



Press Release

For immediate release

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UK citizens receive the lowest net pension entitlement within the OECD

- The UK's mandatory pension provision is nearly half the OECD's average
- The UK's Net Replacement Rate has dropped by 9% since 2011
- To ensure the UK's pension provisions are on more of a par with the rest of the OECD, TISA is calling for auto enrolment minimum contributions to increase to 12%

The UK has the worst mandatory pension provision in comparison to the rest of the OECD, recent research by the OECD has found. The UK's Net Replacement Rate is just 28.4% compared to the OECD average of 58.6%. Turkey has the best mandatory provision at 93.8%. TISA is calling for auto enrolment contributions to increase to 12% of full salary, to ensure savers in the UK have a more adequate pension provision for later in life.

'Replacement rates' are often referred to in pensions as they represent the ratio of pension income to pre-retirement earnings. The net replacement rate (NPR) is a useful measure for individuals as it reflects disposable income in retirement in comparison to when working.

When voluntary schemes are included in the research, the UK fares better but is still well below the OECD average. The UK's NPR rises to 61% compared to an average of 65.4% across the OECD when auto enrolment minimum contributions are considered.

If auto enrolment minimum contributions were to increase to 12%, which is generally agreed industry-wide as an appropriate level, and based on the whole salary, the NPR would increase to 77%, giving individuals a lifestyle in retirement far more akin to when they were in work.

This contribution rate of 12% of total salary would rank the UK as 12th out of the 36 OECD countries, based on 2019 figures.

The industry understands the financial impacts that increases would place on employees and employers, especially in the current Covid-19 landscape. That is why TISA proposes incremental changes through a contribution escalation schedule spanning six years, following the implementation of the mid-2020 proposals agreed in the 2017 AE review. This will allow a period of several years for all parties impacted to prepare for the changes and for them to be implemented in a gradual way.

Renny Biggins, Head of Retirement, TISA commented on the research: *"If the UK is to continue in its progression to offer a truly world-class pension system then, other than making further enhancements to the state pension which we believe would not be palatable to Government or the public, we need to increase AE contribution levels to enable us to compare more favourably with our international peers. We believe an increase in minimum contribution rates to 12% of salary would just about achieve a balance between an inertia approach and the opportunity to achieve enhanced outcomes through engagement.*



“It is a collective Government and industry responsibility to ensure AE remains a success, relevant to a constantly changing backdrop of personal wealth, taxes and working patterns, and continues (in combination with state pension) to produce good consumer outcomes which are comparable with our international peers. We also recognise that it can realistically take several years for agreed proposals to make their way into legislation, which is why we call for a second official DWP AE review to take place no later than 2022 and for future statutory reviews to take place periodically.”

-ENDS-

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Notes for Editors

The Investing and Saving Alliance (TISA) is a unique, rapidly growing membership organisation for UK financial services.

Our ambition is to improve the financial wellbeing of all UK consumers. We do this by focusing the convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry**. We have **over 200-member firms involved in the supply and distribution of savings, investment products and associated services**, including the UK’s major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- TISA is recognised for the **expert technical support provided to members** on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **MiFID II, CASS, ESG/RSI, operational resilience, Cyber Risk, SM&CR** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAttech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and



innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings & Investment**. This reflects TISA’s commitment to open standards and independent governance.

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