# DC taking the centre ground….almost!

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# Presenting today

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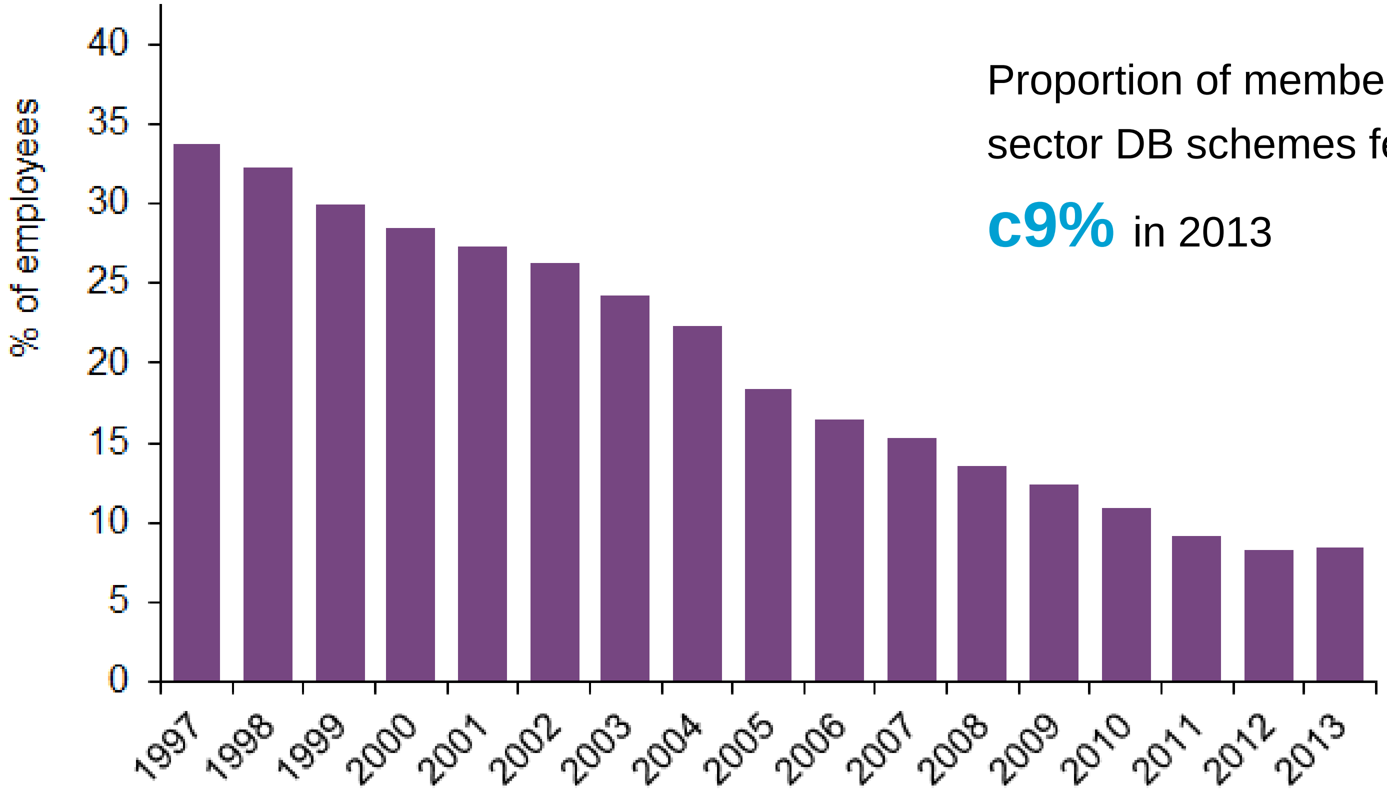
# The Past

