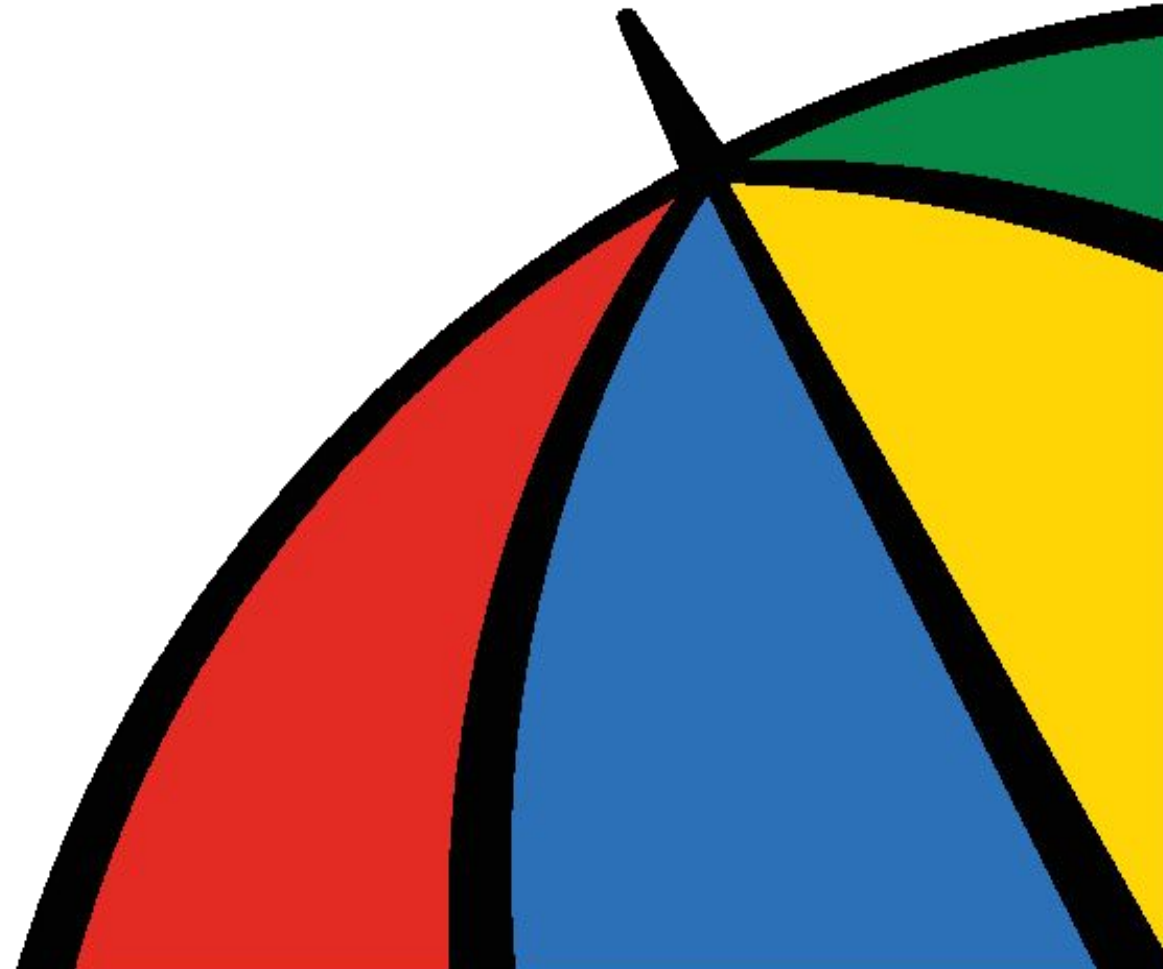
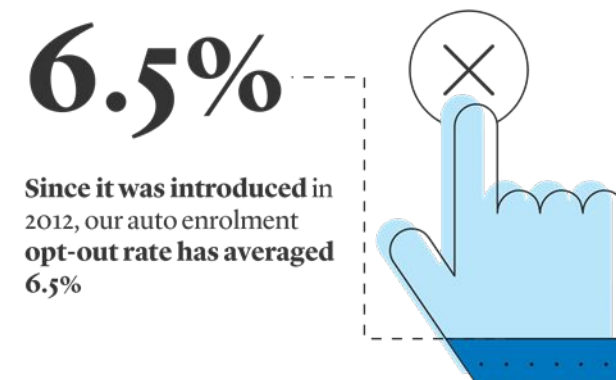
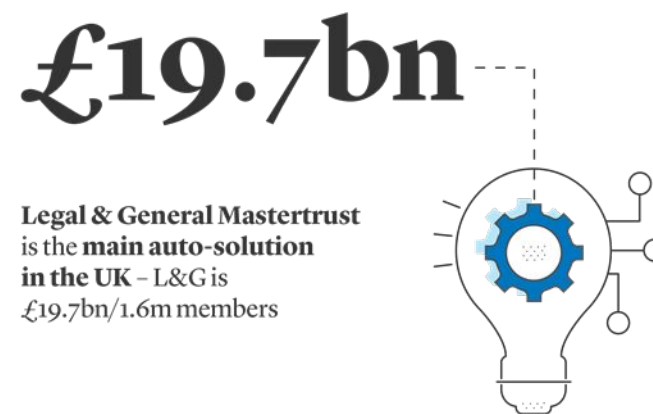
