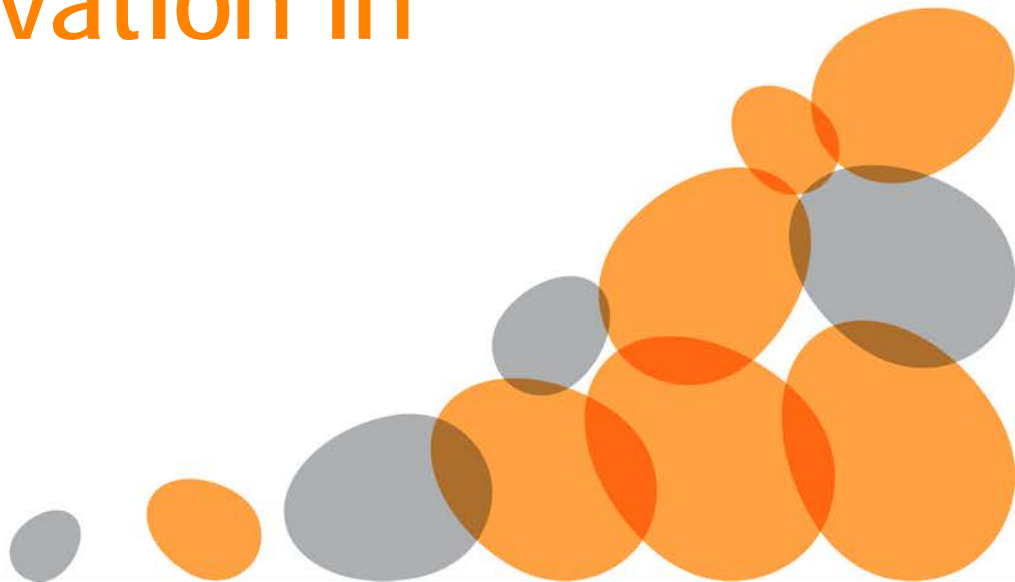




Behavioural innovation in UK pensions

Matthew Blakstad
NEST Insight unit



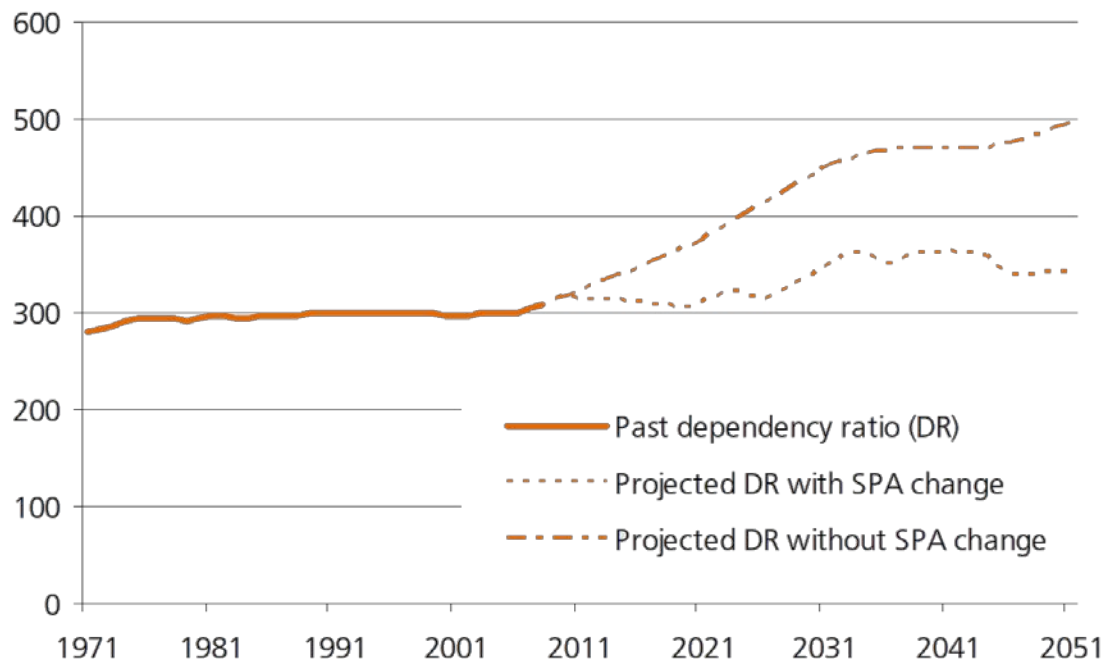
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Living longer and working less