# The demise of DB membership




Proportion of members in private sector DB schemes fell to

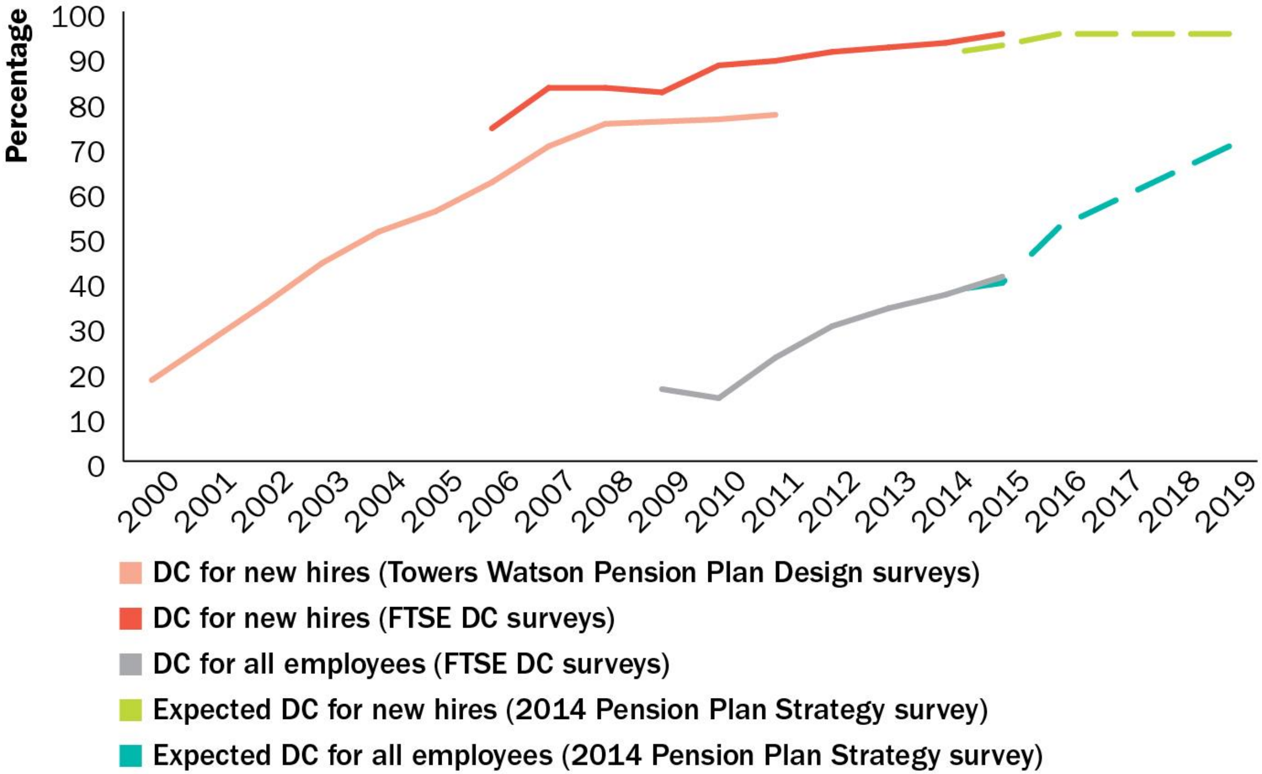
**c9%** in 2013

Source: Office for National Statistics Pension Trends 2013

# DC taken centre ground? Unequivocally, YES

over **90%** of employers offered a DC scheme to new hires

**The shift from DB to DC**




Source: FTSE 350 DC pension scheme survey 2015

# The Generations

| Generation Name | Births Starting | Births Ending | Pension Type |
|---|---|---|---|
| **Baby Boomer Generation** | 1945 | 1964 | Mainly DB |
| **Generation X** | 1961 | 1981 | Some DB/ Future DC |
| **Generation Y** | 1975 | 1995 | Mainly DC |
| **Generation Z** | 1995 | 2015 | **DC but for how long?** |

