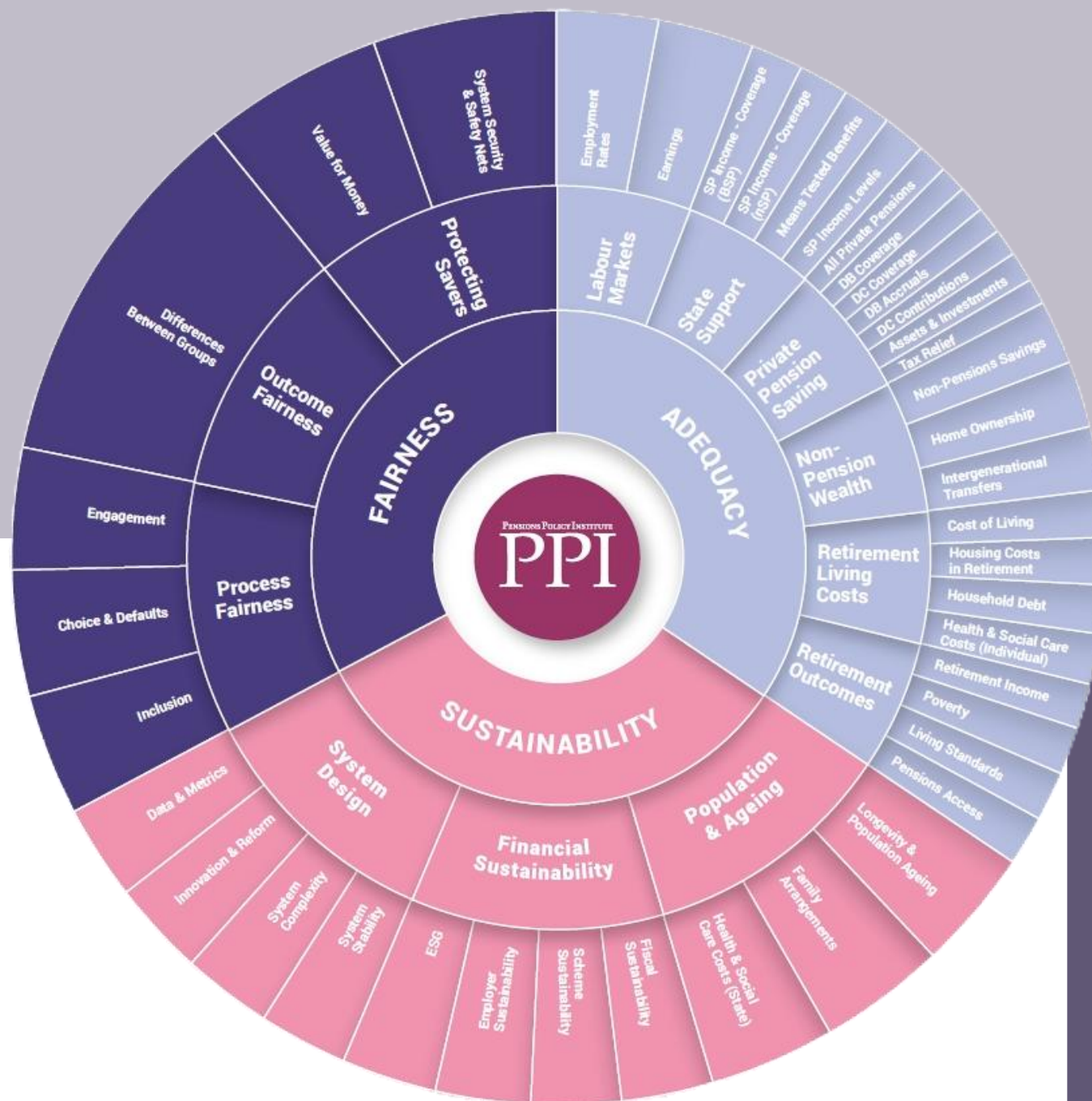




#PPIPensionsFramework25



Welcome

Progress Required for Adequacy: Generational Pressures and Policy Gaps

A report from the PPI UK Pensions Framework Series

Chair's Welcome

Chris Curry

Director

Pensions Policy Institute (PPI)



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The UK Pensions Framework in association with

Aviva
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Funding 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.