Number of retired people per 1,000 people of working age

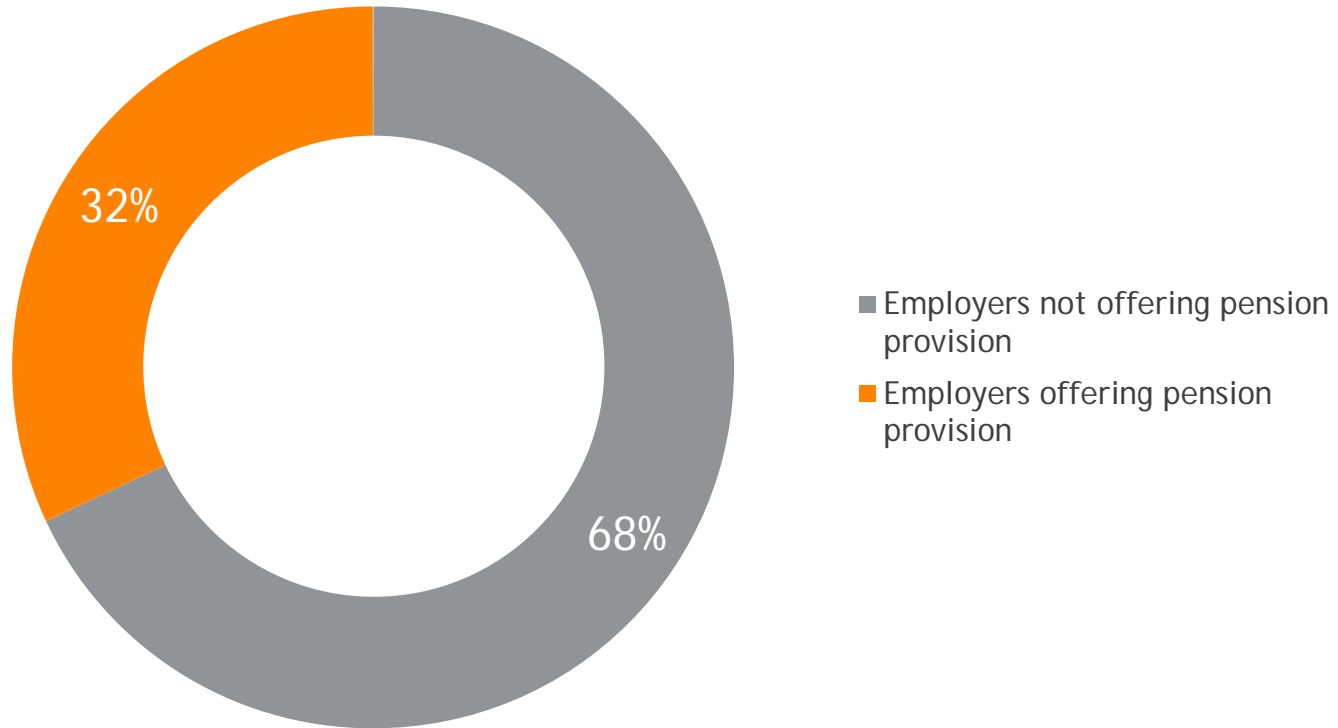


Notes:

1. OADR = old age dependency ratio. SPA = State Pension Age.
2. Working age population is defined as individuals aged 16 to SPA.
3. Ratios between 1971 and 2010 are based on mid-year population estimates. From 2011 onwards, ratios use 2010-based mid-year population projections.
4. SPA changes are those contained in the Pensions Acts 1995, 2007 and 2011. For the purposes of this analysis, the changes are applied to the UK population, but it should be noted that pensions in Northern Ireland are a devolved matter and legislation equivalent to the Pensions Act 2011 is still under discussion.

Source: Population estimates and 2008-based principal population projections, Office for National Statistics