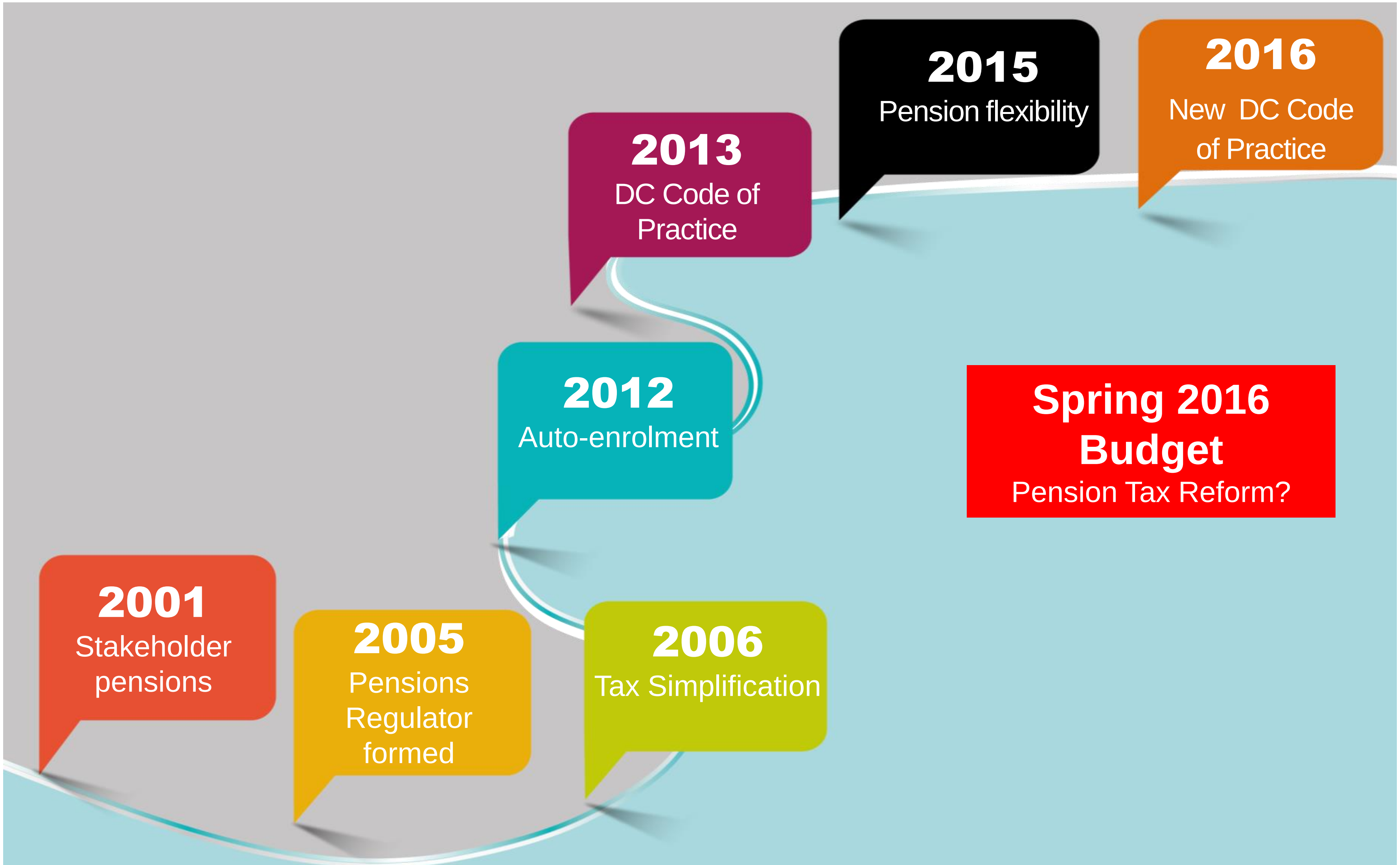
**Over-65s** now have more wealth than **under-45s**

Source: Resolution Foundation

Note: Dates are approximate and there is some overlap because there are no standard definitions for when a generation begins and ends.