The PPI Pillars of Purpose



OUR VISION

BETTER-INFORMED POLICIES AND DECISIONS THAT IMPROVE LATER LIFE OUTCOMES

OUR MISSION

WE PROMOTE INFORMED, EVIDENCE-BASED POLICIES & DECISIONS FOR FINANCIAL PROVISION IN LATER LIFE THROUGH INDEPENDENT RESEARCH & ANALYSIS

WE ARE A TRUSTED SOURCE OF INFORMATION

We balance the argument by providing objective and accessible information on the extent and nature of later life financial provision, and any associated implications.

WE LEAD THE DEBATE

Through contributing impartial analysis and commentary to the policymaking process.

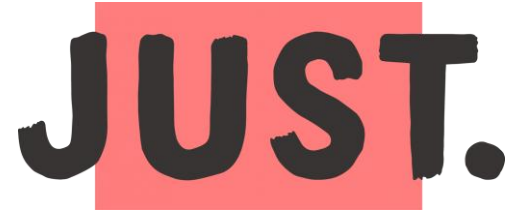
WE ENCOURAGE RESEARCH

Both at the PPI and in collaboration with others, which in turn informs policy and decision-making.

WE MODEL IMPACT OF POLICY CHANGES

We analyse long term outcomes under the current UK pensions system and the impacts of possible reforms.

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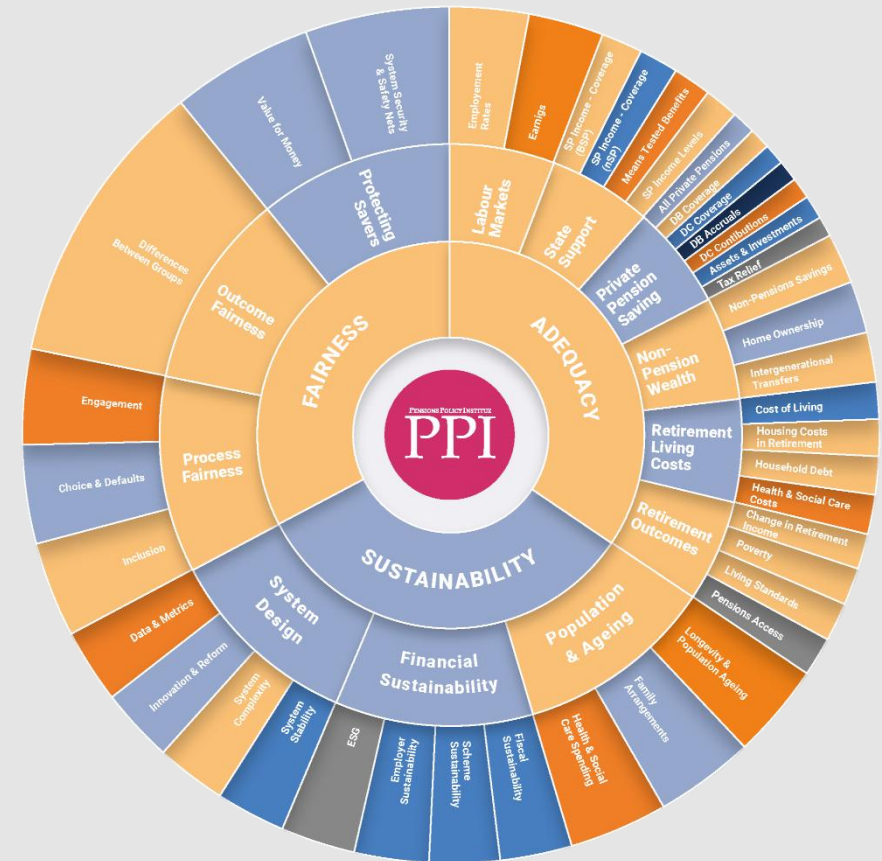
Event overview