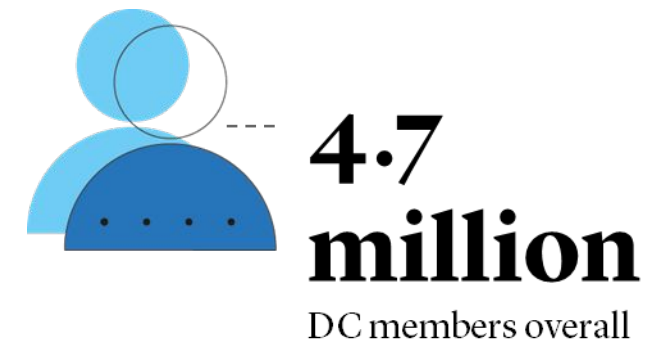
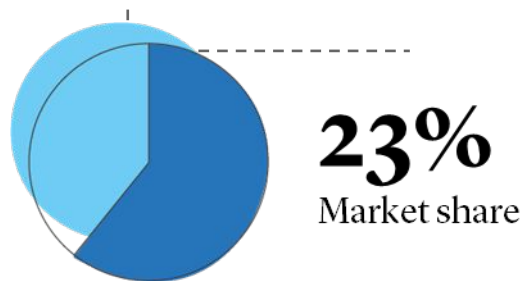