# The Present

# Increasing regulation and complication for DC



# DC key trends – 2016

**97%** DC is the main scheme for new hires

**9%** average maximum employer DC contribution

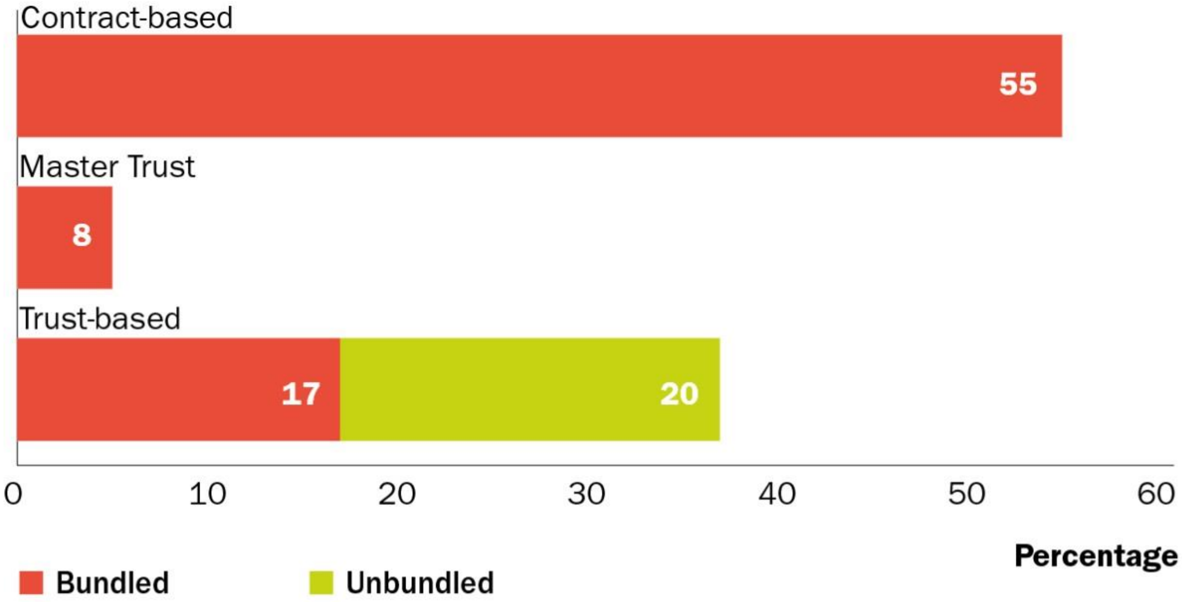
**11%** allow some pension contributions to be exchanged for salary or other benefits

**11%** Offer a corporate ISA to complement DC

Source: Towers Watson FTSE 350 DC Pension Scheme Survey 2015 & Pension Plan Design Survey 2016

# What types of DC arrangements?

**FTSE 350 : Main pension schemes new members are enrolled into**




Source: Towers Watson FTSE 350 DC pension scheme survey 2015

**80%** of FTSE employers use a **bundled DC** pension arrangement

# The Future

# Ageing workforce

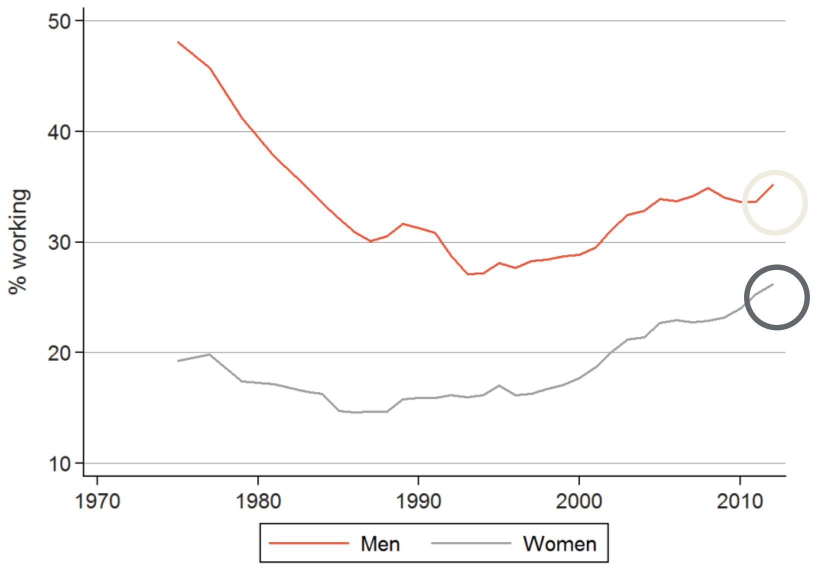
At what age do you expect to retire?

| 2010 | 2014 |
|---|---|
| 15% | 25% |

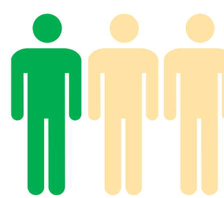
**of members in a DC Plan expected to retire after age 70**

Source: Towers Watson 2013/14 Global Benefits Attitudes Survey and 2010 UK Retirement attitudes survey. Based on employees.