The event today is the official launch of the fifth edition of the UK Pensions Framework

This fifth edition includes a major refresh of the Framework Wheel since its launch in 2022 and presents updated data analysis on key indicators relating to adequacy, fairness, and sustainability



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Welcome from Aviva

Michele Golunska

MD of Wealth and Advice



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Key Findings

Dr Priya Khambhaita

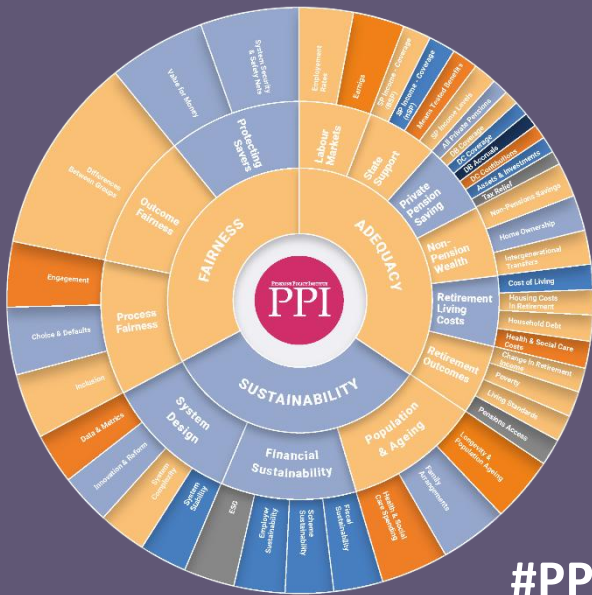
Head of Policy Research

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Progress Required for Adequacy: Generational Pressures and Policy Gaps



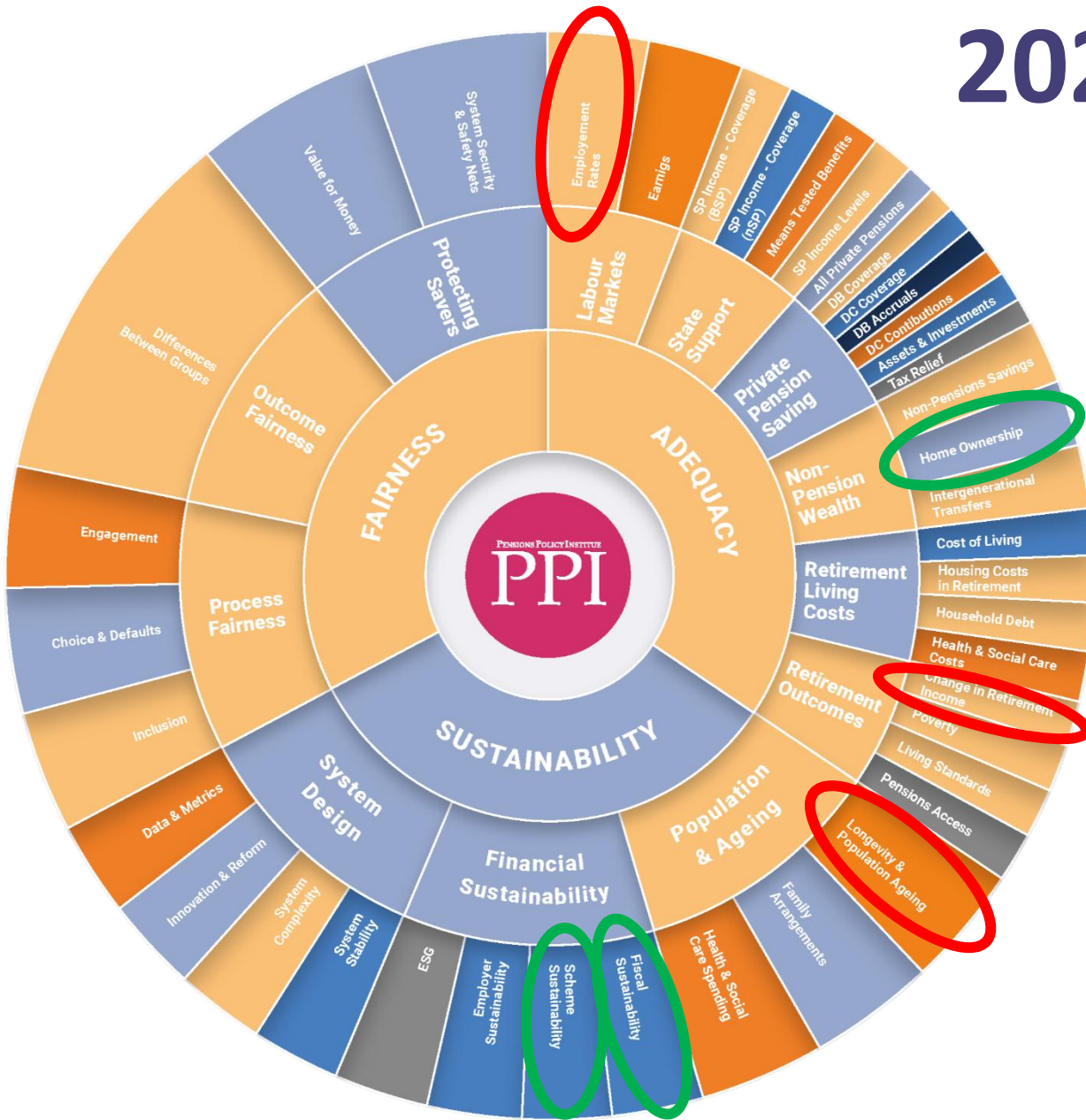
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The 2025 UK Pensions Framework

