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Automatic enrolment of young people and future generations

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Automatic enrolment of young people and future generations

- How does AE affect millennials?
- What has been the impact on participation?
- What can millennials expect to get through AE, and the wider impact on workplace pensions?
- What might affect these outcomes, and how might they vary?

Automatic enrolment has increased participation in pension savings, especially among younger people

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Participation rate in 2012 (pre automatic enrolment) and in 2016 by age group

Age group	Participation rate in 2012	Participation rate in 2016	Change in participation
22-29	36%	72%	36%
30-39	54%	77%	23.4%
40-49	62%	81%	19%
50-SPa	62%	80%	18.1%

The range of possible fund values is larger under a scheme with higher contributions

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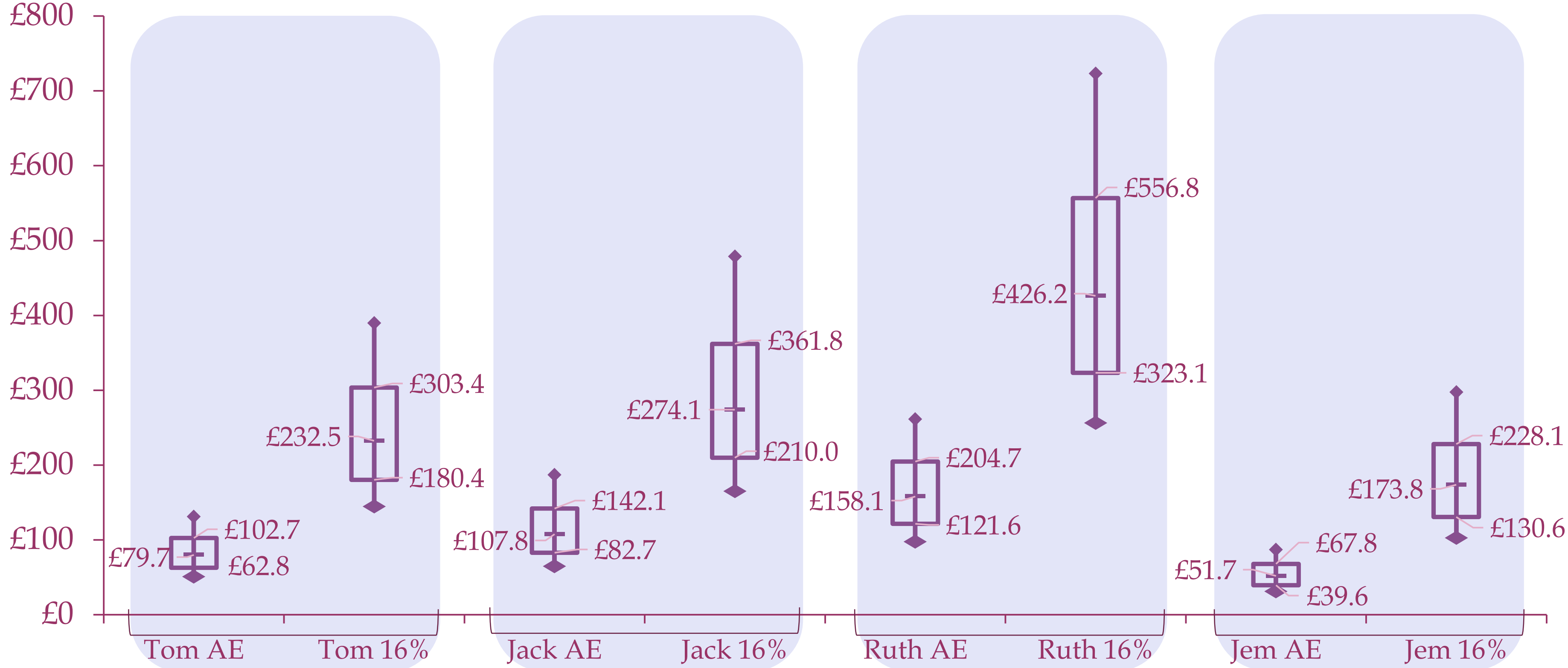
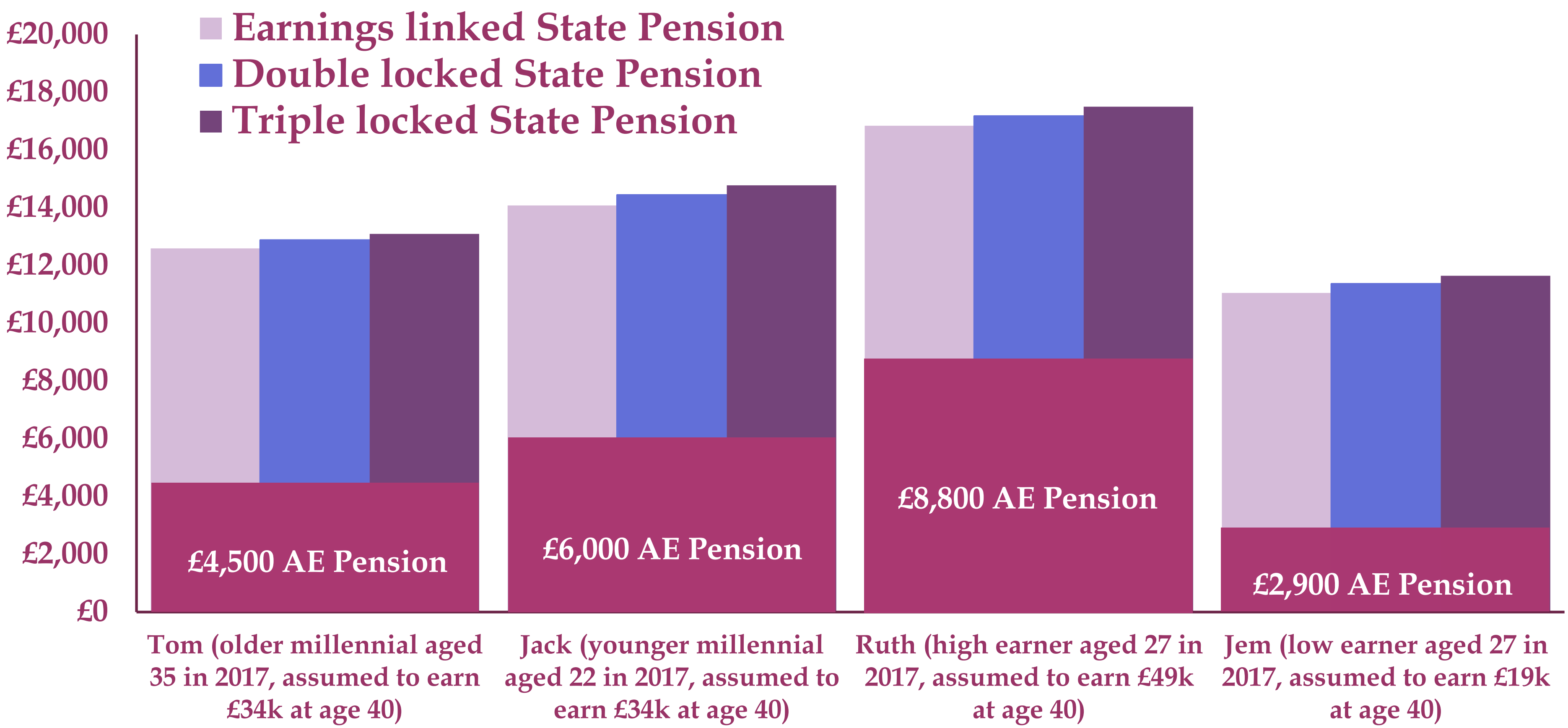
Distribution of outcomes of case studies saving under automatic enrolment minimum contributions, and generous DC pension scheme with 16% contributions

(£,000s in 2017 earnings terms, 75th percentile, median and 25th percentile results labelled. Results of 3,000 economic scenarios)



