HARGREAVES LANSDOWN

UNDERSTANDING AUTOMATIC ENROLMENT REFORM

An analysis of pension scenarios using data from the HL Savings and Resilience Barometer

July 2022

CONTENTS

CHAPTER ONE: SUMMARY FINDINGS AND CONCLUSIONS

The obligation to automatically enrol workers into a pension scheme was phased in from 2012. The aim was to nudge working-age adults towards saving more for retirement. In general, the policy has been viewed as a significant success with very low rates of 'opt out' and a new era of people saving at least 8% of salary into a pension scheme. In this report, we examine the implications of two recently proposed policy changes as follows:

- **Automatic enrolment expansion:** involves removing the lower limit on qualifying earnings, so contributions start from £1 rather than at £6,240, and reducing the entry age from 22 to 18. These proposals were recommended in the Government's 2017 review of automatic enrolment.

- **Minimum pension contribution:** involves raising the minimum contribution to 12% for all employees (6% contribution of the employee and 6% from the employer) on top of the automatic enrolment expansion.

Whilst the changes outlined in **automatic enrolment expansion** are stated Government policy, the change to **minimum contributions** is a position often championed by those in the pension industry to improve pensions adequacy but is not a position the Government has adopted at this stage.

The impact of each of these policies have been investigated using the data and analysis within the Savings and Resilience Barometer (henceforth 'the Barometer'). The structure of the Barometer helps us to understand the inherent trade-offs often involved in managing personal finances—in this case how allocating a higher share of current income to retirement saving reduces households' capacity to meet more immediate financial goals.

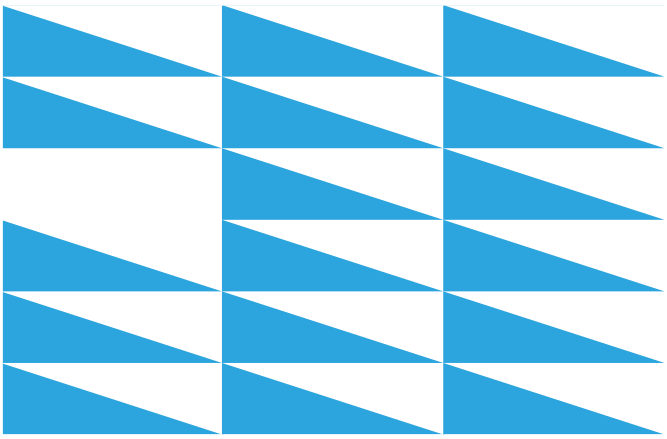
We have looked at how these changes impact the pensions indicator – which forms part of the 'plan for later life' pillar of the barometer. When looking at financial resilience in later life the Barometer also considers home ownership and net financial assets when considering overall resilience for later life. This analysis is therefore narrower. However, we believe that looking at the pensions indicator alone is the most accurate way of considering the impact of automatic enrolment changes.

The pensions indicator considers the value of total pension compared to retirement costs using the data from the Wealth and Assets Survey to consider levels of pensions savings, and the PLSA's retirement living standards to estimate costs for a moderate income in retirement[1].

[1] Further information **on the methodology of the Barometer can be read here**.

HEADLINE FINDINGS

- The expansion of automatic enrolment policy needs to be **carefully timed**. With household budgets currently highly constrained by the 'cost of living crisis' and more than **one in five households** spending more than they have coming in, now is not the right time.
- **Delaying any policy reform until a more normal economic period would help mitigate the risk of an initial high opt out rate** that would cause lasting impacts with a gap in retirement saving. Based on the largest opt out assumptions, we estimate the pension value score improvement in the lowest income households (bottom 20%) to be 2.8 points if implemented now and 4.2 points in 2025, a 50% increase in their pension score.
- Modelling the impact in more normal times (2025 Q1), of the two measures considered, the increase in the **minimum contribution** to **12%** has a **materially larger impact** on the nation's **pension value**. We find that, five years after its introduction, the policy would lead to an improvement in the adequacy of the Nation's pension saving of 9.3% (an increase of 5.6 points to 65.8), more than twice the increase generated by the automatic enrolment expansion policy which only generates a 3.5% increase.
- However, such a focus does not consider the shorter-term resilience implications of these change. Our modelling, through the barometer, highlights the trade-offs associated with this, where we estimate that short term household resilience would fall across three key indicators. Our measure of surplus income would fall instantly by 3.0% in the **automatic enrolment expansion** scenario. This would, in turn, feed into a 3.3% fall in rainy day savings adequacy (this is measured as holding 3 months' essential expenditure as cash) and 3.3% fall in our net financial assets measure by 2029.
- The **12% minimum contribution scenario** creates impacts which are even more stark. The **adequacy of household's surplus income** would fall by 8.8% straight away, with a knock on fall in emergency savings adequacy of 9.8% by 2029 and a fall of 9.0% in our net financial assets measure. In Hargreaves Lansdown's 'five to thrive' approach, building adequate rainy-day savings is identified as an important step that households should be working towards before beginning to think about putting away aside additional money for later life.
- The takeaway from this research is clear. Whilst increases to minimum pension contributions are clearly beneficial to long term financial resilience, they erode short term resilience particularly for the poorest households.
- Considering how changes are brought forward, and the wider economic environment, is therefore vital. These calculations are based on the Barometer model as it stands. As earnings and the cost of living evolves, **the Barometer gives us the framework to understand the impacts of changes to automatic enrolment policy**.



The analysis within the report provides further information on a variety of issues:

- **Lower income households benefit more from changes** – The lowest income households (bottom 20%) improve their pension value by 15.5% compared to 3.5% for everyone under automatic enrolment expansion (their measure improved by 4.2 points to 30.9) and 27.8% compared to 9.3% under an increase to 12% contributions (rising 7.4 points to 34.1).

- **But this comes at a greater cost** – surplus income for the lowest income households falls 22.2% upon implementation in 2025. This leads to a fall of 8.7% in liquid asset resilience and 4.0% fall in net financial assets by 2029 for the automatic enrolment expansion scenario. The decline in short term resilience across these three indicators is even higher in the 12% contribution scenario.

- **Younger households also benefit from a long-term savings boost** – Millennial and Gen Z households see an improvement in their pension value of 5.7% compared to 3.5% for the nation overall under automatic enrolment expansion (their measure improved by 3.4 points to 61.9) and 14.5% compared to 9.3% under an increase to 12% contributions (rising 8.5 points to 67.1).

- **However, potential house buying slips as a result** – whilst all indicators of short-term resilience decline, most notably there is a big fall in net financial assets for younger households. This is significant as this can be a key way of building house deposits making getting on the housing ladder even harder to achieve.

Policy Responses

There is clearly a tension between short term and long term resilience which makes policy responses challenging. Hargreaves Lansdown believes that a more nuanced approach is needed given these trade offs and the starker impacts on lower income households and younger people in particular. HL would propose the following approach:

- Press ahead with the proposed **automatic enrolment expansion'** amendments. This should be timetabled far enough in the future to be confident any lingering affects of the cost-of-living crisis have passed. Oxford Economics' modelling suggests this **should not be before 2025**.

- **Do not increase minimum contributions any further**, instead explore how to encourage pension members to voluntarily increase their contributions.

- The opportunity to pay in more into a pension and get a 'matched' contribution from the employer has shown to be an attractive incentive. Previous Hargreaves Lansdown analysis dating back to 2019 showed that **as many as 6 in 10 pension members would voluntarily increase their contributions where employer matching arrangements were in place**. We think a wider study to understand the impact of these arrangements would be hugely valuable.