2025 UK Pensions Framework



- 1 Adequacy
- 2 Sustainability
- 3 Fairness

Overview of findings

Today

- Limited progress toward the system's long-term objectives.
- Since 2022, only 3 of the 41 indicators have improved.
- Pensioner net-incomes are challenged across the board.
- The cost-of-living crisis has impacted households across the distribution.

Tomorrow

- Worsening health is an increasing threat.
- There could be good news for housing affordability.
- Risk not having the DC assets they need without changes to contributions.

Objective	Indicator	Movement
Adequacy	A1.1 Employment Rates	↓
	A4.2 Home Ownership	↑
	A6.1 Change in Retirement Income	↓
Sustainability	S1.1 Longevity and Population Ageing	↓
	S2.1 Fiscal Sustainability	↑
	S2.2 Scheme Sustainability	↑

Indicators: Upgraded

L4

A4.2 Home Ownership

Levels and affordability of home ownership and their impact on adequacy.

L5

S2.1 Fiscal Sustainability

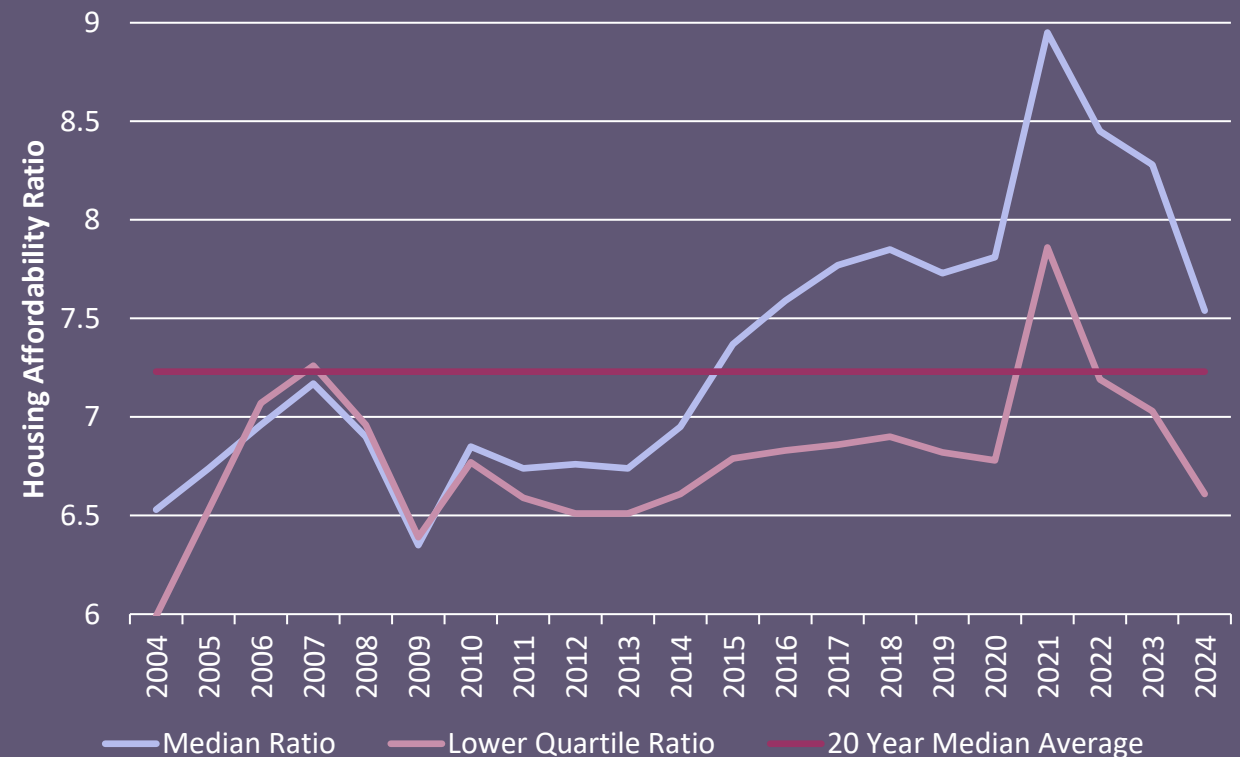
How state revenues and benefits affect the sustainability of the pension system.

L5

S2.2 Scheme Sustainability

Sustainability of workplace DB and DC pension schemes.

Affordability Ratios: House Price to Gross Earnings (2004 - 2024)



Indicators: Downgraded

L3

A1.1 Employment Rates

Proportion of people employed in a manner beneficial to pension adequacy.



L3

A6.1 Change in Retirement Income

Level & composition of retirement income including changes over time.



L2

S1.1 Longevity & Population Ageing

Structure & profile of the UK population and subsequent risk to system sustainability.