'Pillar 2': private sector pensions pre-reform

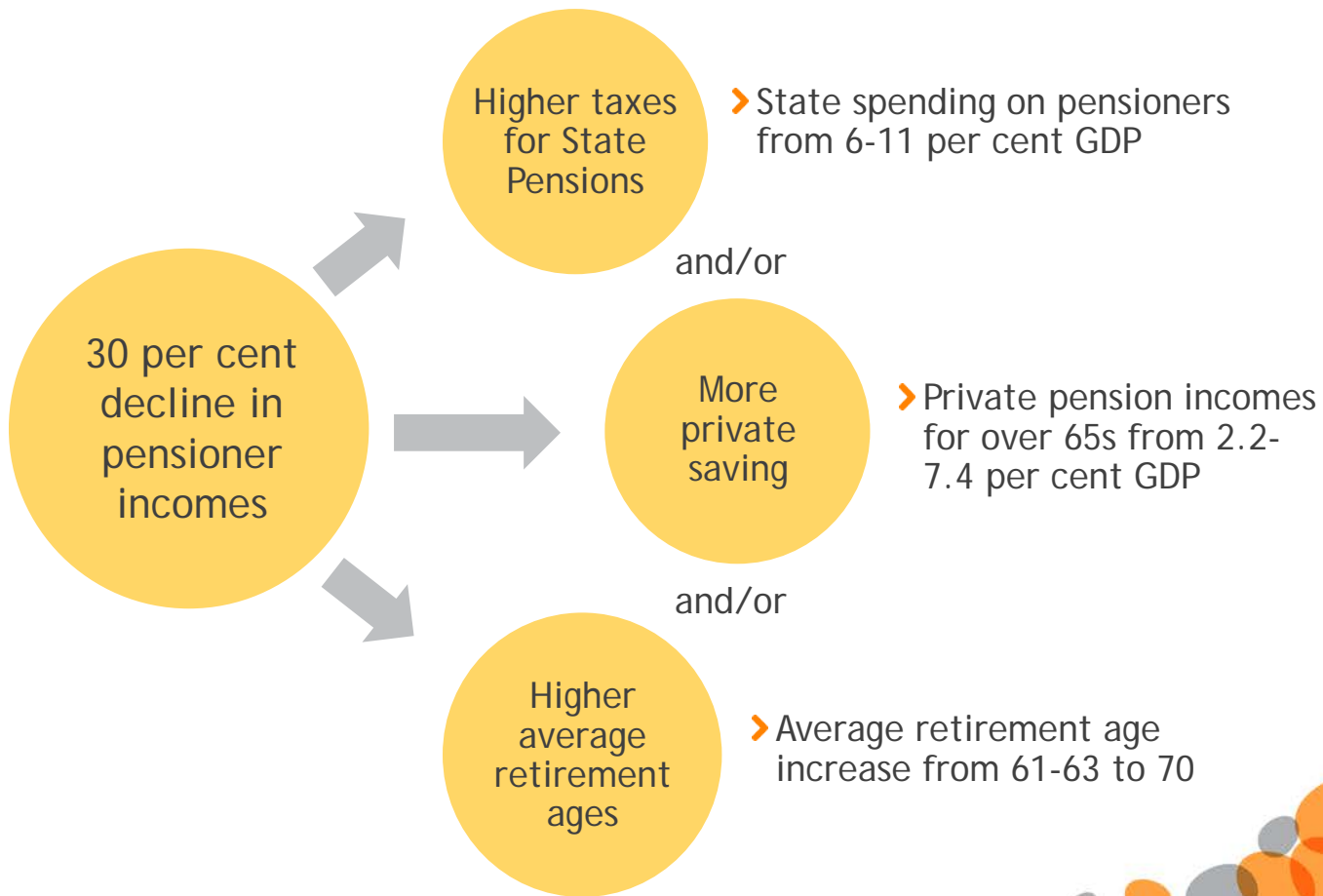


Source: *Employers' Pension Provision (EPP)*, April 2014, Department for Work and Pensions

