

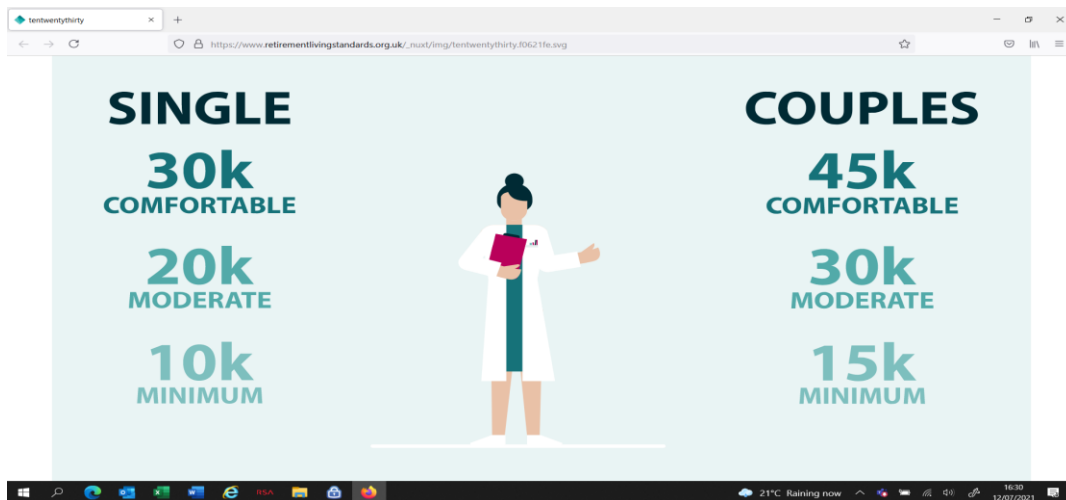
Retirement Living Standards

A member of the Pension Fund Committee identified an article on the PSLA's initiative called Retirement Living Standards. Its goal is to inform employees of the income that they will need in retirement and thereby to encourage participating in work-based pension arrangement. PSLA are encouraging pension funds and employers to use the lifestyle options in scheme communication to members, possibly incorporated into the annual benefit statements and comparing members projected benefits with the various lifestyle costs.

Officers are currently discussing with WYPF the possibility of using these projections in communications with members.

Background

The Retirement Living standards were developed by Loughborough University and set out three different levels of retirement lifestyles – minimum, moderate and comfortable – based on a basket of goods and services that are monitored and updated by researchers.



Roughly speaking, the research indicates that a single person will need about £10k a year to achieve the minimum living standard, £20k a year for moderate, and £30k a year for comfortable. Like 5-a-day, this can be briefly summarised as 10k-20k-30k. For couples, it's 15k-30k-45k.

By giving savers a general figure that they can understand, our hope is that savers can then start to develop their own personal targets based on their individual circumstances and aspirations.

PSLA have created a series of examples to show what kind of living standard different people could have in retirement depending on their salaries, household and savings. These can be found at:

<https://www.retirementlivingstandards.org.uk/>

PSLA hope that by 2025, 90% of active savers belonging to a pension scheme that uses the Retirement Living Standards in its member communications.

Comment

The purpose of encouraging scheme members to think about their retirement needs at any early age is supported. Whether this form of communication will encourage or discourage additional saving is debateable. For example, the target of £45,000 (pre or post tax?) may seem out of reach for many. On balance having a realistic expectation of when it is affordable to retire and the consequences should be beneficial. In conjunction with the pensions dashboard project that seeks to bring an overall picture of members retirement savings, it offers a useful guide to scheme members.