How to prevent a cost of retirement crisis

Stuart Murphy, Co-Head of Defined Contribution



A bit about Legal & General

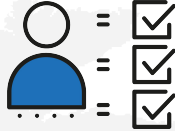


Auto-enrolment in the UK vs. Irish design principles

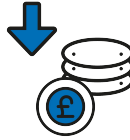
UK



Enrolment
from age 22



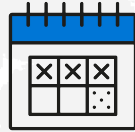
Eligibility
If earning
£10,000 a year



Contributions
between lower earnings
level £6,240 and upper
earnings level £50,270



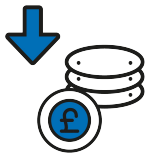
BPS
75 bps charge



Target Date Funds (TDF)
Lots of defaults
–TDFs growing in
popularity



Employers scheme
Auto-enrolment through
employer's scheme, no
Central Processing Authority



Contributions
8% total contributions with
at least 3% from employer



Opt-out
window one month
from enrolment

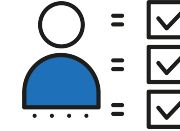


Re-enrolment
every three years

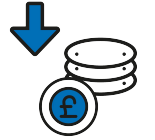
Ireland (proposed)



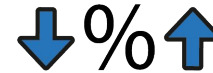
Enrolment
from age 23



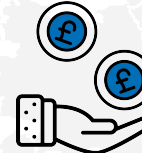
Eligibility
If earning
€20,000 a year



Contributions
Up to €80,000



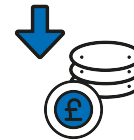
BPS
50 bps charge



Fund
One default



Small pot
Central Processing Authority
– solves small pots issue