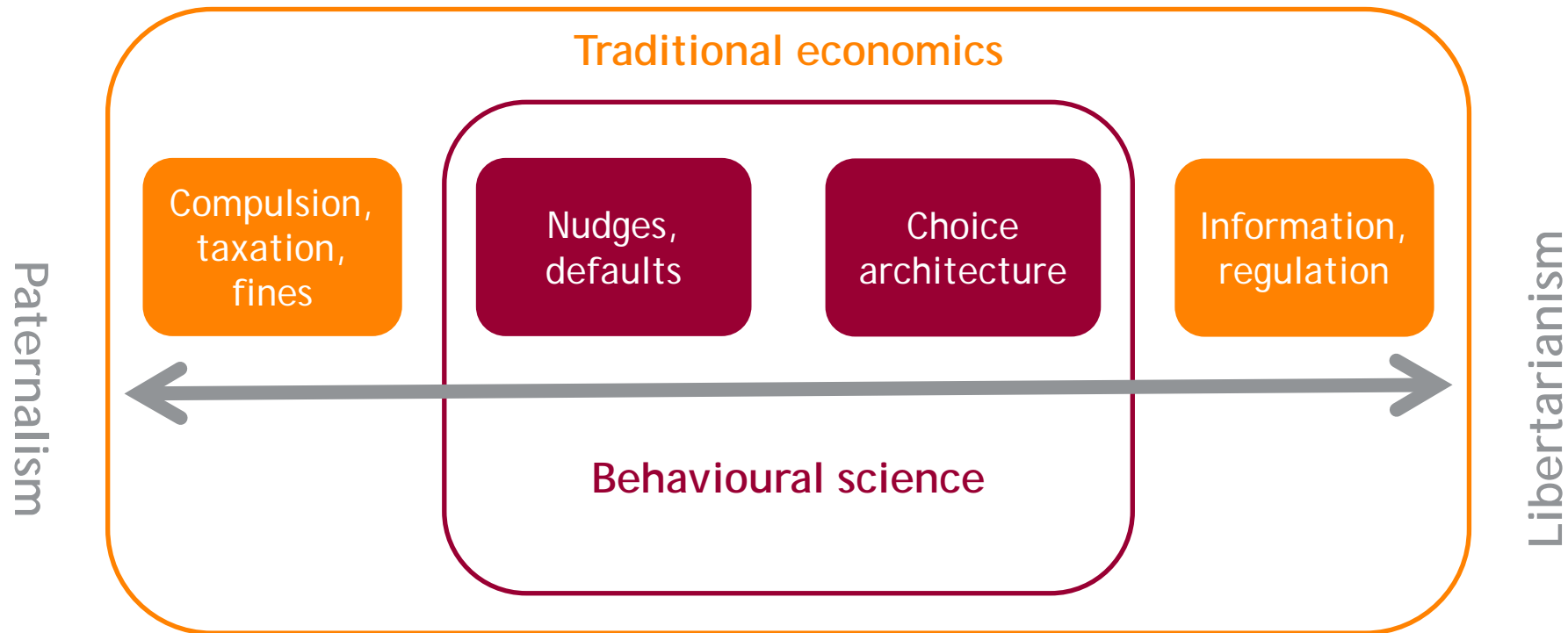


Unavoidable choices

In 2005 the Pensions Commission set out the choices facing UK policy makers



Changing behaviour – the spectrum



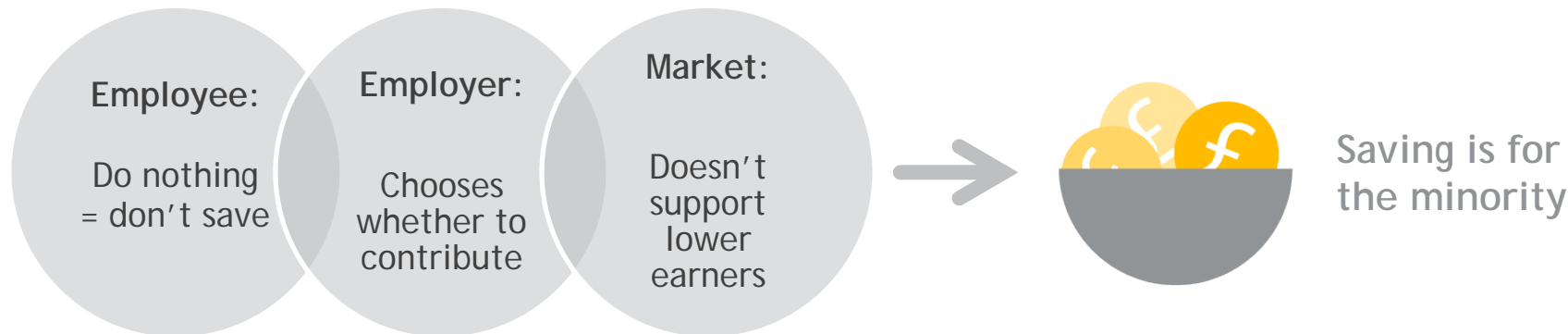
Applying behavioural insights to pensions

"Traditional" approach	Behavioural barriers	NEST approach
Incentivise and promote pension saving	Discounting, present bias, myopia, status quo bias, future self distance...	Automatic enrolment
Make members choose options	Bounded rationality	Well-governed defaults
The more options the better	The paradox of choice	Well-selected choices
Encourage people to save more	Procrastination	Phased contributions

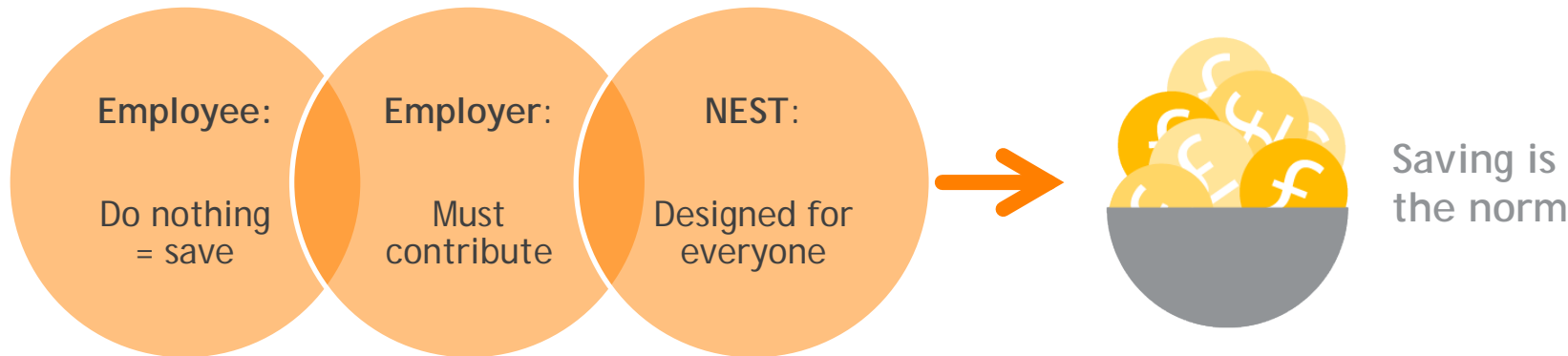


Auto enrolment - what's changed?