## Percentage working (age 55-79)



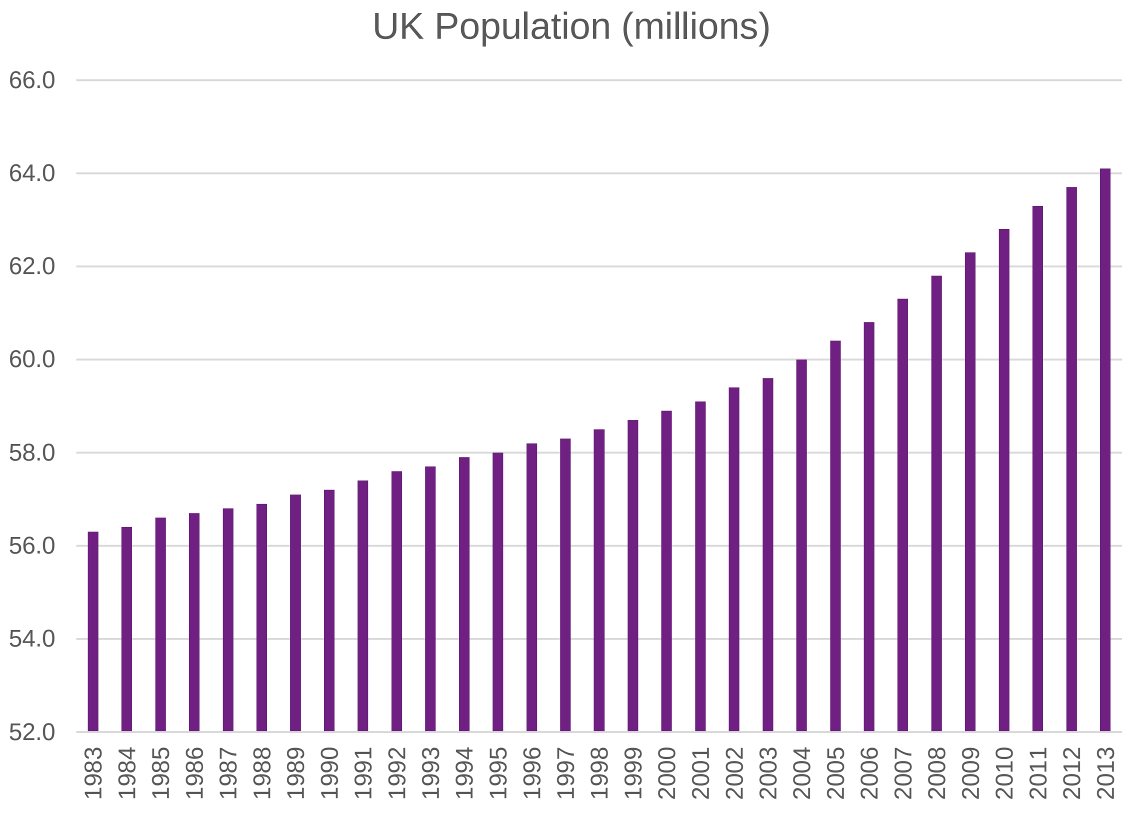

Source: ONS Quarterly Labour Force Survey (1975-2012)