- The Government could explore **how to encourage more employers to adopt an approach of offering additional matching contributions**. This would mean:

  - Members are only required to pay more when they are able to save more and it suits their needs.

  - A compelling reason to engage with your pension is created.

  - Employer's costs are only increased for those who engage and value the additional pension contribution.

- If it proves too challenging to encourage employers to adopt this strategy, Government could explore mandating employers to offer this additional matching of contributions when current inflationary pressures have dissipated.

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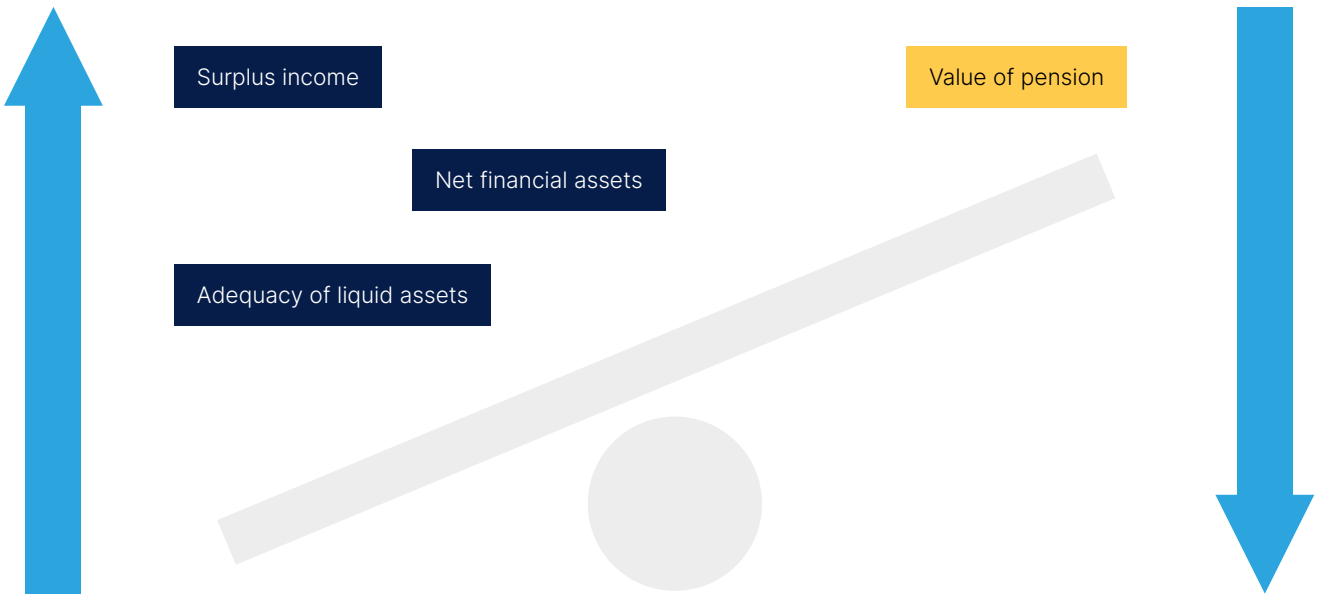
Further information on the methodology, the economic backdrop, the impact of policy changes on pensions savings and the impact on short term savings is included in the rest of this report. This includes more detailed analysis considering opt-out scenarios and impacts on different income quintiles and age groups.

CHAPTER TWO: METHODOLOGICAL APPROACH

While a higher pension contribution improves the adequacy of an individual's or couple's retirement savings, it also represents an added cost to the household reducing its capacity to save and invest towards other financial goals. The Barometer, therefore, provides a useful framework to assess and evaluate the consequences of automatic enrolment reform to tease out these trade-offs.

Specifically, as displayed in Fig. 1, we have analysed the effect of the changes to pension contributions, induced by automatic enrolment reform, through four indicators in the Barometer: surplus income, adequacy of liquid assets (a household's emergency savings), net financial assets (their net investments excluding cash), and value of pension. Whilst the impact on surplus income will occur immediately the impacts on these other three indicators will take time to build with the current value of a household's pension pot steadily increasing compared to what it would otherwise have been but finding it harder to accumulate other types of financial assets overtime. Therefore, whilst we examine the impact on surplus income immediately, we review the impact on the other three indicators five years after the assumed date of the policy.

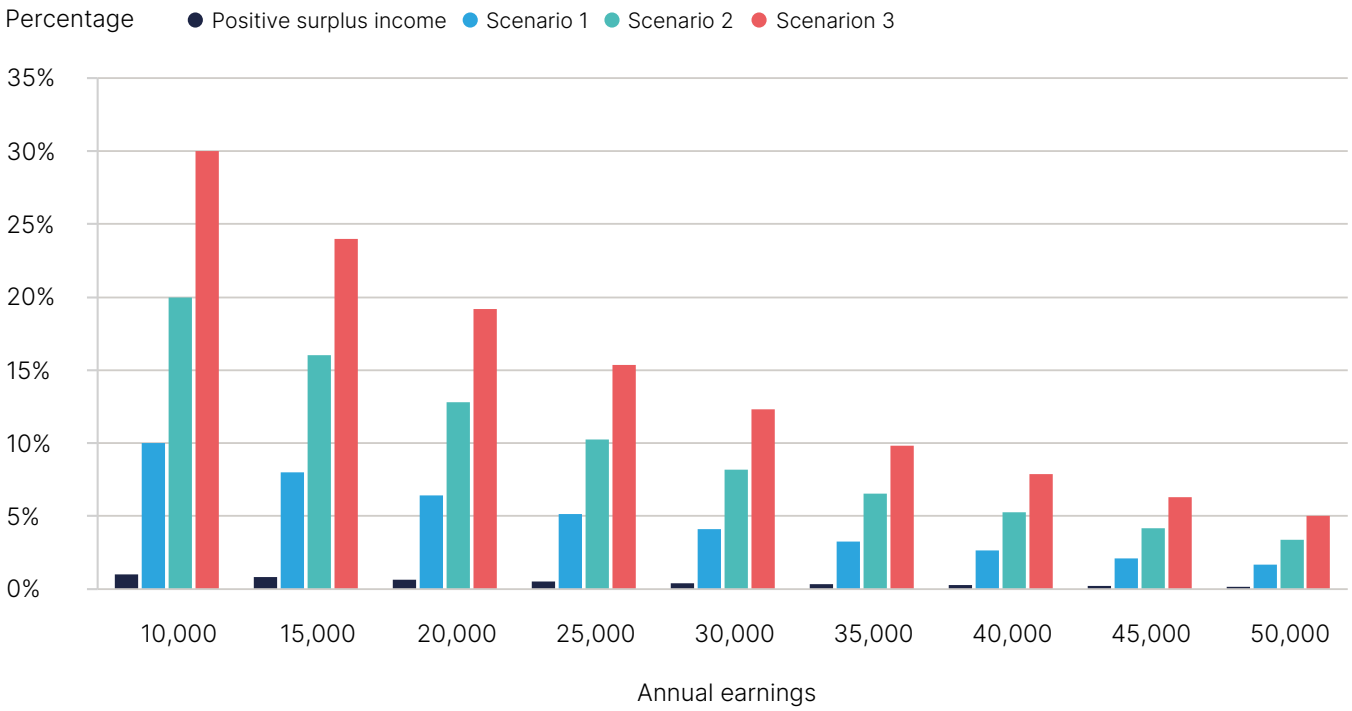
FIG. 1. AUTOMATIC ENROLMENT AS A FINANCIAL TRADE-OFF THROUGH THE LENS OF THE BAROMETER



The opt out rate assumptions were decided in collaboration with Hargreaves Lansdown, with additional data and evidence provided by Nest Insight. The opt-out rate accounts for two factors; the magnitude of the contribution relative to personal earnings and whether the household has a surplus income or a deficit after the policy change.