The triple lock has a proportionally larger impact on lower earning millennials than higher earners

Total annual income at retirement (in 2017 earnings terms) from private pension plus State Pension under differing State Pension upratings



Stopping saving before retirement can be significantly detrimental to retirement outcome

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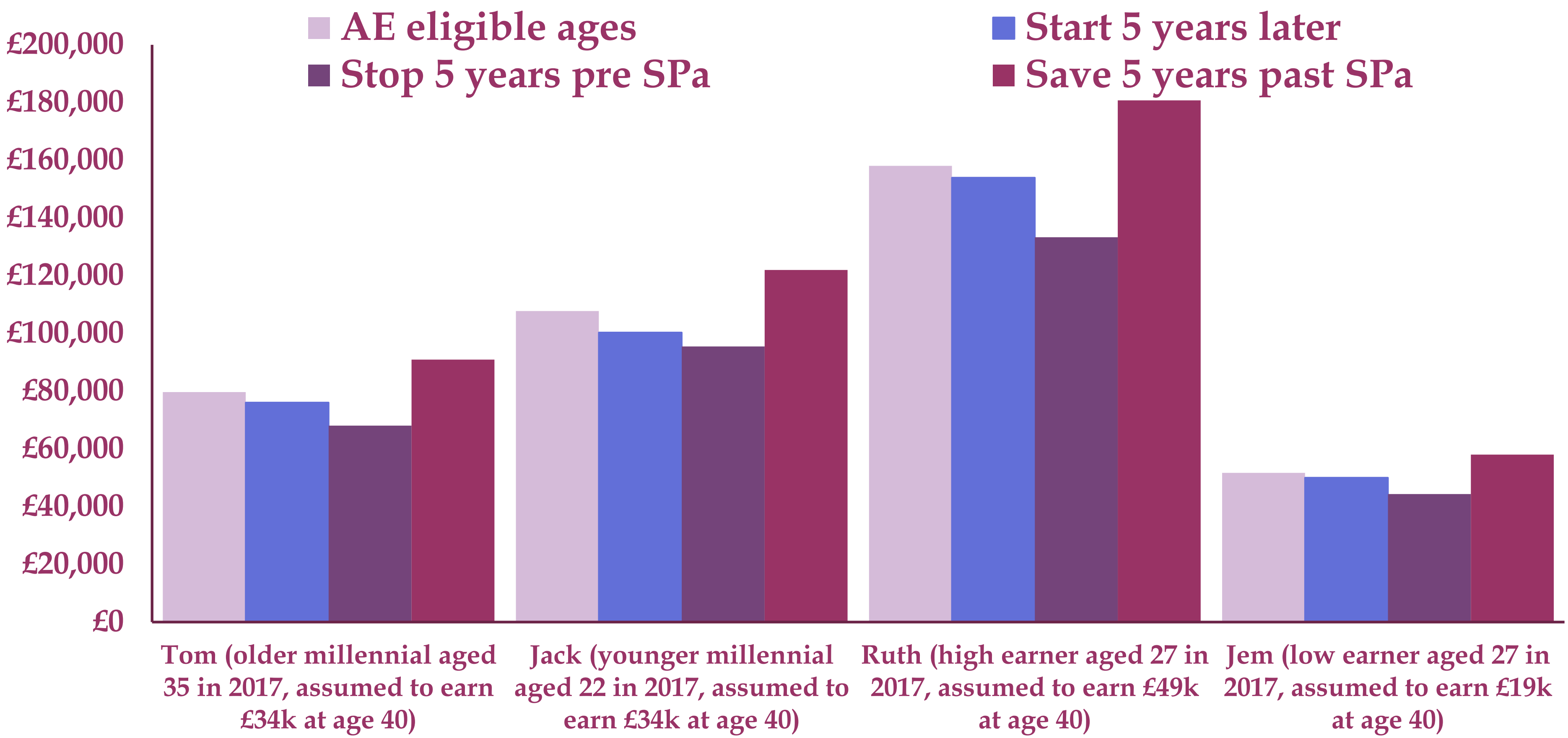
Median fund value at retirement (in 2017 earnings terms) from saving at auto-enrolment minimum, delaying starting for 5 years, stopping 5 years before SPa, saving 5 years after SPa