**1 in 3**

of men and women age 55 to 79 are still working

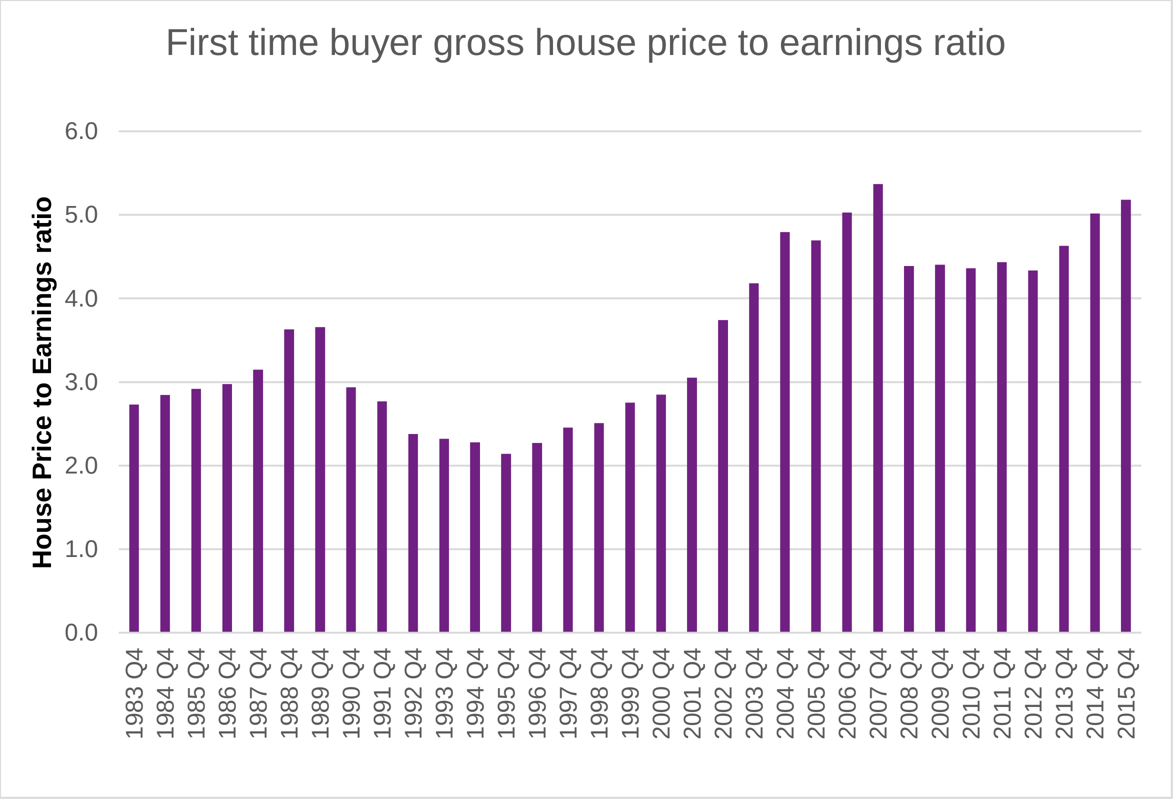
# UK population




Source: Office for National Statistics

**In twenty years** the UK population has increased **by over 14%**

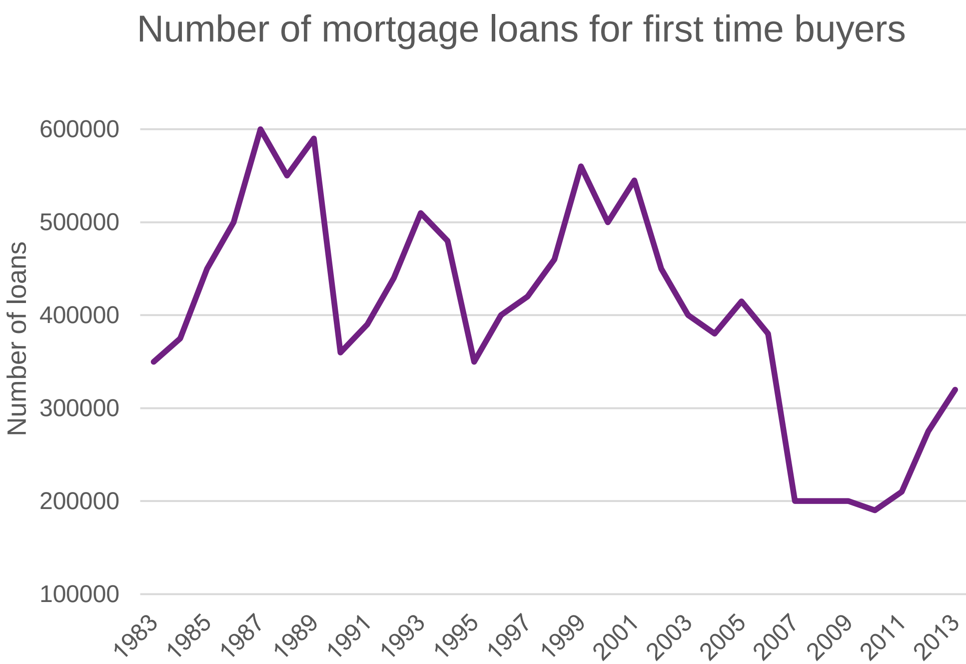
# House prices increase




Source: Nationwide house price index

The house price to earnings ratio has **almost doubled in** twenty years

# Declining numbers of first time buyers




Source: Council of mortgage lenders