As the cost of the policy change will be proportionally higher for employees earning less, the opt out ratio is assumed to be higher for these individuals. In addition, we have assumed that the behavioural response to opting out will be greater for those who have a negative savings rate compared to those who have surplus income. We have assumed a low (scenario 1), medium (scenario 2) and high (scenario 3) opt-out response for those with a negative surplus income. These profiles are illustrated in Fig. 2 on the next page.

FIG. 2. OPT OUT RATE ASSUMPTIONS BY ANNUAL EARNINGS



Source: Hargreaves Lansdown, Oxford Economics

More information on the opt out rates can be found in the **appendix**.

As described, the change in pension contribution will effectively act as an extra cost to affected households. We've estimated these costs individually for each household in our panel dataset with statistical comparison then used to draw out policy implications in aggregate.

- The additional cost of starting contributions from the first pound of earnings instead of starting at £6,240 per year will be £312.50 per year before tax for each employee on a qualifying earning scheme.
- For an employee between 18 and 21 who is auto enrolled, the cost of contributions before tax is £100 per year for an employee on £20,000 a year, rising to a maximum of £2,500 if they are on £50,000.
- If contributions were to increase to 6% under the 12% scenario, the cost of contributions would rise by a further £200 for those earning £20,000 and £500 if they were on £50,000 before tax.
- In all scenarios we have assumed contributions to remain capped at an annual earnings level of £50,000.

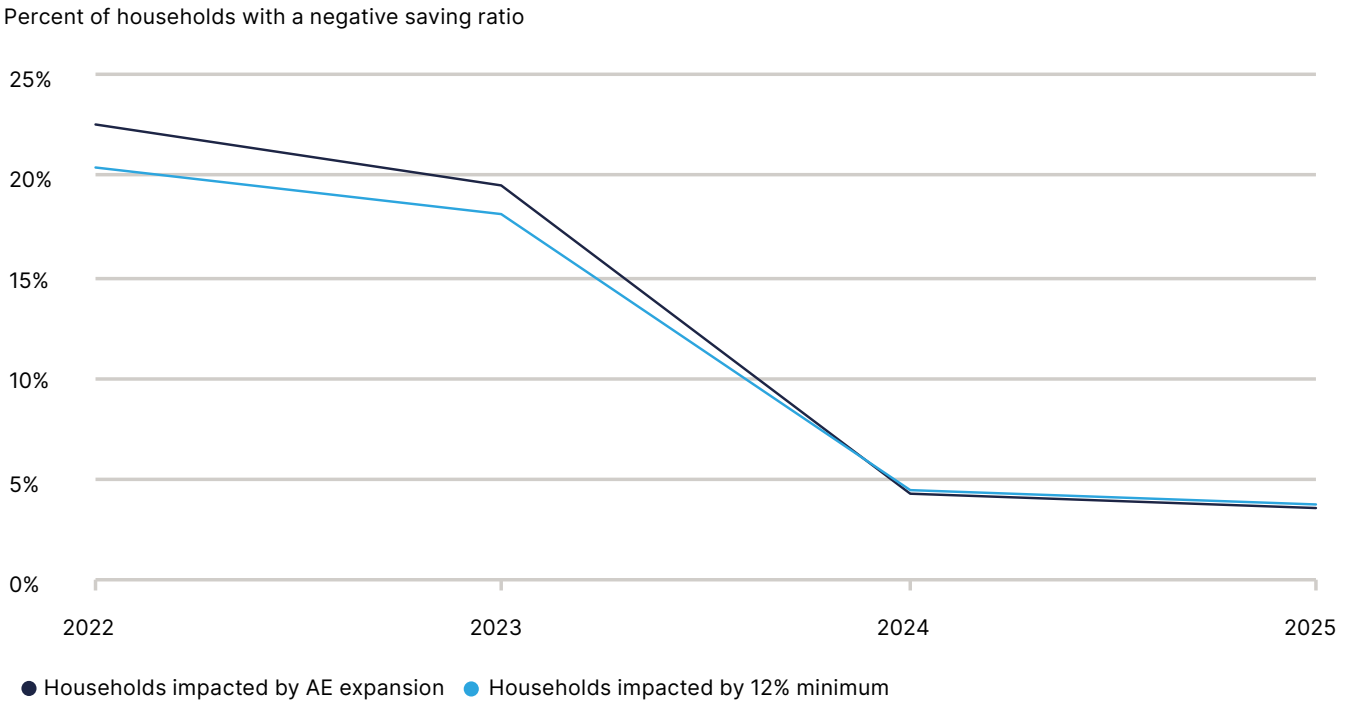
CHAPTER THREE: ECONOMIC BACKDROP

Household finances are currently highly stretched…
As has been well documented, household finances are currently extremely stretched with purchasing power being eroded by a very steep bout of inflation, that our baseline forecast projects will average a more-than-40-year high in 2022. Indeed, our modelling suggests that more than one-in-five households that would be directly affected by either of the policy proposals will have a negative savings rate, i.e., will spend more than they earn or receive in income, over the next 12 months (Fig. 3).

…suggesting that now might not be the right time to introduce the policy
Introducing either of these automatic enrolment reforms at this time would, therefore, seem unadvisable. Although it might be argued that households would be free to opt out initially before switching once inflationary headwinds have eased, such a line of argument runs contrary to the typical inertia in decision-making that is observed. In other words, there is a risk that introducing the policy during hard times would cause a permanently lower impact on pension saving behaviour. However, we recognise that the re-enrolment mechanism after 3 years may offset some of the worst impacts.

Our estimates suggest that if the policy intervention were delayed until 2025 Q1 only 4% of households would have a negative savings rate at this time.

