Emily Evans

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Sent: 10 May 2024 12:45
To: Emily Evans
Subject: Your Friday three - 10 May 2024

ILC Friday three - 10 May 2024 View this email in your browser

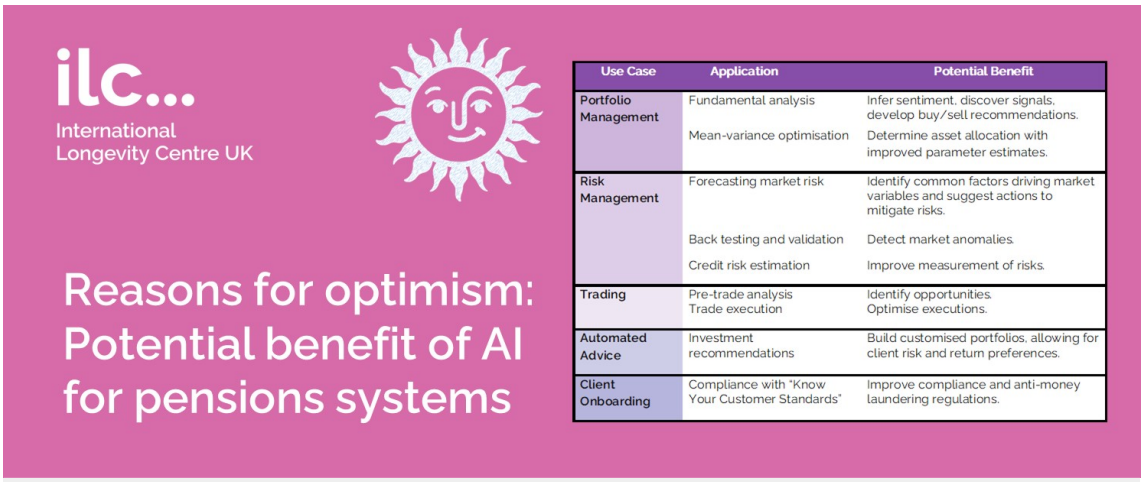
International Longevity Centre UK

Latest news

ILC Friday three

- Reasons for optimism - potential benefit of AI for pensions systems
- Taking retirement - will we be able to stop working?
- Retirement Income Summit - join us on 13 June 2024

Reasons for optimism - potential for public health, locally



The latest Mercer & CFA Institute Global Pension Index 2023 report features a comprehensive chapter on AI's considerable potential to enhance investment returns and improve retirement outcomes. Of course, artificial intelligence is nothing new and traditional AI systems have been integral to investment markets since the early

1980s. The development of Generative AI offers a whole new world of potential opportunities as well as risks, challenges and ethical considerations.

Putting the very real risks and challenges aside, AI offers numerous opportunities to enhance the operations of pension plans including:

- Automation of routine and repetitive tasks – increasing accuracy and efficiency while potentially reducing complaints.
- Enhanced risk assessment – allowing more thorough data analyses related to financial fraud, cyberattacks, third-party interactions, employee behaviour, and political developments.
- Improved fraud detection – with the global growth of DC pension schemes, improving the detection of identity fraud becomes increasingly important.
- Behavioural modelling – for example, in response to tax changes, contributions, withdrawals, retirement rates, and changing economic conditions.
- Future planning – helping to identify opportunities and challenges arising from demographic shifts, economic and/or policy change and labour force trends.
- Improve consumer engagement and understanding by helping to standardise and clarify communication across pension systems and, if regulation allows, provide personalised, tailored advice considering each customer's unique circumstances and preferences.
- Provision of real-time information on demand.

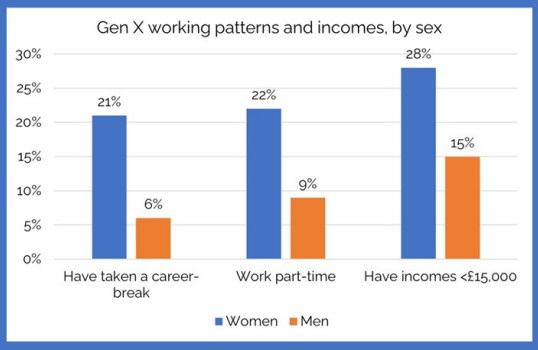
Despite the complexity of financial decisions, it is crucial for individuals to fully understand their options based on comprehensive and personalised information. AI could play a pivotal role in improving long-term outcomes in retirement by enhancing member engagement and increasing investment returns within pension plans.

Nevertheless, developing and implementing effective AI tools will be costly and will require time, transparency, careful policy implementation, rigorous governance and of course, human input and oversight, to realise these benefits fully. Any missteps in AI application by the industry could undermine the long-term confidence that pension plans rely on, possibly irreparably. But get this right, the prize for both consumer and company could be enormous.