Contributions
will reach 14% (50% ER,
50% EE, 2% State)



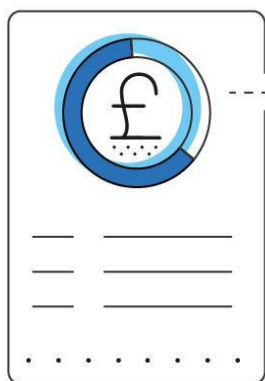
Opt-out
window at seven to eight
months (or at phased
contribution increases)



Re-enrolment
every two years

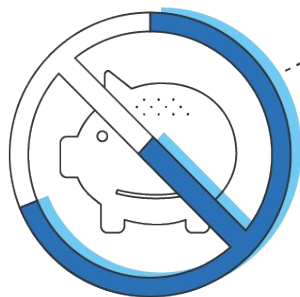
- 1 Source: PLSA report: Five steps to better pensions: Time for a new consensus, October 2022. 19.4m in a Workplace Pension.
3 | 2 Source: Broadridge, Workplace Provider Benchmarks, 2021. 40% more people saving into a pension than before Auto Enrolment started.
Broadridge estimate there are 40m UK DC savers overall.

Taking a standing count?



67%

told us that **keeping up** with **bills and credit** commitments is already a **heavy burden** with **37%** having **fallen behind**, or missed, at least three **payments** in the last six months **on credit cards, loans or domestic bills**



69%

of **low earners** say they **don't pay** into their **employer's pension scheme** because they **can't afford to**



59%

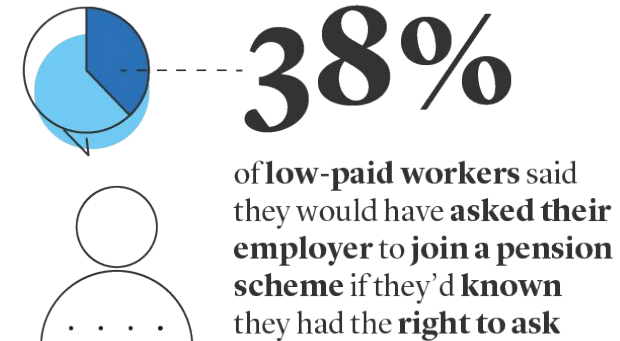
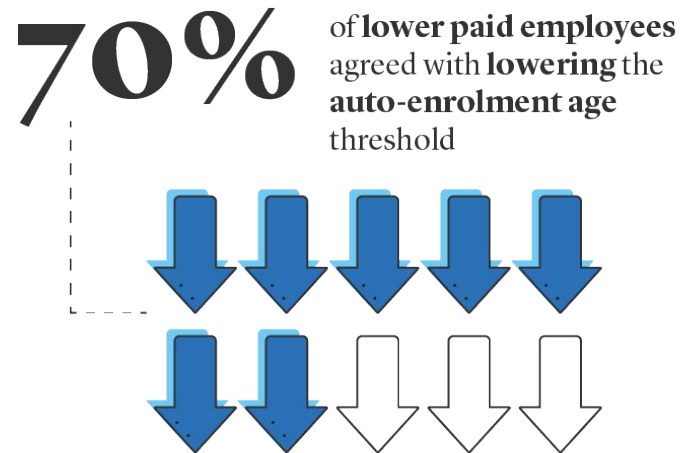
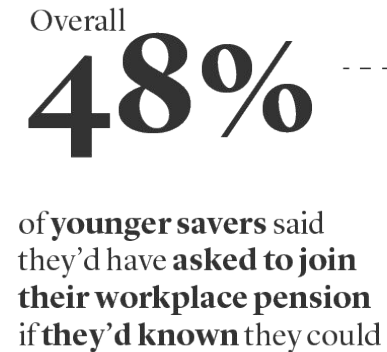
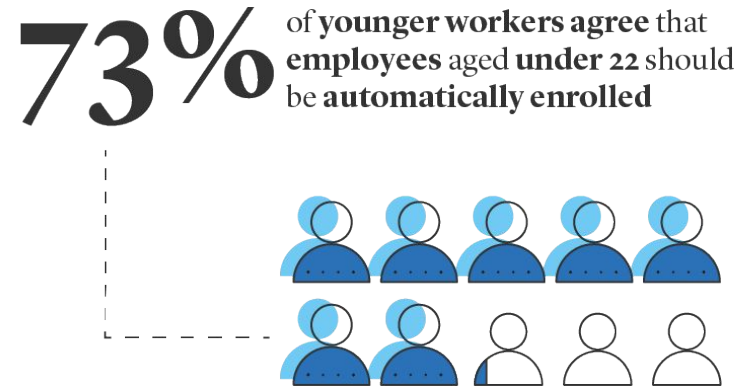
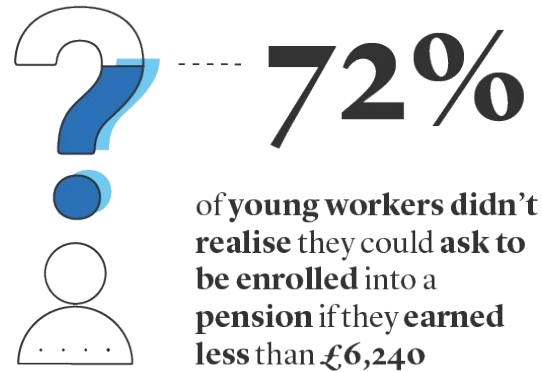
of **low-income workers** say they're worried about **not saving for** their **retirement**