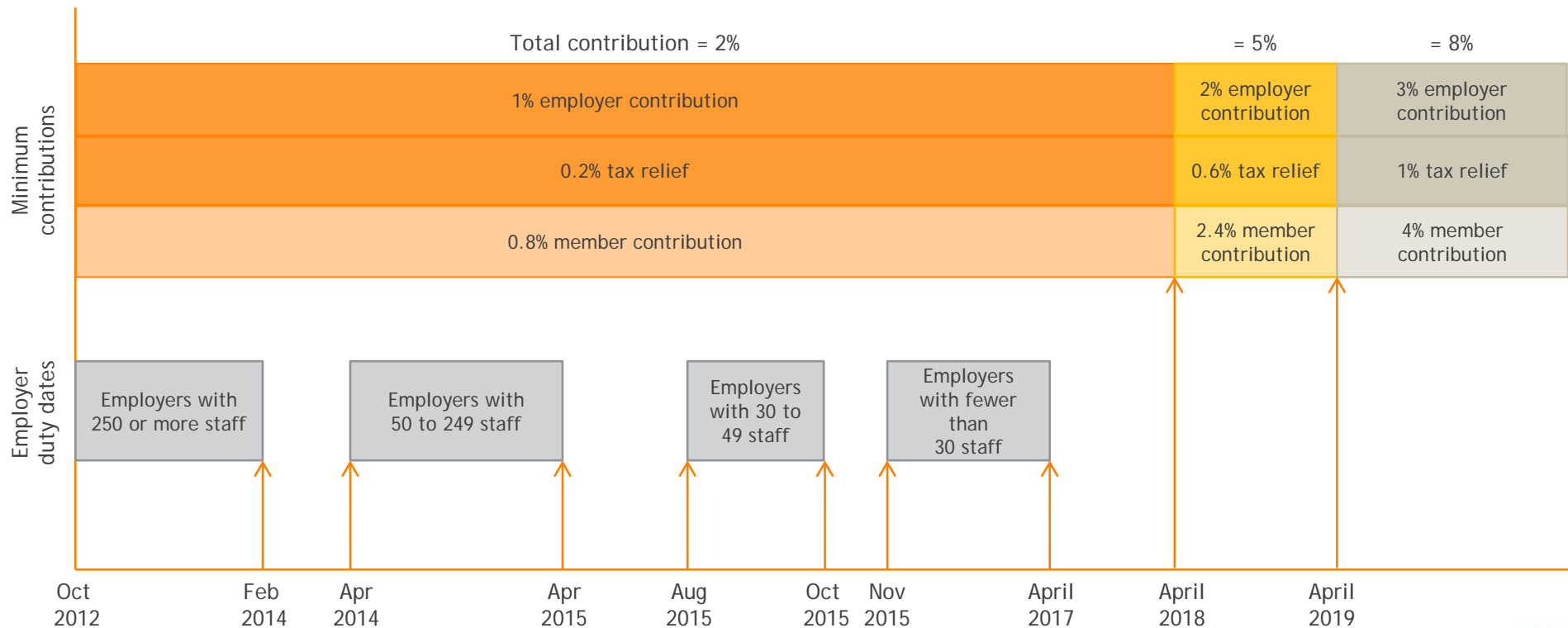
Before auto enrolment



After auto enrolment



Timetable: 'save more tomorrow'