Generations: Baby Boomers

1946 - 1965

- ➔ **Wealth, but not for all:** Strong State Pension, widespread DB coverage and high rates of homeownership for many, however, stark within-group differences exist.
- ➔ **Delayed retirements:** Many working longer due to insufficient income and to support younger relatives.
- ➔ **Unplanned work returns** show retirees often underestimate costs, underscoring the need for better planning.



Generations: Baby Boomers

1946 - 1965



- ➔ **Vulnerability:** Single older adults face financial insecurity and social isolation, often falling through support system cracks.
- ➔ **Means Tested Benefits:** High benefit dependency for some, low uptake, and declining benefit adequacy.
- ➔ **Housing wealth, untapped but complex:** Requires careful planning and support.
- ➔ **Generous but unprepared:** Transfer of wealth to younger generations without adequate financial advice carries risks.

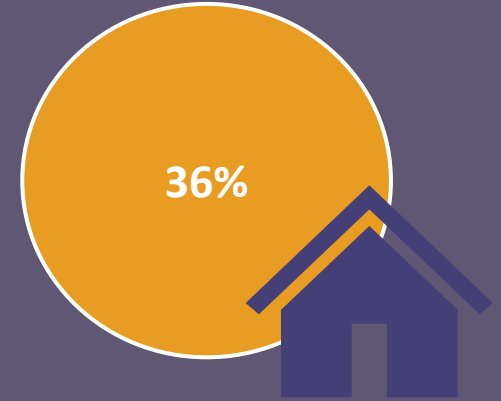
Generations: Gen X & Millennials

1966 - 1980

&

1981 - 1996

- ➔ **Same pressures, different timelines:** Both rely on DC pension saving, will have longer working lives, and face rising costs of living. Gen X have less time to save than Millennials.
- ➔ **Interrupted careers:** Many unpaid carers lack awareness of the long-term financial impact of career breaks.
- ➔ **The uncertainty of future inheritance:** Millennials may de-prioritise pension saving in favour of expected inheritance – risky and unequal strategy.