63%

of **workers earning less than £10,000** would need to **borrow money** from **friends or family** within a week of losing their main source of income

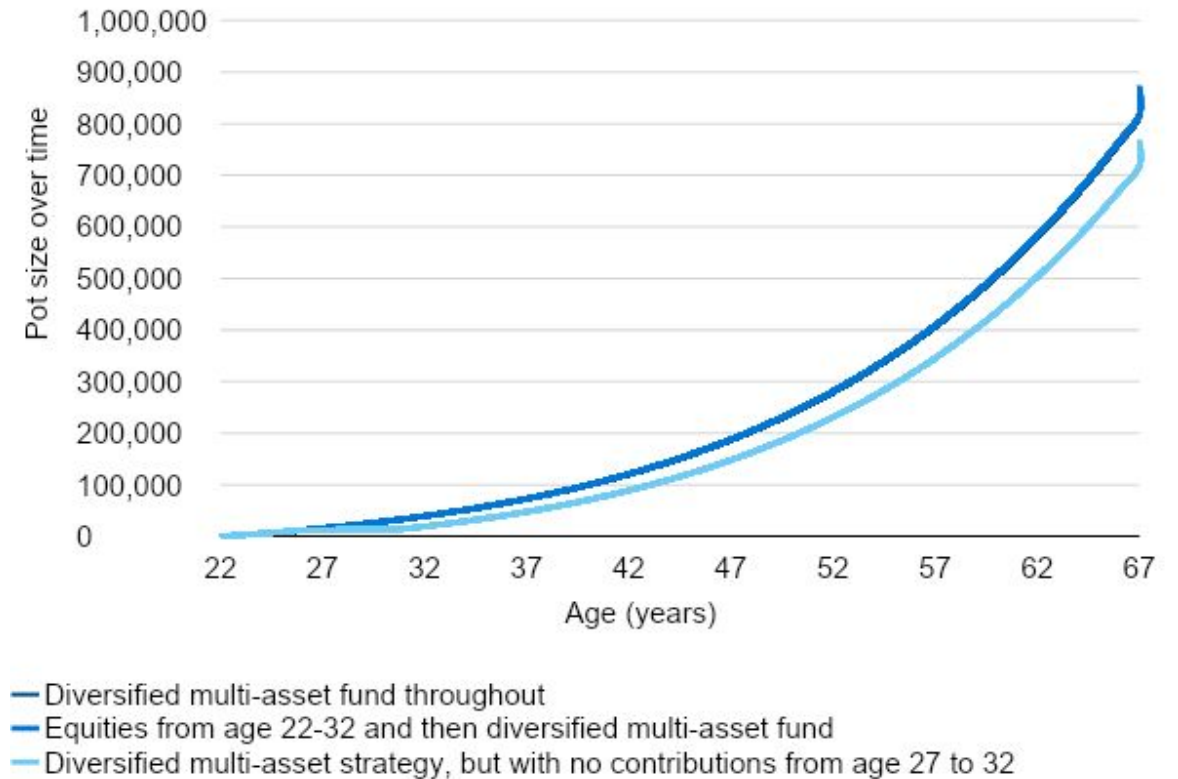


Long shadow of today's cost of living crisis could see lower paid workers facing harsher retirements



Contributions are Main driver of outcomes at young ages

- There's a lot of focus on investment returns at young ages
- But continuing contributions is the main driver of outcomes
- As an example compare:
 - Impact of different level of investment risk for 10 years and...
 - The impact of 5 years with no contributions
- There's only one winner

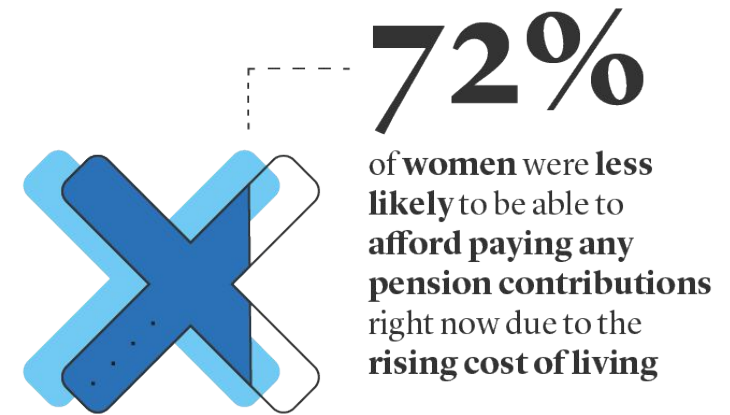
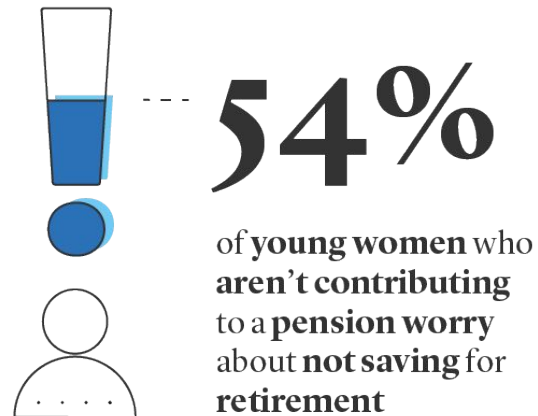
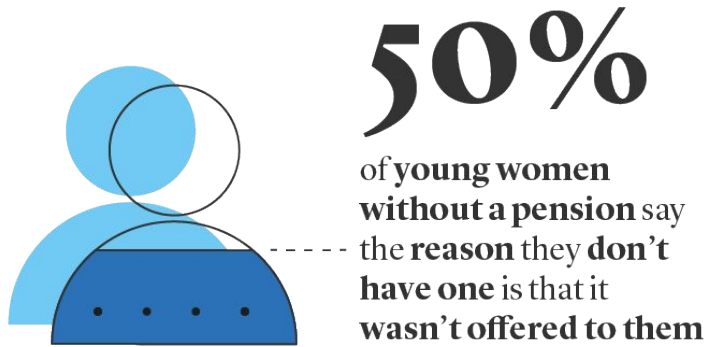


Source: LGIM, Illustrative calculations. Based on proprietary member outcomes tool.

