

Retirement adequacy and the reliance on responsibility

When it comes to retirement adequacy, who is responsible, or more precisely, who is primarily responsible, for its improvement? Who accepts that responsibility? The word 'responsibility', according to the dictionary definition is having a duty to do something and being accountable for the results of actions or decisions. But a less obvious, but equally important extension to this, is the acceptance of that duty. Without that acceptance, can anyone really be responsible?

From our wider research and analysis of the issue, there isn't a consensus answer amongst stakeholders. We surveyed 500 employers and there were mixed results. When asked who should be most responsible for individuals having an adequate income at retirement, 35% responded that employers should be most responsible, compared to 27% for providers, 20% for the government and 18% for the individual. This is backed by [research](#) by the Reward and Employee Benefits Association's (REBA) recent publication on retirement adequacy which had 56% of employers believing it's important for employers to help employees achieve retirement adequacy. However, there's growing demand for the government to enforce higher contribution requirements on employers, suggesting an expectation that the government should set the legislative limits for retirement adequacy. And amid all of this is a government looking to make the state pension more cost effective instead of more generous, and the provider market looking to make pension savings work harder and deliver more for individuals.

Our view is that employers are the key stakeholder that should accept this responsibility. They *need* to accept this responsibility in order for real and impactful change to occur. However, this comes at a time where employers are already burdened with many other challenges that the landscape of today presents. So, acceptance of responsibility is a balancing act. Our overall project over the coming years will equip employers with the means to effectively balance that responsibility alongside their other ongoing obligations.

[Our first publication in this project](#) focused on the slow decay of retirement adequacy over recent years, through both obvious and less obvious means. Not only is the expected level of benefits much lower for younger generations compared to older generations, but the risks incurred by members also provide greater uncertainty throughout their retirement journey. At the same time, the inequality gap is increasing within generations. This will lead to even worse outcomes at retirement for the most unfortunate.

It's easy to see that there's a retirement adequacy crisis. But before exploring how impactful change can revert this trend, it would be useful to look at each of the stakeholders at play and who is best equipped to be the driving force of positive change.

"Not only is the expected level of benefits much lower for younger generations compared to older generations, but the risks incurred by members also provide greater uncertainty throughout their retirement journey."

INTRODUCING THE STAKEHOLDERS

In our view, there are four key stakeholders, with differing roles within pensions, that all have a certain level of responsibility over the retirement adequacy crisis. They each have distinct characteristics that give them a unique part to play, as summarised below:

STAKEHOLDER	CHARACTERISTIC
Individual 	• Beneficiary. Is the primary benefactor of change. • Knowledge discrepancy. Has the greatest understanding of individual circumstances, but the least understanding of the complexities of pension arrangements. • Individual. Does not have scale that other stakeholders have.
Government 	• Controlling landscape. Decides the rules of which the pensions landscape operates. • Distracted. Has many other priorities that restrict focus on pensions, and in many areas conflicting with pensions. • Changing. The running of the government may change with elections, bringing in different demands and priorities accordingly.
Provider 	• Operator. Provides the key vehicle for retirement savings for individuals. • Expertise and innovation. Uses vast expertise to develop better products for individuals • Continuity. Maintains engagement/service with individuals throughout their lives.
Employer 	• Centrepiece. Connects provider products to employees to save into their pensions. • Legacy. Employers may pre-date many pension providers and fully understand the legacy of their pension offering, and overall relationship, with their employees. • Wider priorities. Primary aims are to achieve strategic business objectives.

IMAGINE A WORLD OF INACTION...

What would the UK look like if the retirement adequacy issue continued to be ignored, and the negative trends continued? What impact will poor retirement outcomes have, where pensions poverty is the norm not the exception? A few areas that stand out are:

- **Societal** – increasing concerns over welfare in retirement, poor quality of life and increasing reliance on the government to provide an increasing level of support to pensioners to meet basic standards of living.
- **Individual** – poorer retirement outcomes meaning less expendable income at retirement, leading to less wealth passing down generations.
- **Economic** – mixed impact of considerations, both on employer-side (such as lower productivity and restrictions on personnel planning) to economy-side (lower growth due to less consumer spending).

There are of course more areas to this, but the summary is: this doesn't present a great scenario so avoiding this may be seen as a key priority for all stakeholders.

WHO SHOULD TAKE LEADING RESPONSIBILITY?

We've established a need to make positive change, for the better of all stakeholders in the UK. But who needs to take the lead on this change, embrace that responsibility? As stated earlier, we believe this lies on employers. But it's worth considering why other stakeholders should take secondary roles. Looking at each in turn:

 Whilst the **individual** is the main beneficiary of any change, their ability to bring positive, meaningful change by themselves is fairly restricted. There's a need for many individuals to focus on the immediate challenges of today as opposed to the future challenges of retirement, which may seem far away. The pensions knowledge deficit also puts most individuals as the least capable to understand what they would need for their retirement.