Results so far

Over
9m
people enrolled

NEST has over
6.4m
members

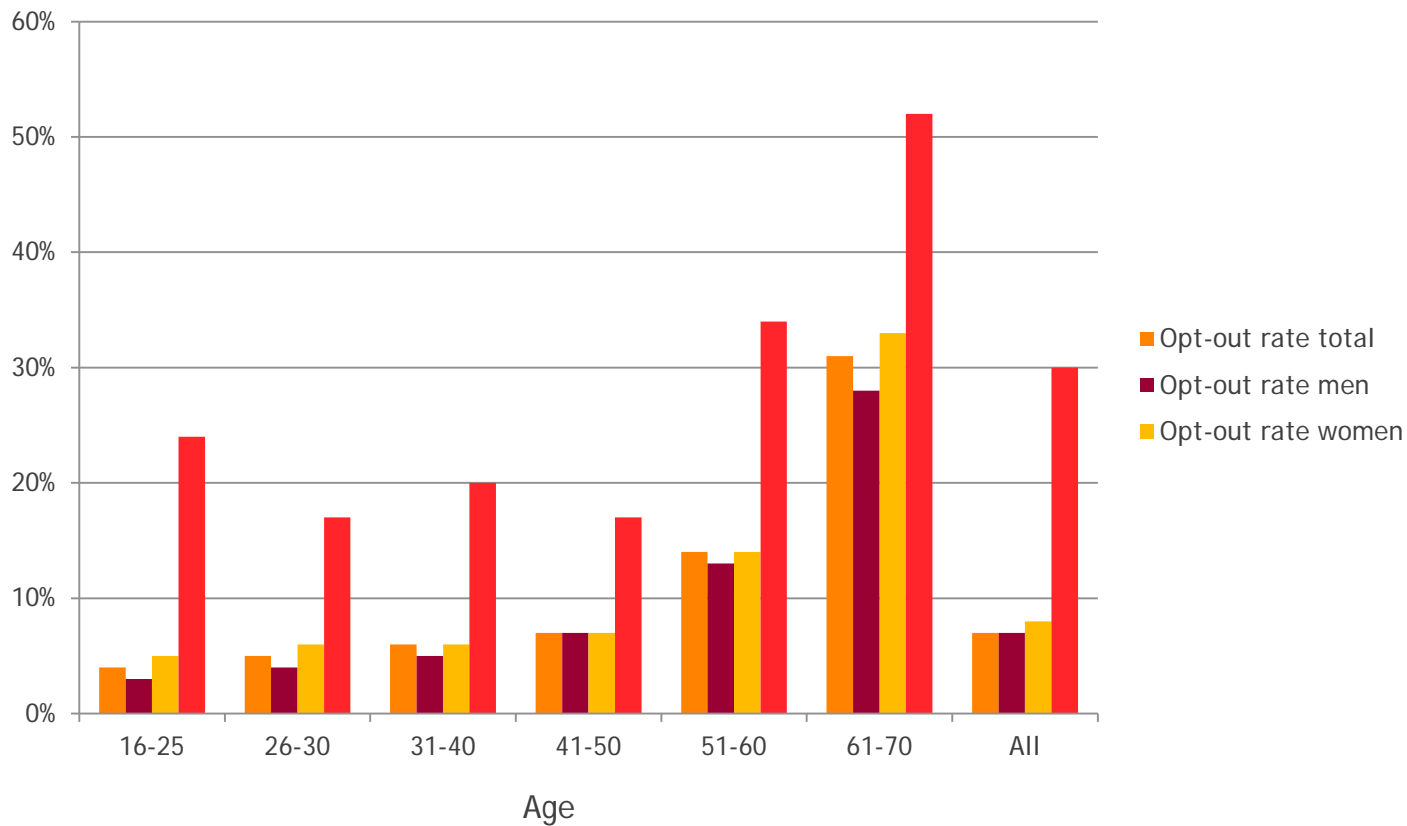
and over
£2.6bn
AUM

8%
opt-out rate

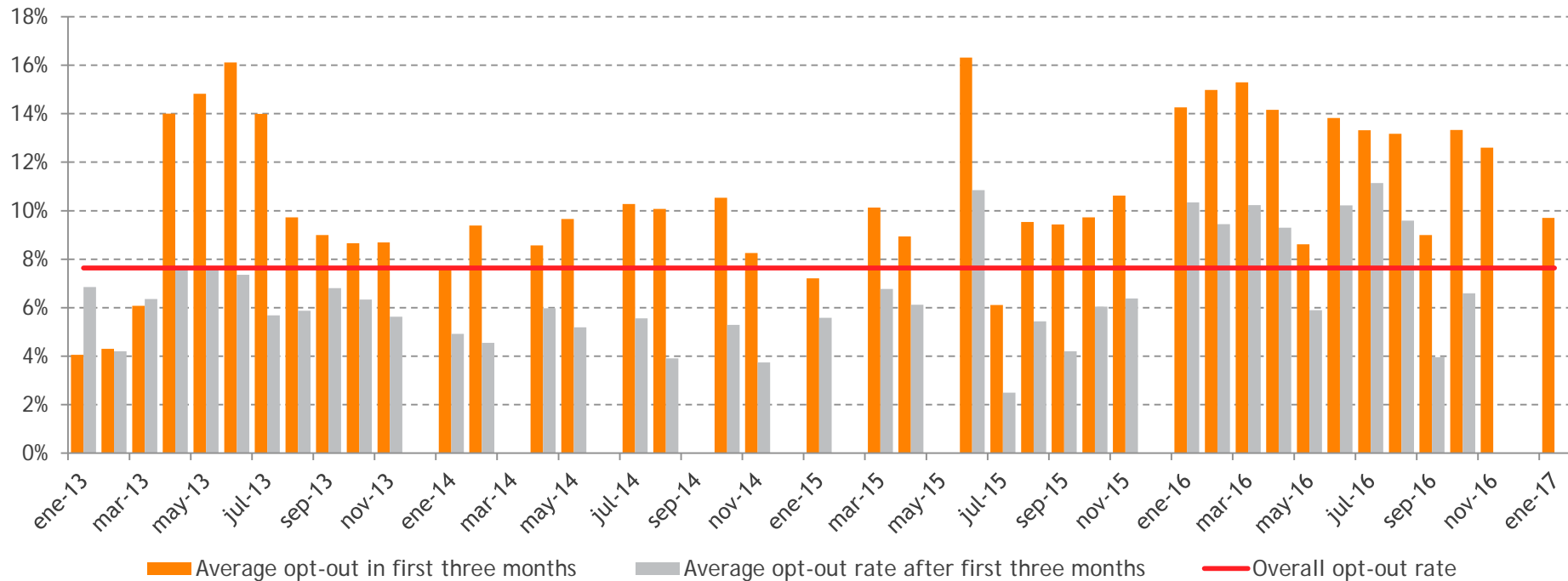