FIG. 3. HOUSEHOLD FINANCES FORECAST TO IMPROVE IN 2024



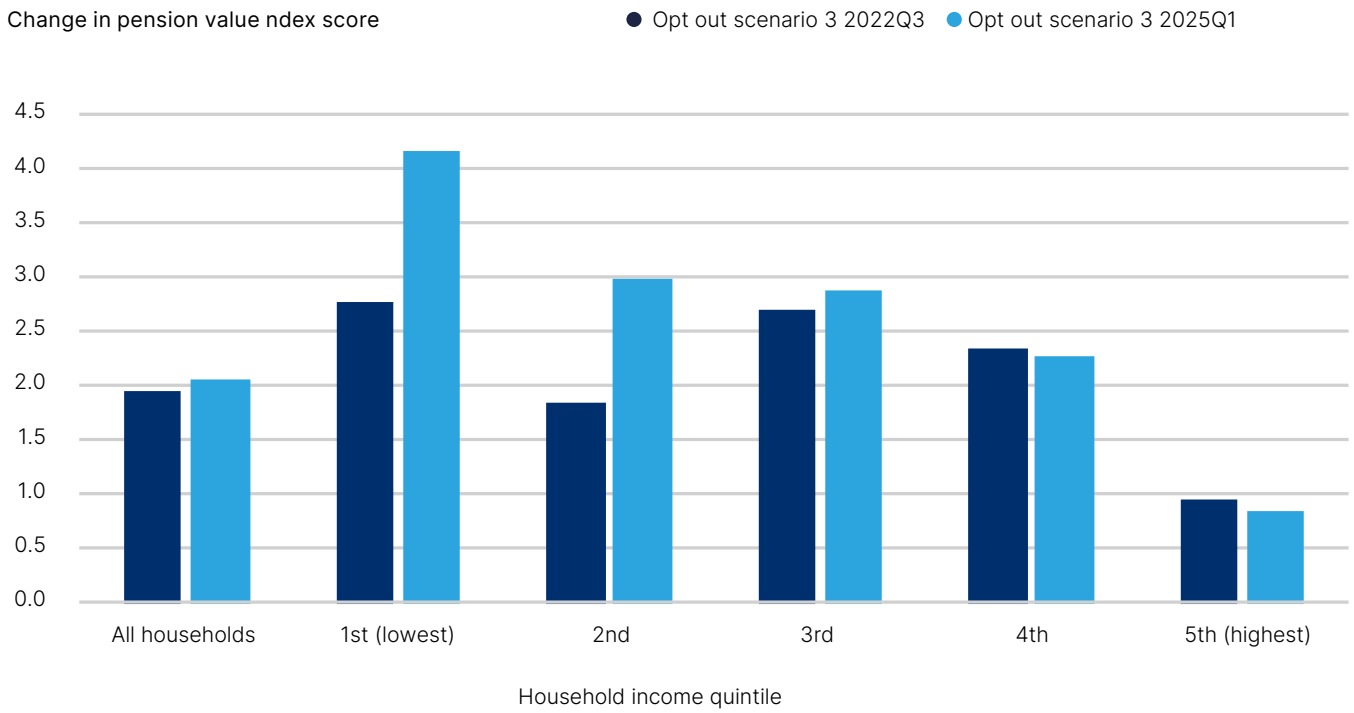
Source: Oxford Economics

CHAPTER FOUR: IMPACT OF POLICY CHANGE ON PENSION SAVING

Boost to pension adequacy particularly significant for low-income households…
Given such a challenging current economic backdrop, we have decided to model the impact of the policy changes both assuming they are introduced now (in 2022 Q3) and in 2025 Q1, a point at which we estimate macroeconomic conditions will have broadly returned to normal according to our baseline forecast.

Fig. 4 shows how pension value gains from the expansion of automatic enrolment are affected by higher opt outs when bringing in the policy change now versus in 2025 Q1 (in the highest opt out rate scenario). Whilst the difference in the overall improvement is quite limited, the impact for those in the lowest household income quintile are significantly improved by delaying the introduction of the changes.

FIG. 4. CHANGE IN VALUE OF PENSION SCORE: PENSION VALUE GAINS FROM AUTOMATIC ENROLMENT EXPANSION HAMPERED BY HIGHER OPT OUTS IN THE HIGHEST OPT OUT RATE SCENARIO



Source: Oxford Economics

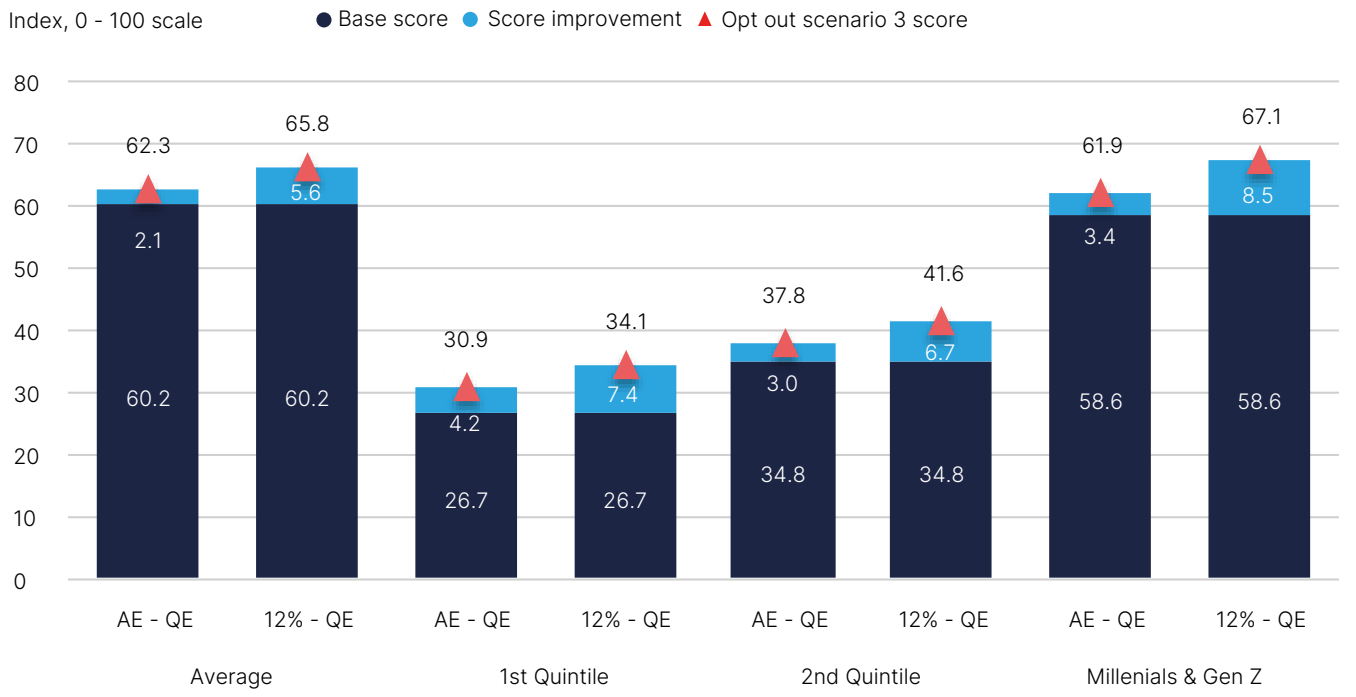
Fig. 5 illustrates the impact of each policy change on the average pension value indicator score (assuming they were introduced in 2025 Q1), both in aggregate and for selected household groups. The score, which is measured on a 0 – 100 scale, provides a measure of the extent to which a household's pension savings will provide them with a moderate retirement (based on the PLSA's National Retirement Income Targets), controlling for their age (and hence future earnings potential), household size and tenure.

The chart shows the impact of the automatic enrolment expansion and the 12% contribution scenario for those who are on qualifying earnings to provide a clearer impact of the two policy changes on households. The impact of the 12% minimum pension contribution for households where members are not using qualifying earnings is included in the appendix and shows a similar trade-off between the indicators as those on qualifying earnings.

Our modelling indicates that the 12% minimum contribution reform would have a materially larger impact on pension value compared to the automatic enrolment expansion. Within five years, we estimate that the former would result in a 9.3% increase in our pension value score for those on qualifying earnings (increasing by 5.6 points to 65.8). This compares to a 3.5% increase generated by the automatic enrolment expansion policy (increasing by only 2.1 points to 62.3).

Improvements in pension value were disproportionately large for younger and lower income households. Across both policies modelled, the increase in the average pension value score was significantly larger for households on below-average incomes. For example, following the introduction of the 12% minimum contribution policy, the average pension value score of households on a qualifying scheme in the lowest income quintile increased by 7.4 points from 26.7 to 34.1 seeing their indicator score rise more than the national average (5.6).

