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WELCOME

Generation veXed: solving the retirement puzzle

Thursday 7th November 2019

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A Pensions Policy Institute report

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Welcome from sponsor

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Clive Bannister,
CEO Phoenix Group

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Welcome from the Chair

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Chris Curry
PPI Director

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Key findings

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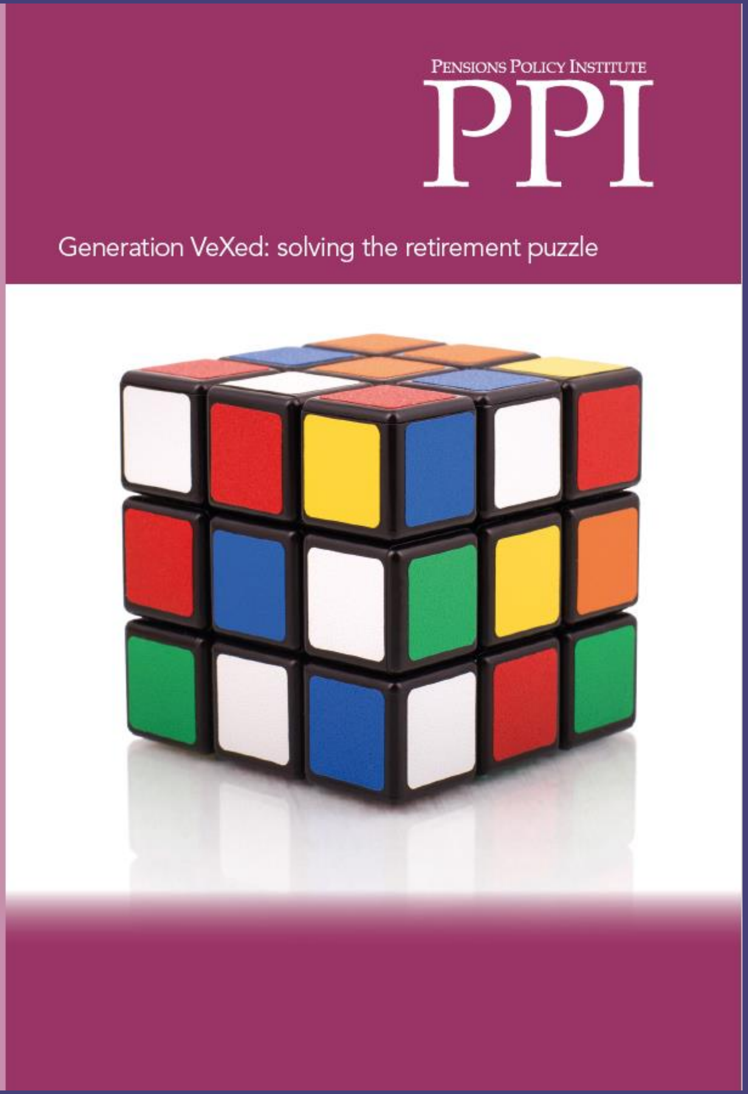
Daniela Silcock
Head of Policy Research, PPI



Anna Brain
Associate Policy Researcher PPI

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Landscape changes lead to changes to working and saving patterns, policy and risk levels

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… changes in the **economy**, **pensions landscape** and **labour market** which affect people's…

… **employment patterns**, **income**, **accumulation**, **assets** and **draws on income** are driving…

…risks to the **adequacy**, **sustainability** and **flexibility** of retirement portfolios which in turn can inform…

…debate, decisions and actions from **government**, **industry**, **employers** and **savers** to drive...

State and private pension income is decreasing but could return to 2016 levels around 2060