77%
think it's a good idea



Inertia: opt-out breakdown

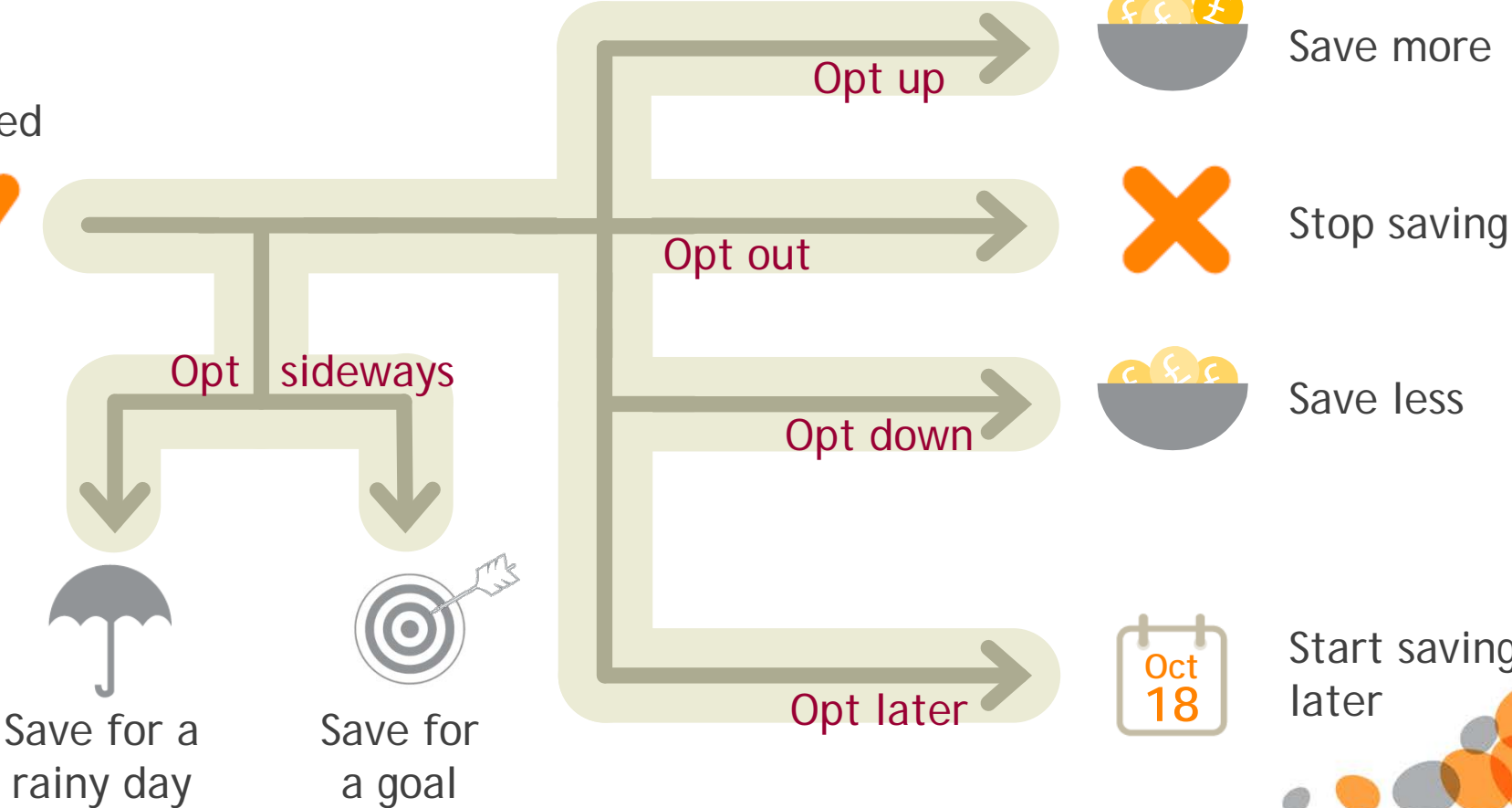


Opt-out by employer size and timing



Inertia: a better way to opt?