Key assumptions are CPI = 3.4%, MAF long-term return is 4.7%, equity return is 5%, contributions are 8% of annual salary, salary is initially £30,000 increasing at CPI +

7 | 1% annually. **For illustrative purposes only. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass. The value of any investment and any income taken from it is not guaranteed and can go down as well as up, and investors may get back less than the amount originally invested.**

Girl power in pensions? Not yet, as women slip through auto-enrolment net

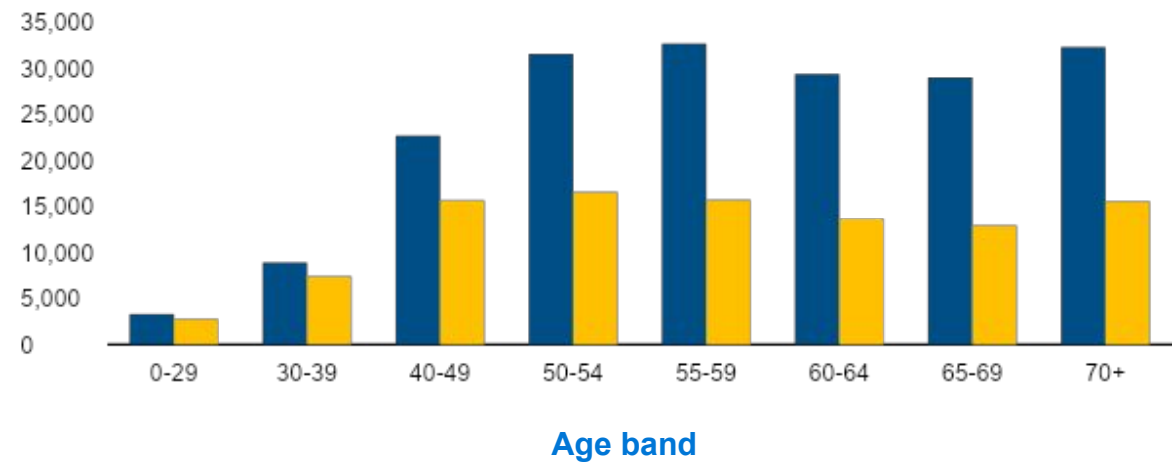


Women have lower average pot sizes at every age band

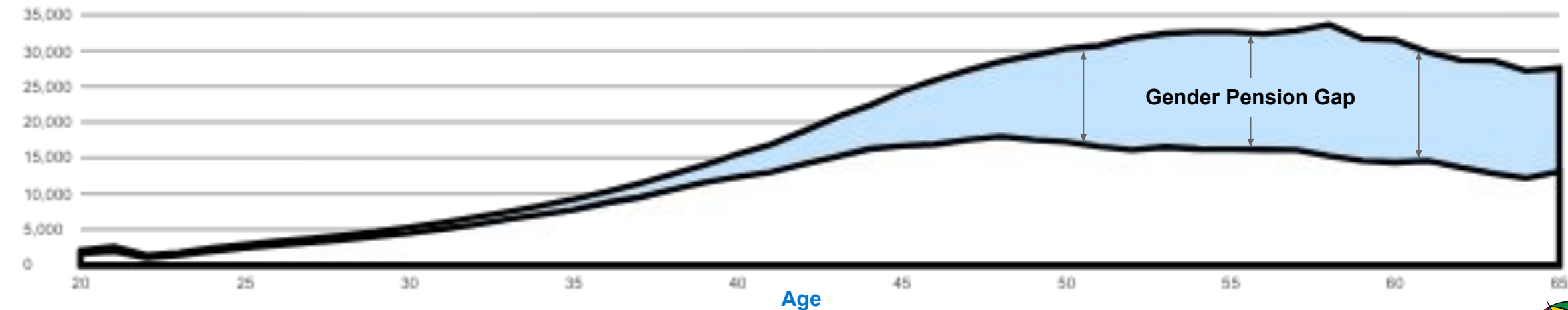
- Average pot is £14.1k (F £10.6k, M £17.1k)
- Divergence between women and men starts to become noticeable from 35 years+
- And never recovers, just grows wider and wider to retirement

Age band	0-29	30-39	40-49	50-54	55-59	60-64	65-69	70+
F:M pot size	84%	83%	69%	52%	48%	47%	45%	48%

Average pot size



Average pot size



9 | Source: LGIM, 2021. The value of any investment and any income taken from it is not guaranteed and can go down as well as up, and investors may get back less than the amount originally invested.