If you have any reason for optimism or solutions for longer lives, please do let us know via the button below.

REASONS FOR OPTIMISM

Taking retirement - will we be able to stop working?



Women Gen Xers relative to men are:

- more likely to have no pension savings at all (12% vs 16%).
- less likely to contribute into a pension above minimum AE rates of 5% (33% vs 42%)

ILC Slipping between the cracks, February 2021

UK employers used to be able to force employees to retire at 65, but the Default Retirement Age was scrapped in April 2011 and now, in theory, we can keep working beyond the state pension age if we want or need to. As stated in ILC's One hundred not out *"work is funamentally a good thing: meaningful activity whether paid or voluntary, keeps us connected and gives us purpose."* Most of us want jobs that allow us flexibility, decent pay and a good work-life balance - as well as the choice to be able to stop work one day. But the evidence shows too of us many don't have those things.

Having joined the job market too late to benefit from final salary pension schemes, yet too early to benefit from auto-enrolment into a workplace pension, many Gen Xers face inadequate retirement incomes without further action by policymakers. ILC's Slipping between the cracks report published in 2021 found that nearly one in three (30%) people born between 1965 and 1980 risk reaching retirement with inadequate incomes.

This aligns with new research this week from Aviva, a member of ILC's Partner Programme, which shows that among Gen X (defined in this case as those aged between 45 and 54) one in three (31%) think it is unlikely they will ever completely retire. Generation X or so-called 'sandwich generation', who may care for both adults and children, straddle multiple financial pressures, volatile incomes and competing priorities.

The Aviva study also found:

- More than a quarter (28%) of those aged 25 to 54 do not think they will ever completely retire,
- More than a quarter (27%) of millennials (25-44) think it is unlikely they will completely retire

And perhaps most strikingly:

- Only a third of women (33%) think they are likely to completely retire, compared to almost half (47%) of men.

However, not all respondents cite constraints on their ability to retire as reasons they expect to stay in the workforce. One in six (16%) of those who do not think they will ever completely retire say they like working and aim to continue beyond retirement age. And, almost 10% of those surveyed say they would like to set aside some of their pension pot for their next of kin or relatives as a reason to stay in the workforce and further build up their savings.

Alistair McQueen, Head of Savings and Retirement at Aviva said, *"Attitudes towards retirement are changing. The idea that retirement is a fixed event on a fixed date is increasingly a thing of the past. Significant numbers are even questioning whether they will ever fully retire."*

The ILC's Slipping between the cracks report made a comprehensive series of recommendations to help this group set to retire over the next decade or so. These were aimed at:

- Supporting Gen Xers to save more through interventions such as increasing current default contribution rates (for employees and employers).
- Supporting extending working lives, including by requiring employers to make all job arrangements flexible by default so that employees can alter their working patterns throughout their lives.
- Addressing the needs of particularly disadvantaged groups, such as: renters and first-time buyers; the self-employed; careers; low earners; and people from minority ethnic communities.

This report was supported by Phoenix, another member of the ILC Partners Programme. If you are interested in joining the ILC's Partners Programme you can find out more via the button below or via Paul Goulden, ILC Head of Partnerships.

READ MORE

Retirement Income Summit - join us on 13 June 2024



What do we need to do to ensure everyone has a decent income in retirement?

- Increase the state pension age sooner rather than later?
- Let AI deliver advice?
- Support a 'living pension'?
- Replace the state pension with a Universal Basic Income?
- Auto-enrol gig economy workers into long term savings?

So, what are the right answers? While not always easy, it's imperative for Government and industry to address such critical retirement planning and income challenges faced by our society and have that all important public debate about the necessary trade-offs.

The ILC's Retirement Income Summit, hosted by M&G and supported by Canada Life, will bring together key policymakers and experts to shape and propose innovative recommendations for the next Government to action so more people have access to a decent income in retirement.

At the event, to be held on 13 June, the ILC will also be launching early findings from new research, supported by M&G, which will explore the role of the pensions industry in addressing intergenerational inequalities as wealth increasingly sits with older people. Recent ILC research has highlighted that in 2010, those under 40 held £7.53 of every £100 of wealth. Over the last decade this has fallen significantly to only £3.98

Over the past decade, auto-enrolment into pensions has helped millions more people save for their old age. But the amounts being saved are likely to remain inadequate for many, and with the cost of living rising, this will also have a significant negative impact.

According to latest figures from the Financial Conduct Authority, between May 2022 to January 2023, more than half (56%) of UK adults stopped saving or investing, had reduced how much they were saving or had used their savings to meet their daily expenses, due to the rising cost of living. This equated to 29.4 million people.

The event will be held at M&G's offices in London on Thursday 13 June 2024. For more details and to register click the button below or here.

REGISTER HERE

To keep up-to-date with ILC events throughout the year, please continue to check our website on a regular basis.

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