Enrolled

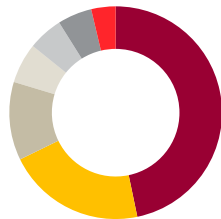


Investment: defaults and choice architecture

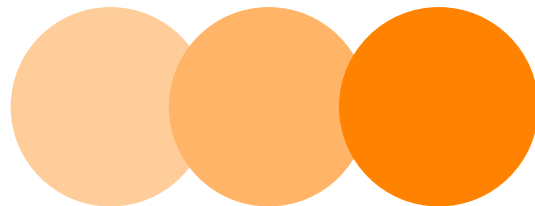
Strong defaults



Single year target date funds



Risk diversified



No mechanistic life-styling

Curated options

NEST Shariah
Fund

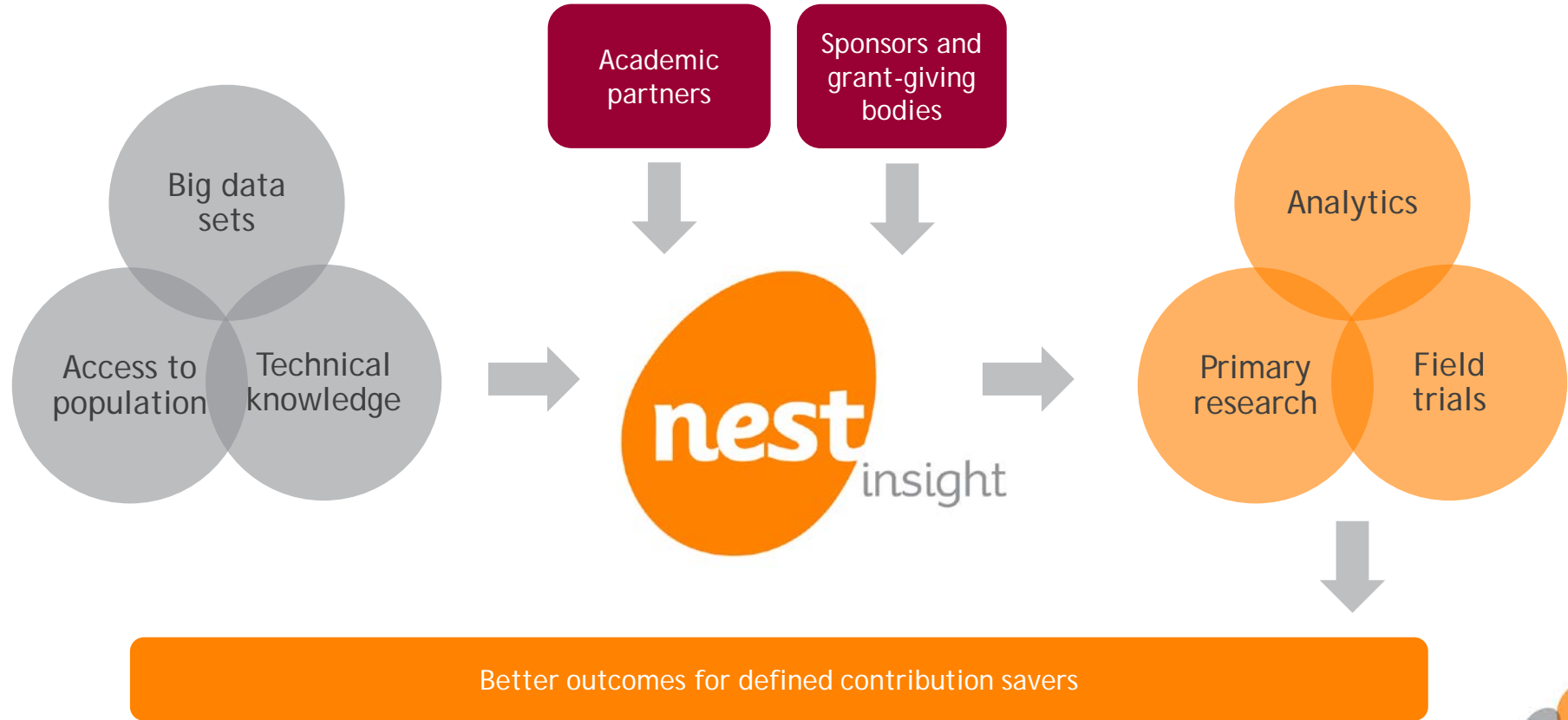
NEST Higher
Risk Fund

NEST Ethical
Fund

NEST Lower
Growth Fund

NEST Pre-
retirement Fund

NEST Insight

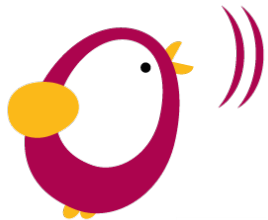


NEST Insight research themes

- Understanding and influencing members' behaviour in relation to their retirement saving
- Understanding the broader financial and social context of people's retirement saving and the influence that has on their retirement outcomes
- Identifying and sharing lessons from the experience of establishing NEST that could be relevant to a broader audience and encourage innovation in the sector



What next?



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