FIG. 5. PENSION VALUE SCORE 2029 Q4: AN IMPROVEMENT IN THE PENSION INDICATOR SCORES



Source: Oxford Economics

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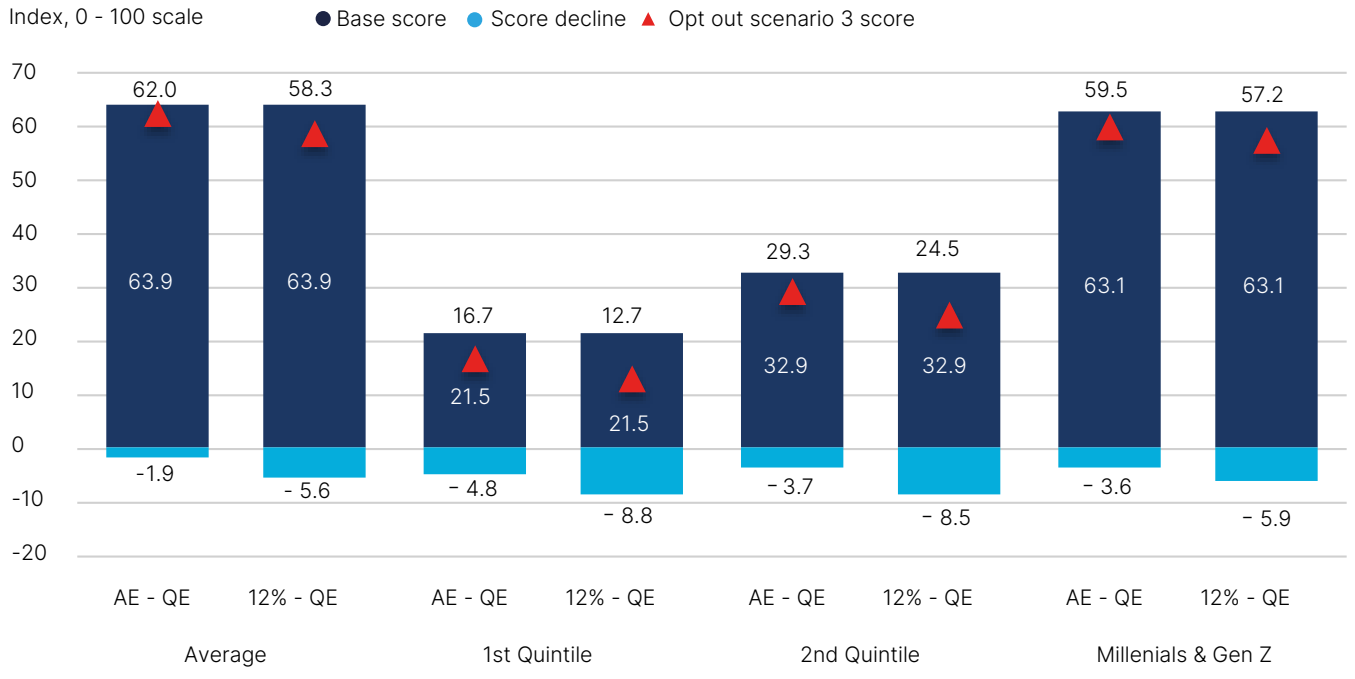
CHAPTER FIVE: THE IMPACT OF PENSION CHANGES ON SHORT-TERM SAVINGS

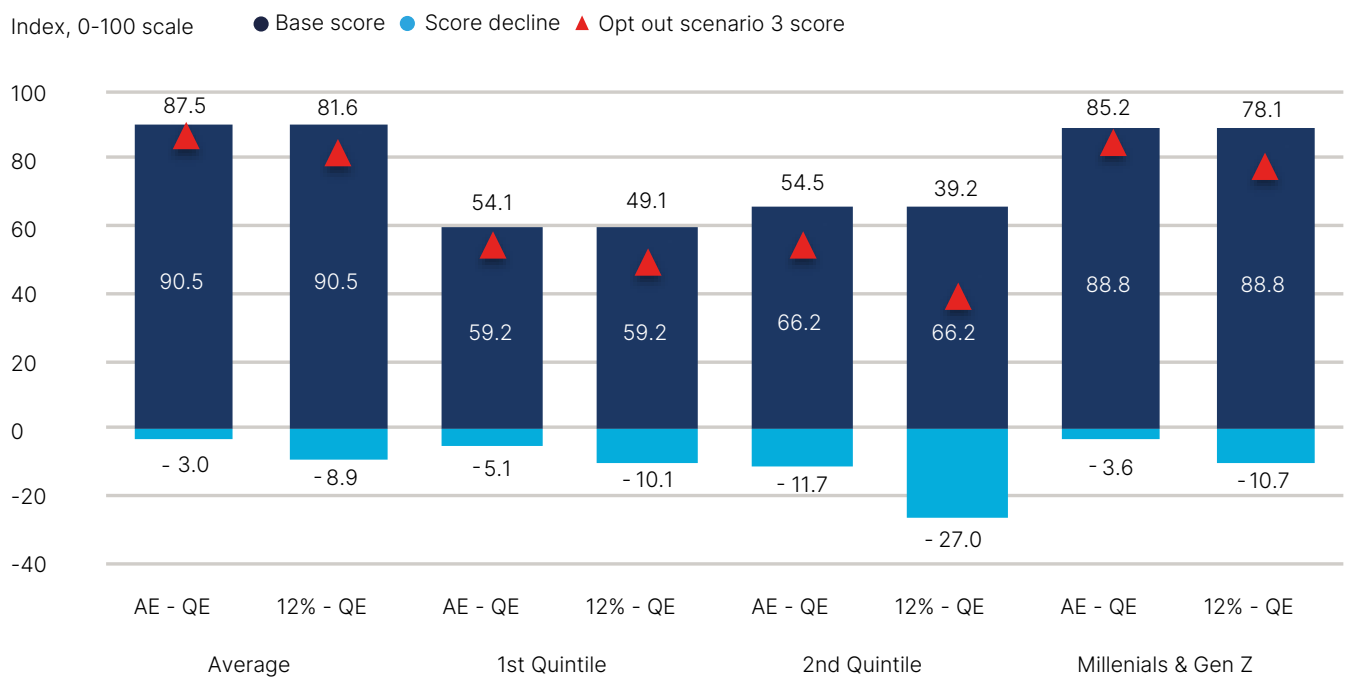
Similar trends, in reverse, are apparent when we review the policy's impact on other elements of households' financial position, helping to underscore the old adage that 'there's no such thing as a free lunch'. This trade-off is illustrated in the charts below covering the three previously referenced indicators from the Barometer: surplus income; liquid assets adequacy; and net financial assets (Fig. 6, Fig. 7 and Fig. 8).