 **Providers** have various influence to create pensions solutions that best optimise member outcomes.

Take a look at the DC market today compared to 5-10 years ago; innovation has created solutions that provide much better value for every pound saved for members. And this may continue with the introduction of new solutions such as longevity protection in default strategies, or through collectively sharing risk in a collective defined contribution (CDC) scheme. But there is a big limitation for providers; they can only optimise how hard pension savings work, instead of increasing coverage and the level of pension savings. It's hard to put them in position to have primary responsibility.

 The **government** currently has significant spend on pensions through the state pension, and this is further increasing through the triple lock, increasing longevity and a tilt towards an aging demographic. There are other priorities for the government to deal with, and from recent history their main activity in pensions is to either create the framework for providers to innovate (as above), or to legislatively place increasing burden on employers to meet any challenges (eg expanding auto-enrolment criteria).

 The **employer** therefore must be the primary stakeholder, and fundamentally serve an important role of connecting all the other stakeholders together.

Individuals will only be able to maximise their pensions in the vehicle that the employer provides for them. Providers rely on employers to effectively engage their employees about pensions. For the government, employers are the means of providing retirement savings that go beyond the safety cap of the state pension. This places the employer at the centre of all retirement adequacy conversations, and in our view, primarily responsible for solving the retirement adequacy crisis.

WHY SHOULD EMPLOYERS ACCEPT THIS RESPONSIBILITY?

From the perspective of employers, the obvious question that arises is: why should they bear this responsibility? The current landscape is increasingly difficult for employers. Combination of a lagging economy and increasing reliance from government for employers to meet fiscal shortfalls, why add another burden to that increasing list? Elaborating further on this:

- a.** Employers have limited budgets and any resource allocated to retirement provision is competing with other employee benefit resources, such as salary, which may have greater immediate appreciation by employees.
- b.** With increasing workforce mobility, employees are working, on average, for a shorter amount of time for any individual employer. Why should employers care about providing for an adequate retirement, when many employees will have the majority of their savings for retirement accrued working elsewhere?
- c.** Pension savings form a key part of savings for retirement, but in today's world, other savings and assets are increasingly used for retirement, which employers don't have oversight of.

We've already mentioned what a world of inaction would look like above. But for employers, these risks are further amplified and directly contradict what their wider long-term objectives may be. For example:

- What do business objectives look like with widespread poverty in retirement? Pensioners are a key part of the economy, and lower pensioner spending along with a growing pensioner population could limit or even reduce economic growth.
- What is the impact of rising financial stress amongst employees, notably those close to thinking about their retirement prospects, when they can't afford to retire? Restricted personnel planning is a clear downside, but an intangible impact is the loss of productivity that rising stress in the workforce may have.

We believe we won't see this world, in large part due to an expectation of government intervention before this world comes to fruition. The recent launch of the Pensions Commission is a first step into a wider understanding of the retirement adequacy crisis.

What would employers rather have: a mandated, one-size fits-all approach levied by the government that potentially ignores employer specific characteristics? Or, a voluntary and comprehensive approach by employers to making positive strides to tackling the crisis, in a way that fits the specific requirements of their employees? Our strong belief is the latter, which inspires our overall project to equip employers on this journey.

Overall, this responsibility can be seen as an extension of an employer's social contract. Employers are at the centre of the UK, provide the vast majority of employment opportunities and are a cornerstone of society. The ability for employers to react and pivot to crises in the past has led us to where we are today. We believe that the retirement adequacy crisis is one of the big challenges of the future, and will require that same commitment from employers to address.

PIECING IT ALL TOGETHER...

On the one hand we have an impending retirement adequacy crisis, that is accepted and needs remedial action. On the other, we understand that employers are best placed to solve this crisis. This is backed by employer's own views of their responsibility. Recent [research](#) from Aviva shows that with 85% of employers feel responsible for ensuring employees save for an adequate retirement. Regardless of which way you look at it, there's a clear responsibility for employers to take action. So, what does that mean for employers today? And what strategies and tools will enable this positive change?

There are various pieces of the puzzle still to be explored for employers to have the complete picture. And to understand how to reverse the negative trend of retirement outcomes, we'll need to explore how retirement itself is evolving, which will be covered in our next publication.

To discuss any of this in more detail, please [get in touch](#).



MARK STANSFIELD

Actuarial Consultant

✉ mark.stansfield@hymans.co.uk

☎ 0121 210 4376

London | Birmingham | Glasgow | Edinburgh

T 020 7082 6000 | www.hymans.co.uk

This communication has been compiled by Hymans Robertson LLP® (HR) as a general information summary and is based on its understanding of events as at the date of publication, which may be subject to change. It is not to be relied upon for investment or financial decisions and is not a substitute for professional advice (including for legal, investment or tax advice) on specific circumstances.

HR accepts no liability for errors or omissions or reliance on any statement or opinion. Where we have relied upon data provided by third parties, reasonable care has been taken to assess its accuracy however we provide no guarantee and accept no liability in respect of any errors made by any third party.

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

© Hymans Robertson LLP 2025. All rights reserved.