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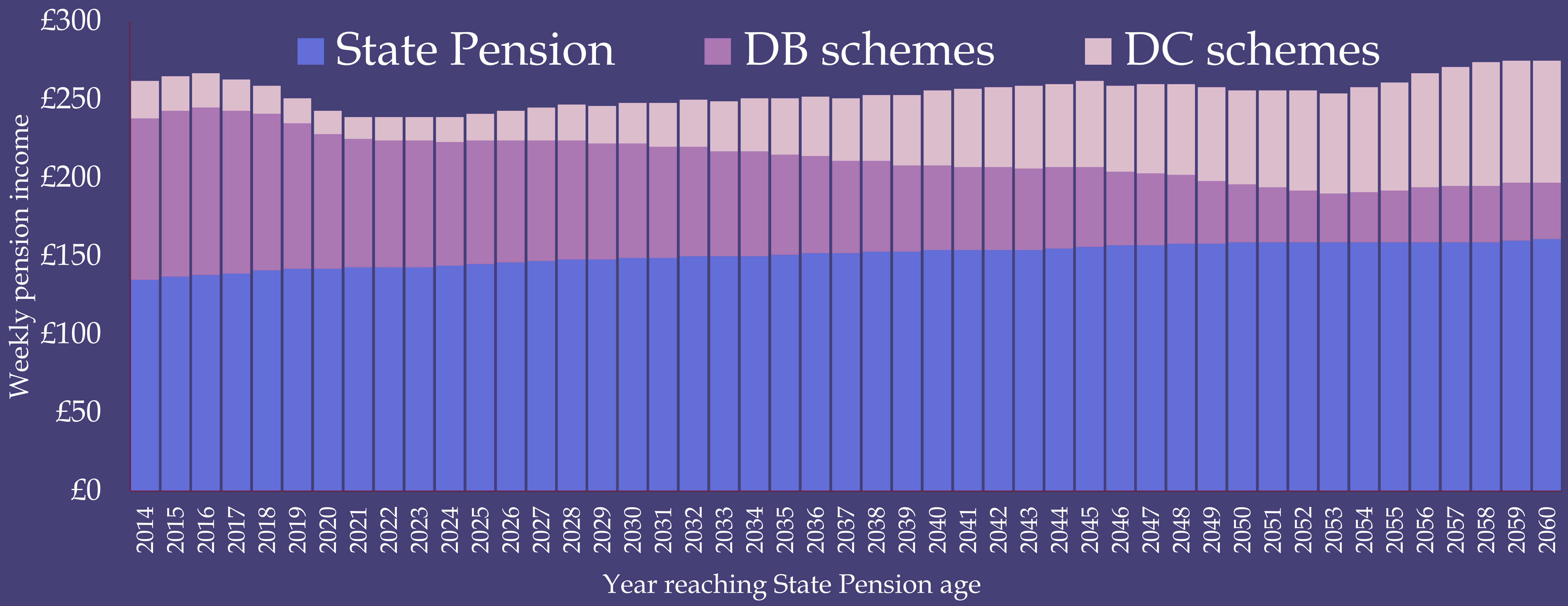
Weekly mean amounts of pension, by pension type and year reaching SPa, 5 year moving average, 2014 earnings terms.



Members of Generation X may struggle with sustainability, adequacy and flexibility

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Millennials: 1981-2000 (age 19-38)
Key concern: SUSTAINABILITY

Generation X: 1966-1980 (age 39-53)
Key concern: ADEQUACY

Baby Boomers: 1946-1965 (age 54-73)
Key concern: FLEXIBILITY

- Generation X will reach retirement in the next 12-28 years
- 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

What labour market risks do Generation X face?

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Key areas of risk:

Gender Pensions Gap	Those leaving the labour market early	Part time and casual workers	The self employed

What can be done to mitigate labour market risks?

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Government/regulators:

- Mitigate risks for people unable to work
- Promote access to employer contributions for all workers
- Address low incentives for self-employed to save into private pensions

Industry:

- Develop products that support non-linear pension saving, for example, increasing contribution levels when members are in full time work, to make up for time out or casual working
- Continue providing and developing information, support & platforms for consolidating pension pots
- Engage with members during "teachable" moments

Employers:

- Support employees with caring responsibilities and those returning to work after career breaks
- Support extended working lives through phased and flexible retirement
- Create and transform jobs to meet the needs of specific demographic groups, for example, creating training roles for older manual workers
- Maintain commitment to reducing the gender pay gap

What pensions risks do Generation X face?

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Key areas of risk:

Less time in automatic enrolment

State Pension income

Less sustainable Income

Transferring DB

What can be done to mitigate pensions risks?

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Government/regulators:

- Explore policies for increasing automatic enrolment contributions
- Be aware that policies affecting State Pensions will have a significant impact on pensioner income
- Consider increasing personal allowance or changing pensioner tax bands
- Implement proposed automatic enrolment review recommendations

Industry:

- Continue to explore and develop sustainable/flexible products, e.g., annuity/drawdown hybrids
- Ensure advice takes into account potential risks associated with transferring DB entitlement
- In conjunction with Dashboard and PLSA targets, provide online tools for calculating how members could meet lifestyle targets
- Work with employers to provide financial education in the workplace

Employers:

- Pay contributions at above automatic enrolment minimum levels and offer matching contributions

What economic risks do Generation X face?

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Key areas of risk:

- Debt
- Affordability of pension contributions and housing
- Lower returns and equity growth
- Renting in retirement

What can be done to mitigate economic risks?

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Government/regulators:

- Look at ways of ensuring that it is profitable for all, or most, workers to save in a private pension, even those renting in retirement

Industry:

- Ensure that people who come into contact with industry services are provided with prompts for debt support and guidance

Employers:

- Employers who provide financial education could ensure debt support is included in this
- Smaller employers could be provided with referrals to support and guidance to distribute among employees

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Conclusions

Generation X face adequacy risk resulting from lower pension saving levels but also sustainability and flexibility risk

There is still time to act to reduce risks for Generation X

Policy, industry and employer moves taken today will also help Millennials

The Chatham House Rule

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Response from the panel

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David Fairs,

Executive Director of Regulatory Policy, Analysis and Advice,

The Pensions Regulator

Teresa Fritz,

Senior Policy Manager,

Money and Pensions service

Alastair Reed,

Policy Adviser - Money

Which?

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Panel Discussion

Chaired by Chris Curry (PPI)

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David Fairs
The Pensions Regulator

Jenny Holt
Phoenix Group

Alastair Reed
Which?

Daniela Silcock
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Teresa Fritz
MaPs

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Questions and Answers

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Closing Remarks

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Please stay and join us for a drink and networking.