FIG. 6. POLICY IMPACT ON SURPLUS INCOME SCORE IN 2025 Q1



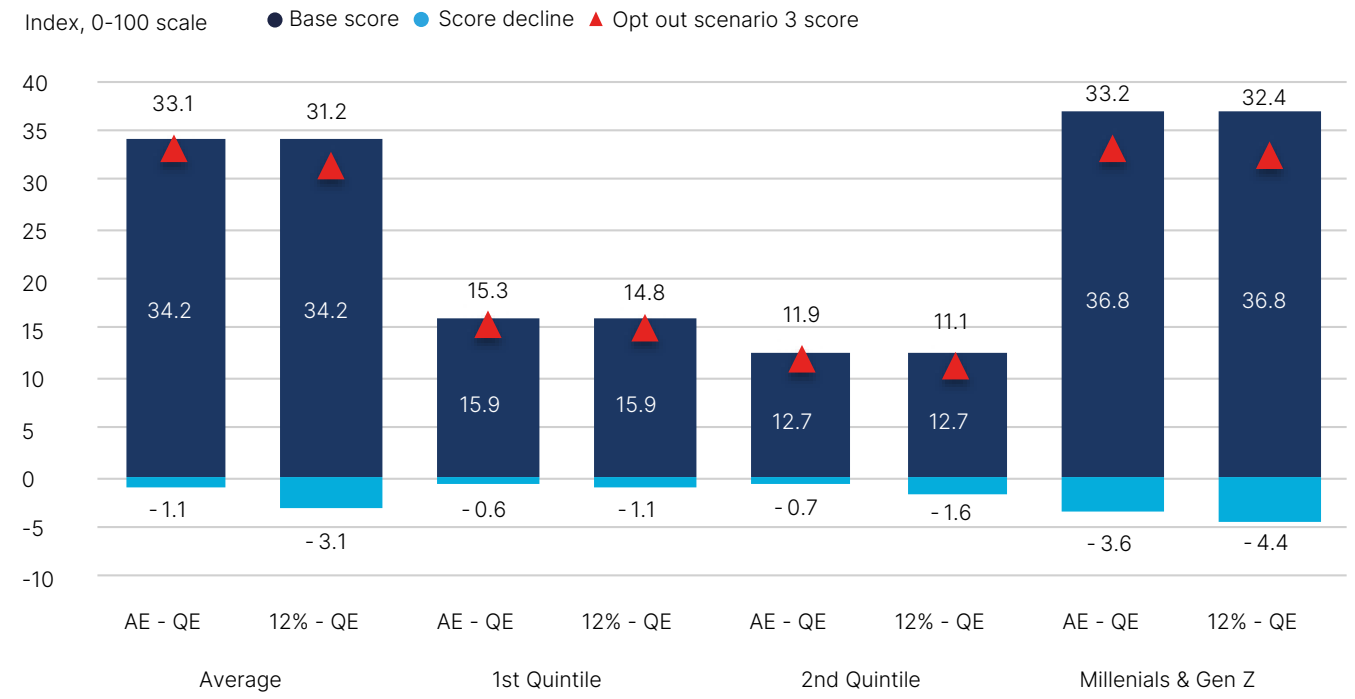
Source: Oxford Economics

FIG. 7. POLICY IMPACT ON ADEQUACY OF LIQUID ASSETS SCORE IN 2029 Q4



Source: Oxford Economics

FIG. 8. POLICY IMPACT ON NET FINANCIAL ASSETS SCORE 2029 Q4



Source: Oxford Economics

From a policymaking perspective we believe the impact on liquid savings would be of primary concern. Our indicator measure scores households on how close they are to having access to liquid assets that would cover three months of essential spending—a recognised benchmark among financial advisers as representing adequate coverage for a 'rainy day' event.

Our analysis suggests that the introduction of the 12% minimum contribution policy would reduce adequacy by 9.8% within five years compared to the current status quo. For households on qualifying earnings, the impact of the automatic enrolment expansion policy on this measure would be commensurately less damaging (-3.3%) consistent with the finding that it would cause a less dramatic shift in pension saving behaviour.

APPENDIX: METHODOLOGY

OVERVIEW
Each household participant in the Wealth and Assets Survey (WAS) provides data on the value of their pension contributions (from both employer and employee), and type of scheme. However, it has three deficiencies for our modelling of the policy change. These are:

1. **Pensionable pay:** while the WAS identifies those on a defined contribution scheme, it does not include information on the pensionable salary their contributions are based on. An employee's pensionable salary could be basic earnings, qualifying earnings, or total earnings depending on the scheme they are on.

2. **Representativeness of the data:** the distribution of pension contributions does not match that of the more reliable, employer-provided, Annual Survey of Hours and Earnings (ASHE).

3. **Eligible employees between 18-21:** The WAS identifies individuals by the age groups 16-19 and 20-24 (inclusive). However, for our policy analysis, it was necessary to identify those who are between 18 and 21 and eligible for automatic enrolment.

Several steps were taken to address these issues. After this, the change in pension contribution for the impacted households is modelled and the change in the appropriate barometer indicator scores calculated.

DATA
The initial analysis focused on addressing the identified issues with the underlying household dataset.

Pensionable pay
Several steps were taken to identify the employee's pensionable earnings and hence an individual's method of automatic enrolment pension contributions. Employees are allocated to one of three schemes which have different pensionable pay and minimum contributions (Fig. 9).

FIG. 9. PENSIONABLE PAY AND MINIMUM CONTRIBUTION BY DEFINED CONTRIBUTION SCHEME

Type	Pensionable pay	Minimum employer contribution	Minimum employee contribution	Minimum total contribution
Total pay	Total pay	3.0%	4.0%	7.0%
Qualifying earnings	£6,240 and £50,270 of total pay	3.0%	5.0	8.0%
Basic pay	Pay excl bonus, holiday pay etc	4.0%	5.0%	9.0%

In the WAS survey, no information is collected on the method of contributions. Pension contributions are expressed as either a reported percentage or a calculated percentage given the individual's pension contribution and their basic pay depending on the question answered by the interviewees. Furthermore, other household datasets do not include questions on the type of scheme members of a household are on. While the ASHE includes information on each employee's pensionable pay, this may include earnings below the lower earnings limit or above the upper earnings limit as highlighted by the Department for Work & Pensions[2] and, therefore, does not identify whether qualifying earnings should be used. To identify the employee's pensionable pay and type of scheme, we made the following assumptions:

[2] Automatic Enrolment evaluation report 2019, DWP

Total pay
Total earnings schemes require employees to contribute only 4%, compared to 5% for those on either the basic or qualifying earnings schemes. As such, we assume that all those employees contributing exactly 4% were on a total earnings scheme. This is only identifiable for employees that provided percentage answers in the WAS as calculated pension percentages require an assumption on their pensionable pay.

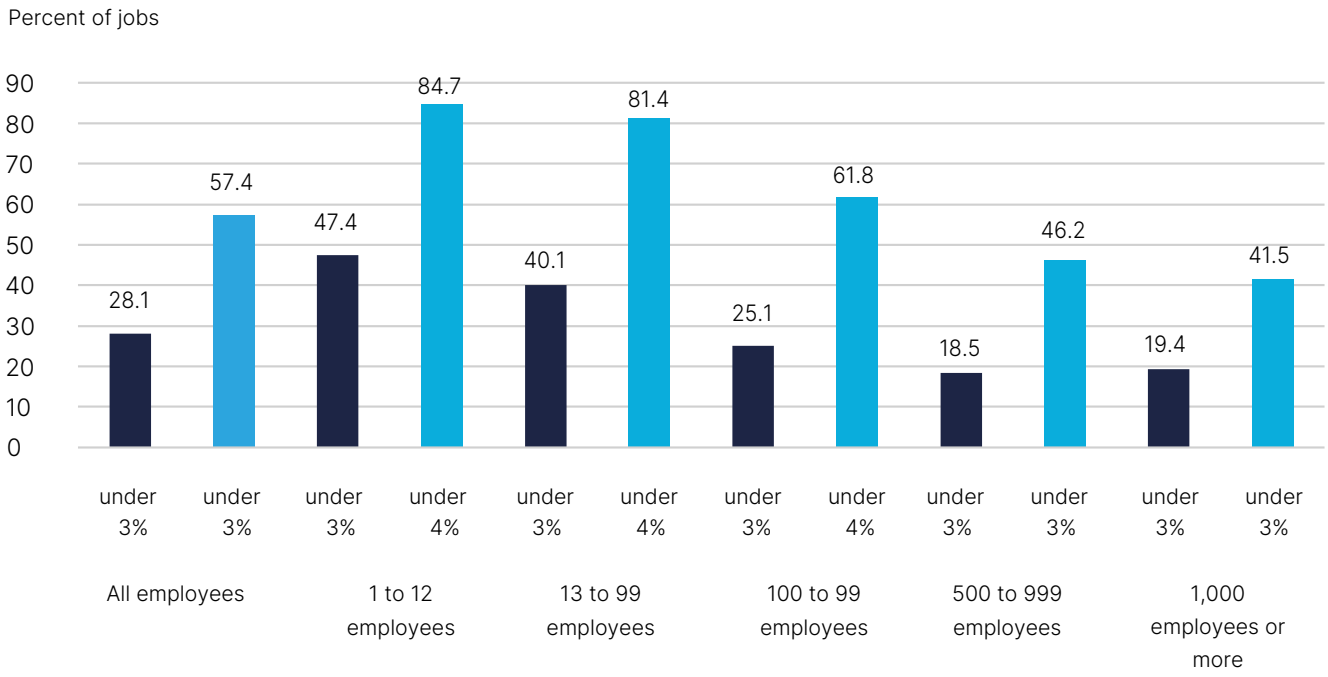
Qualifying and basic earnings
We use employer contributions to distinguish between those on basic earnings and qualifying earnings. Basic earnings schemes require that employers contribute 4%, while qualifying earnings schemes require that they contribute only 3%. As such, we assume that all those individuals whose employers are contributing less than 4% are on qualifying earnings, and hence the rest are on basic earnings. In the analysis, we are only able to identify those on minimum qualifying earnings.