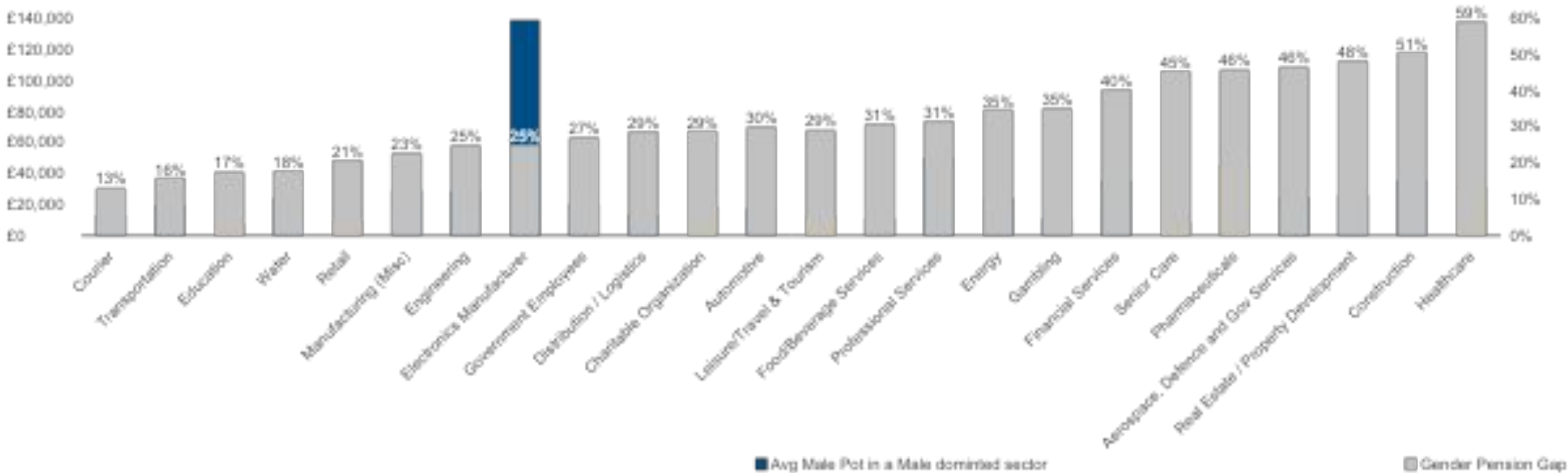
Gender pension gap varies quite dramatically across sectors

No sector without a gender pension gap. In every industry, men have larger pension pots than women on average.

Gender pension gap exists irrespective of average pay across sectors and ranges from 13% (Courier services) to 59% (Healthcare).

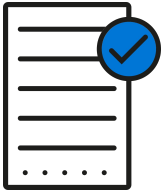
Of the six sectors with the **highest gender pension gap**, three of these are **top sectors for female employment**.

Sectors by gender pension gap



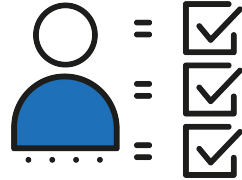
10 | Source: LGIM, 2021. The value of any investment and any income taken from it is not guaranteed and can go down as well as up, and investors may get back less than the amount originally invested.

Call to action



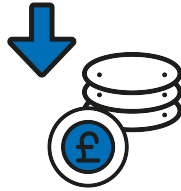
Enrolment

Reduce the auto-enrolment age to 18



Eligibility

Remove the £10,000 eligibility amount



Contributions

need to rise to 12%



Cost-of-living

Be sensitive to the crisis



'Pension Equalities Taskforce'

Established industry-wide

The PLSA is also asking for:

- the setting of national objectives
- reform of the state pension
- a staging of the changes over a 10-15 year timeframe

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