Of first-time buyers used a gift/loan from family/friends to purchase a home in 2022/23 (up from 27% in 2021/22)

Generations: Gen X & Millennials

1966 - 1980

&

1981 - 1996

- ➔ **Generation X need investment support:** Gen X shows strong saving habits, but their focus on cash savings limits potential growth.
- ➔ **Millennials value practical, straightforward advice:** Engagement works best when content connects directly to their competing priorities.
- ➔ **Mid-life check-ins show promise:** Timely guidance across money, health, & work can help savers take stock and boost pension preparedness.



Generations: Gen Z

1997 - 2012

Proportion of savers not aware that their DC pension is invested

	2020	2022
Male	25%	21%
Female	34%	36%
18 – 24	45%	51%
25 – 34	38%	40%
35 – 44	29%	34%
45 – 54	27%	18%
55+	15%	16%

- ➔ **Rising care responsibilities:** Young carers are juggling education and caregiving roles, limiting early career opportunities and long-term financial security.
- ➔ Many young people with pensions are unaware that their DC savings are invested. A **persistent and widening awareness gap** between generations highlights a missed opportunity for engagement and the need for financial education support.
- ➔ **Tech-driven engagement** early in the consumer journey could be advantageous.

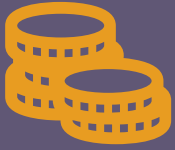
Generations: Gen Z

1997 - 2012

- ➔ **“Digital Natives”**: Reliant on apps and social media for financial advice. Generally engaged but vulnerable to misinformation from unregulated advice.
- ➔ **Student debt**: The weight of student loans delays saving and long-term financial planning.
- ➔ **Persistent inequalities**: Facing inherited gender pay and pension gaps.



Priority policy action



- For **Baby Boomers** - how best to convert their pension pots into a sustainable retirement income.



- For **Generation X** - increasing contributions, maximising investment returns, and using dashboards to manage their retirement readiness.



- **Millennials** - value for money in accumulation, higher contribution rates and easy-to-use dashboards for managing their pots.



- **Gen Z** - contribution rates that lead to strong replacement rates to help them accumulate sufficient retirement funds over their working lives.

The reform agenda has focused on improving investment returns and economic growth. However, savers can only benefit from investment performance if they are consistently building sufficient pension pots. The focus must now shift toward adequacy.

Key Takeaways

A sharp focus on adequacy is critical as the clock marches on.

- **Momentum is overdue – but may be on its way.**
- **Progress—not delay—must now be the priority.**
- **One solution does not fit all ages.**
- **Pensions Adequacy Review is key.**

Final thought

"Increasing numbers of older people in work are unable to retire, not least because they're supporting the younger members of their family.

It's not just because they haven't got a pension pot. It's because they're looking after, co-funding and supporting younger members of the family that are either not in work or have a disability or another reason why they're not in the workplace or that, frankly, the family finances are just insufficient." – **Subject matter expert**



Q&A Session

Pensions Policy Institute
PPI



Emma Douglas
Aviva
PPI Governor



Heidi Karjalainen
IFS



Richard Mosley
DWP



Dr Aideen Young
Centre for Ageing Better



Dr Priya Khambhaita
PPI

Thank you

To the sponsors of this research report



- ❖ Chris Curry for chairing the event
- ❖ Michele Golunska – Aviva
- ❖ Our panel, Emma Douglas, Heidi Karjalainen, Richard Mosley, and Dr Aideen Young
- ❖ Dr Priya Khambhaita, report author
- ❖ Frank Carson, Hannah Barker and Alistair McQueen – Aviva
- ❖ The Framework Advisory Group, Sir Steve Webb, Baroness Jeannie Drake, Professor Nick Barr and Liz Spratt
- ❖ The PPI Modelling and Research Teams and the Operations Team

Thank you for attending today