When compared to ASHE, the distribution of employee contributions from the WAS suggests a higher proportion of employees on a basic earnings pension scheme. As data from ASHE are provided by employers rather than employees, it is believed to be more accurate. Within the ASHE data, 57.4 percent of employees have a pension contribution of under 4% and 21.2 percent of employees between 4% and 8%, while the WAS has 45.7 percent of employees under 4% and 34.8 percent of employees between 4% and 8%[3]. Therefore, we adjust the employer contributions in the WAS data so that they are in line with the aggregated distributions from the ASHE dataset. In particular, we focus the analysis on identifying those paying less than 4% which will enable the identification of those on minimum qualifying earnings.

At the firm size level, the published 2021 ASHE data identify clear trends in the proportion of employees where the employer contributes less than 4%. This data show that smaller firms were significantly more likely to contribute less than 4% when compared to larger firms. As employers contributing less than 4% could mean an employee is on either a total or qualifying earnings scheme, employer pension contributions under 3% were also assessed[4]. Where an employer has provided total pay as their pensionable pay and their contributions are based on qualifying earnings, the calculated percentage will be less than 3% and below the minimum. As shown in Fig. 10, a higher proportion of individuals with employers contributing under 3% is found in smaller firms. While this trend is in line with industry expectations, a difference of 29.3% for all employees is larger than expected. Based on Hargreaves Lansdown knowledge of pension schemes, the number of employees using qualifying earnings schemes is significantly larger than those on total salary schemes. The reason for this result could be due to some employers taking into account the fact that the employees are on qualifying earnings while others do not. As a result, an average of the proportions was calculated by firm size.

[3] Based on ASHE 2021 data and WAS 2018Q2-2020Q1 data
[4] Published ASHE data under 3%

FIG. 10. PROPORTION OF JOBS BY EMPLOYER CONTRIBUTION SHARE BY FIRM SIZE



Source: ASHE 2021

In order to match the proportion by firm size of those we believe to be on qualifying earnings, we adjust the pension contributions of individuals in the WAS. Individuals who had a pension contribution between 4% and 8% were shifted onto qualifying earnings based on their previously reported employer pension contribution, firm size, and sector of the economy they worked in. This will mean those individuals that reported lower pension employer contributions and worked in firms more likely to have employees on qualifying earnings were adjusted first until the proportion on qualifying earnings match the ASHE data.

Distribution of employee pension contribution

We adjust employee contributions to match the ASHE distribution of contributions for each band of employer contributions. This is done by ranking individuals by their reported employee contributions, and then adjusting those marginal individuals across employee contribution bands to match the ASHE distribution while minimising the deviations from their reported contributions.

Having adjusted the distribution of contributions and mapped each individual to a scheme, we change the employee contributions of those individuals contributing less than the minimum required by their scheme. This ensures that total contributions are greater than 8% for those on qualifying earnings, 7% for those on total earnings, and greater than 9% for those on basic earnings.

[5] https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2020/workplace-pension-participation-and-savings-trends-of-eligible-employees-2009-to-2020

Eligible employees between 18-21
The released WAS data identify individuals by the age group 16-19 and 20-24 (inclusive) rather than individual ages. In order to identify those aged 18-21, we must split these groups.

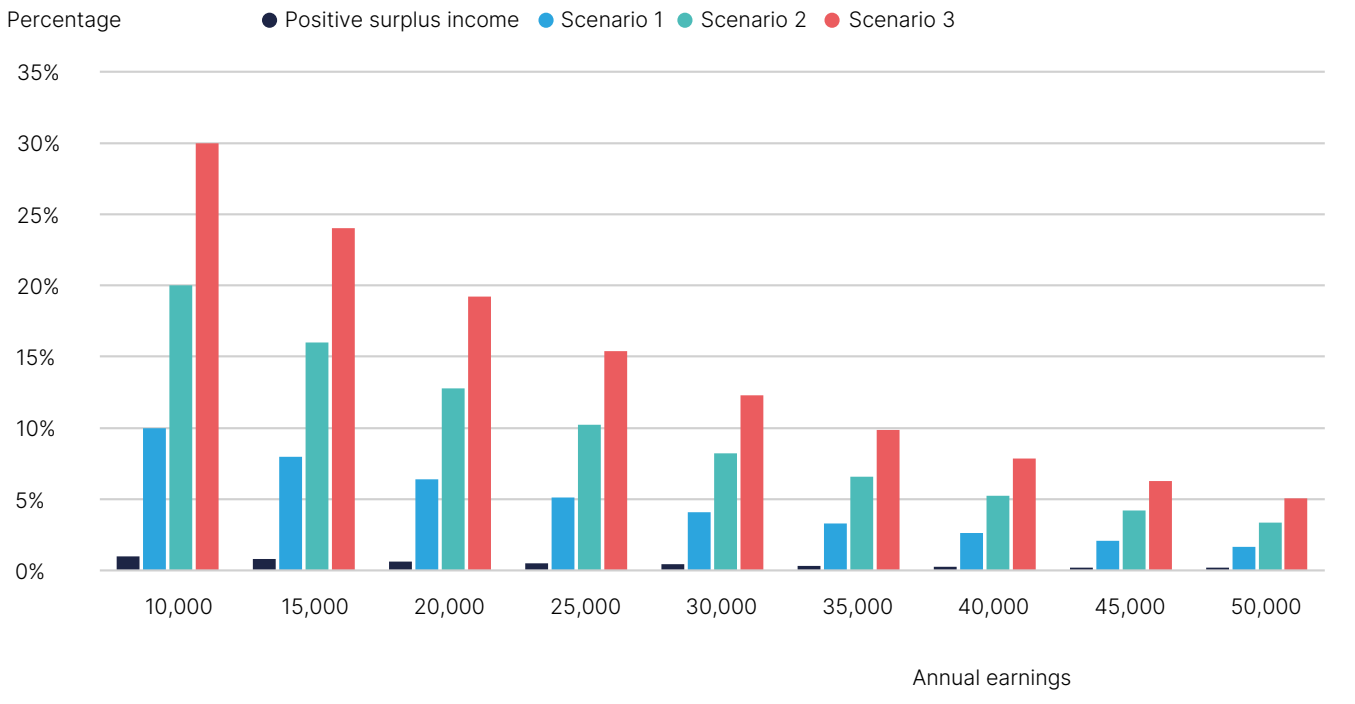
1. 16-19 age group: Using the Annual Population Survey (APS), we select those individuals between the ages of 16 and 19 and estimated a logistic regression of whether the person was aged 18 and above based on their gross income, whether they work full time or part time, and whether their head of household owns their home or rents. These variables were found to be highly predictive of whether an individual is over 18. This model was applied to individuals in the 16-19 cohort in the WAS dataset to allow us to predict whether they were aged 18 or above.

