, highlighting the importance of starting to save from a young age and the success of automatic enrolment. However, Generation X will not benefit as much as Millennials from Automatic Enrolment and have less time to remedy shortfalls in pension saving. The decline in provision of Defined Benefit schemes compared to Baby Boomers also compounds the issue of Generation X undersaving. In order to solve Generation X's pension saving issues, there will need to be a collaborative effort on behalf of employers, Government, regulators, industry and individuals.

Daniela Silcock, Head of Policy Research, and Anna Brain, Associate Policy Researcher, PPI, presented the key findings of the research: Changes in the economy, pensions landscape and labour market impact Generation X's pension savings compared to other generations. DB provision declines; reductions in the proportion of State Pension some will receive; an increased likelihood of renting, indebtedness and giving or receiving care, all mean greater risk of retirement income that is not adequate, or sufficiently sustainable or flexible. Coordinated moves by policy-makers, industry and employers could help Generation X improve future quality of life.

Panel discussion and Q&A

Chris Curry chaired a panel discussion and Q&A session. The panel comprised of:

- **David Fairs, Executive Director of Regulatory Policy, Analysis and Advice, The Pensions Regulator**
- **Jenny Holt, Propositions Director, Phoenix Group**
- **Teresa Fritz, Senior Policy Manager, MaPS**
- **Alastair Reed, Senior Policy Adviser – money, Which?**
- **Daniela Silcock, PPI**

The following points were raised during the panel discussion and Q&A, held under the Chatham House Rule. They do not necessarily reflect the views of the Pensions Policy Institute or all panelists.

Automatic Enrolment

- While Automatic Enrolment has been successful in bringing many people into pension saving who were not previously doing so, ineligible groups are still in need of attention, in particular the self-employed and those who are under the Automatic Enrolment threshold.
- More research may be needed to better understand the most effective way to support these groups. Support may also require more financial input from government. However, as we've seen from the success of Automatic Enrolment so far, which costs money in terms of tax relief, this can have a significant positive impact.

Engagement

- How do we make people in Generation X aware they need to start taking steps to prepare for later life and help them to set achievable goals? Small and incremental steps are likely to be the most effective in closing the gap.
- More work needed on simplified communications, as well as potentially sending them more frequently than annually.
- How can we get people to think more holistically about both pension and non-pension savings and how best to utilise them? Dashboard will hopefully help people to do this more.

Pension freedoms

- The need to simplify the complex decisions people are required to make when accessing their pension savings, or perhaps make seeking guidance a default before making any of these complex decisions.
- The trend towards full withdrawal, particularly of small pots, is somewhat worrying, and many people are viewing this money as a windfall rather than a means of funding later life.
- The potential positive impact of decoupling Pension Commencement Lump Sum (PCLS) from crystallisation of the rest of the pot. PCLS can be used for good financial reasons, for example paying down debt, but not everyone accessing it is ready to make a decision about how they want to access the rest of their pot over

the longer term. Many people are taking their PCLS without even realising they are crystallising the rest of their pot.

- Investment pathways are potentially a step in the right direction but only come into play after people have already made a decision (whether intentionally or not) to move into drawdown. Is there a need for pathways at an earlier stage in the retirement decision process, before people have ruled out other options?

Data

- Technological advances are helping us to gather much deeper and richer information about the retirement decisions people are making.
- In regards to the gender pensions gap, do we need more gender specific data about the retirement decisions men and women are making?
- Is there scope for employers to use data tools to segregate pensions data so they can identify particular groups who are undersaving and help to target policy where it's most needed.