Removing lower limit on salary for contributions can have a significant impact on outcomes

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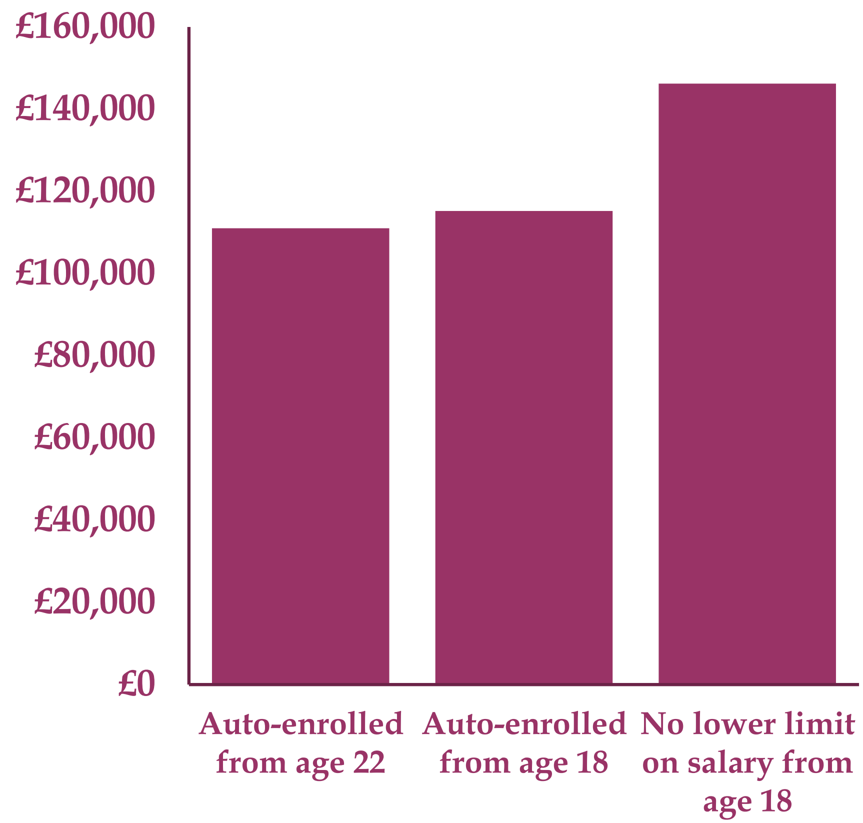
Impact of removing the lower limit on salary eligible for minimum AE contributions

Salary level	Band Salary	No Lower Limit	Difference
£10,000	£4,124	£10,000	142%
£15,000	£9,124	£15,000	64%
£20,000	£14,124	£20,000	42%
£25,000	£19,124	£25,000	31%
£30,000	£24,124	£30,000	24%
£35,000	£29,124	£35,000	20%
£40,000	£34,124	£40,000	17%
£45,000 +	£39,124	£45,000	15%

Pension fund at SPa of an 18 year old in 2018 under current and recommended AE policies (2017 earnings terms)



Long-term saving in a generous pension scheme could lead to pension pots over £1 million