**50% lower** in comparison to 1980s

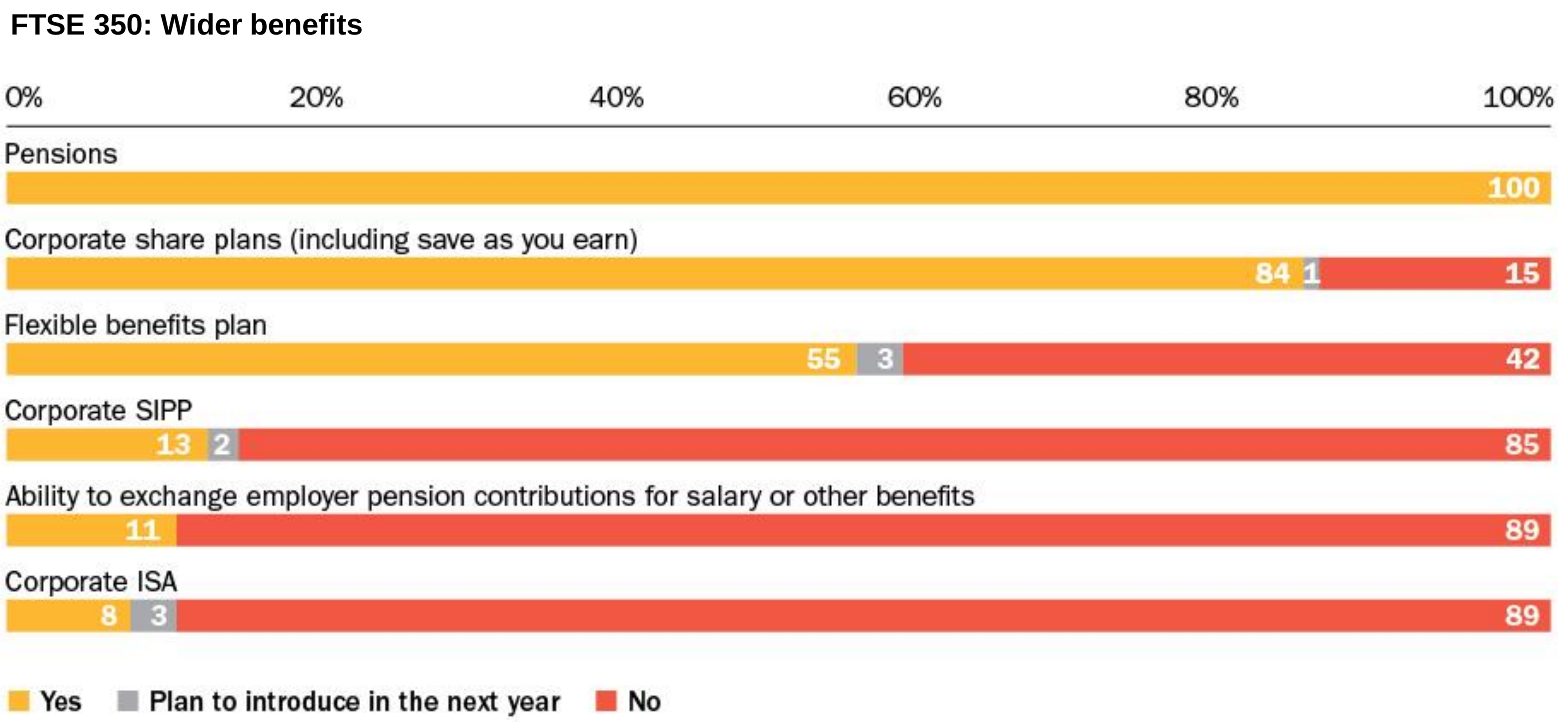
# What employees tell us are their top financial priorities

| Age 20-39 | Financial need |
|---|---|
| **1st** | • **Housing** |
| **2nd** | • General household costs |
| **3rd** | • General savings |
| **4th** | • Paying off debts |
| **5th** | • Leisure / other spending |

| Age 40+ | Financial need |
|---|---|
| **1st** | • General household costs |
| **2nd** | • **Saving for retirement** |
| **3rd** | • General savings |
| **4th** | • Housing |
| **5th** | • Paying off debts |