2. 20-24 age group: Those who are currently not enrolled and did not opt out of a pension scheme are expected to be 20 or 21 and impacted by the policy change.

   Of the individuals between 18-21, data on wages are used to identify those who are earning at least £10,000 and therefore would become eligible under the new policy. For eligible individuals, 88% eligible employees were workplace pension members in 2020[5]. We match this opt out rate, by excluding eligible employees based on a score calculated using whether they are in public or private sector, company size and their wage.

Opt out assumptions
While the extra pension contribution will improve households pension value, these costs will reduce a household's saving ratio as well as their ability to accumulate assets. The opt out rate assumptions were decided in collaboration with Hargreaves Lansdown, with additional data and evidence provided by Nest Insight. As there is limited information on opt out rates for household with a negative saving ratio, three different opt out ratios have been assumed to provide a range of outcomes from the barometer. The same opt out ratio is assumed across all the scenarios where a household has a positive saving ratio. As seen in Fig. 11, the opt out rates depend on the employee's annual income. As the cost of the policy change will be proportionally higher for employees earning less, the opt out ratio is higher.

FIG. 11. OPT OUT RATE ASSUMPTIONS BY ANNUAL EARNINGS



Source: Hargreaves Lansdown, Oxford Economics

PENSION COSTS

Retirement costs are based on the latest Pension and Lifetime Saving Association's estimate of a moderate living standard. As these retirement costs are based on the cost required in 2021/22, these costs have been forecast based on CPI and wage growth to provide a relevant cost in 2027 Q2 and 2029 Q4, the two periods used for the pension analysis. Based on assumptions from Hargreaves Lansdown, we assume the costs increase by the CPI plus half the difference between wage and CPI growth. This will take into account the rising costs faced by the households as well as some of the general improvement in living standards. In 2027 Q2 an individual is expected to need £24,297 if single or £17,872 if in a couple each year. In 2029 Q4 an individual is expected to need £25,891 if single or £19,045 if in a couple each year.

These costs will need to be met by the state pension and pension savings. State pension has been forecast to 2027 and 2029 based on the "triple lock" policy. Each year, the state pension is increased based on the highest of these three measures every year: A flat 2.5% rise, average earnings growth in the second quarter of the previous year or inflation in the third quarter of the previous year. The forecasts of earning and inflation are based on projections from Oxford's Global Economic Model (GEM). These retirement costs have been distributed over the working life of the individuals within the household, the methodology for more details. The age of the individuals in the household increases each year to ensure the correct cost is used.

FIG. 12. FORECAST TOTAL COST OF RETIREMENT

Variable	2027 Q2		2029 Q4	
	Couple	Single	Couple	Single
Retirement cost of living	17,872	24,297	19,045	25,891
Annual cost above state pension	9,271	9,633	10,444	10,829
Total saving required for retirement	231,774	240,822	261,096	270,737

[5] https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2020/workplace-pension-participation-and-savings-trends-of-eligible-employees-2009-to-2020

BAROMETER RESULTS INCLUDING THE 12% MINIMUM FOR HOUSEHOLDS ON OTHER OCCUPATIONAL PENSION SCHEMES

Fig. 13 highlights that households on other occupational pension schemes face the same trade off as illustrated in the main report. While their pension scores improve, they see a decline in their surplus income; liquid assets adequacy; and net financial assets scores.

FIG. 13. RESULTS BY PENSION SCHEME

		Pension indicator			Surplus income indicator		
Household type	**Policy**	**Base score**	**Score improvement**	**Opt out scenario 3 score**	**Base score**	**Score decline**	**Opt out scenario 3 score**
Average	AE - QE	60.2	2.1	62.3	63.9	-1.9	62.0
	12% - QE	60.2	5.6	65.8	63.9	-5.6	58.3
	12% - other	69.6	4.8	74.5	65.5	-3.9	61.6
1st Quintile	AE - QE	26.7	4.2	30.9	21.5	-4.8	16.7
	12% - QE	26.7	7.4	34.1	21.5	-8.8	12.7
	12% - other	31.3	27.7	59.1	18.6	-7.2	11.4
2nd Quintile	AE - QE	34.8	3.0	37.8	32.9	-3.7	29.3
	12% - QE	34.8	6.7	41.6	32.9	-8.5	24.5
	12% - other	48.6	11.8	60.5	32.7	-6.5	26.2
Millenials and Gen Z	AE - QE	58.6	3.4	61.9	63.1	-3.6	59.5
	12% - QE	58.6	8.5	67.1	63.1	-5.9	57.2
	12% - other	67.9	8.3	76.2	61.5	-5.0	56.5

FIG. 13. RESULTS BY PENSION SCHEME

		Adequacy of liquid asset indicator			Net financial assets indicator		
Household type	**Policy**	**Opt out scenario 3 score**	**Score decline**	**Base score**	**Base score**	**Score decline**	**Opt out scenario 3 score**
Average	AE - QE	87.5	-3.0	90.5	34.2	-1.1	33.1
	12% - QE	81.6	-8.9	90.5	34.2	-3.1	31.2
	12% - other	81.9	-8.9	90.8	41.0	-3.9	37.1
1st Quintile	AE - QE	54.1	-5.1	59.2	15.9	-0.6	15.3
	12% - QE	49.1	-10.1	59.2	15.9	-1.1	14.8
	12% - other	19.5	-14.6	34.0	9.9	-3.4	6.5
2nd Quintile	AE - QE	54.5	-11.7	66.2	12.7	-0.7	11.9
	12% - QE	39.2	-27.0	66.2	12.7	-1.6	11.1
	12% - other	46.5	-16.2	62.7	15.8	-4.3	11.5
Millenials and Gen Z	AE - QE	85.2	-3.6	88.8	36.8	-3.6	33.2
	12% - QE	78.1	-10.7	88.8	36.8	-4.4	32.4
	12% - other	78.6	-8.9	87.5	38.6	-4.6	33.9

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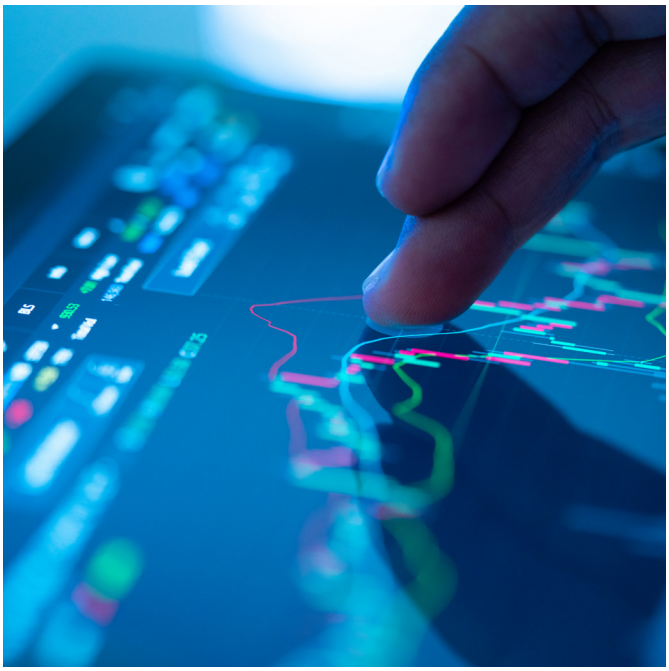

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