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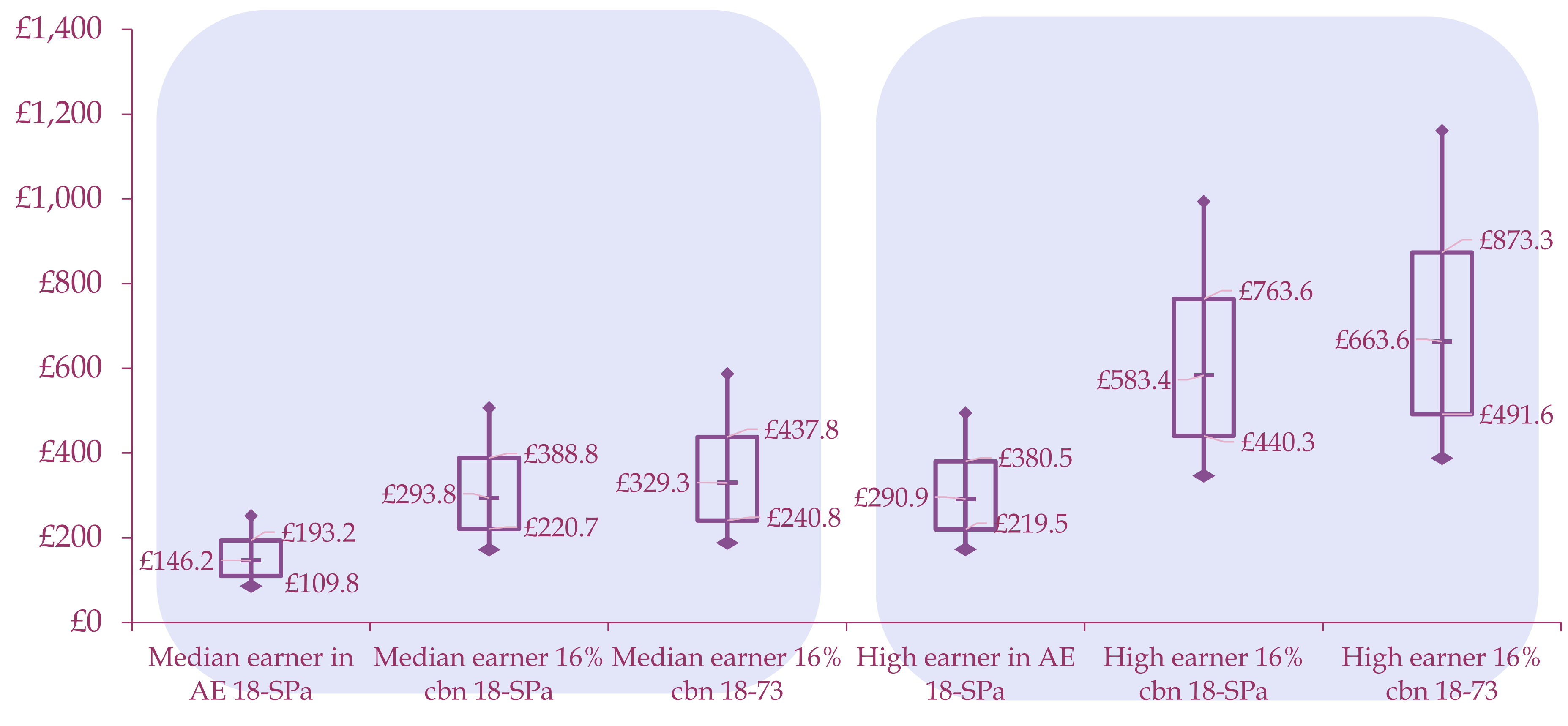
Distribution of outcomes of 18 year old median earner and 90th percentile earner saving under automatic enrolment minimum contributions (cbns), and generous DC pension scheme with 16% contributions

(£,000s in 2017 earnings terms, 75th percentile, median and 25th percentile results labelled. Results of 3,000 economic scenarios)



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Summary: Automatic enrolment of young people and future generations

(all figures in 2017 earnings terms)

- Millennials make up around 40% of the target group for automatic enrolment.
- Automatic enrolment has almost doubled the participation of 22 to 29 year olds in pension schemes.
- A 22 year old median earning man in 2017 may be able to achieve a pension fund of £108k under AE minimum contributions.
- Removing the triple lock on State Pensions could reduce the retirement income of a 22 year old low earner by 5%.
- A median earning 18 year old automatically enrolled under the AE Review recommendations, at age 18, with the lower earnings limit removed, could achieve a fund of £146k at their SPa, 32% higher than under the current AE policy.