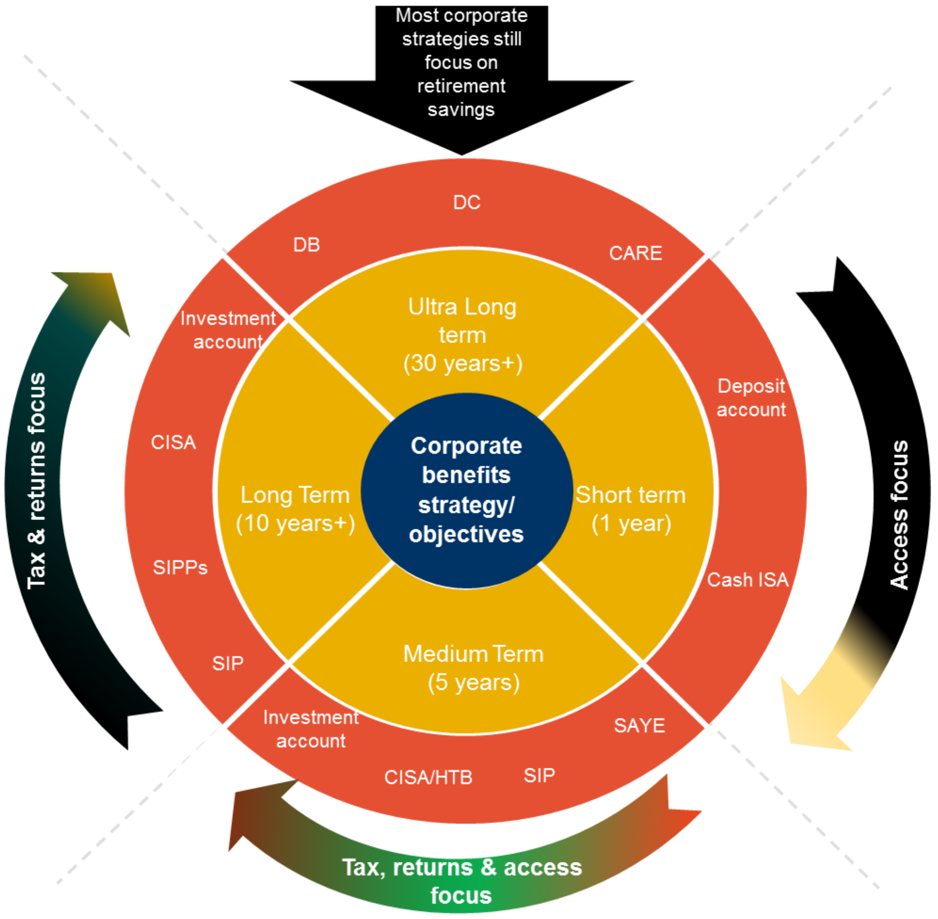
Source: Towers Watson 2013/14 Global Benefits Attitudes Survey

# DC as part of wider benefits




Source: Towers Watson FTSE 350 DC pension scheme survey 2015

# Complementing DC with alternative vehicles



# Summary

- **DC Delivery** – Commoditised and outsourced except for the largest employers
- **DC Design** – Minimal differentiator/auto-enrolment compliance
- **Costs** – Borne by members (rather than employers)
- **Focus** – Compliance rather than outcomes
- **Financial Priorities** – DC ranked low against other priorities for Generations Y and Z
- **So what does the future hold for employee benefit consultants and actuaries?**
- **Where can we add value?**

# And finally…

## Spring 2016 Budget – Pension tax regime change

## The death of pensions?