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**PENSION 'BET' ON STOCK MARKET HAS FAILED, WARNS ROS ALTMANN**

- Dr Altmann's report, sponsored by MetLife, calls for new approach to retirement saving
- One in three people close to retirement believe they've wasted money by investing in a pension, research shows

The credit crisis has "hugely damaged" the UK's pensions system leaving retirement savers disillusioned and destroying the "old idea" that stock market investment will always deliver generous pensions, independent pensions expert Dr Ros Altmann warns.

Dr Altmann, a former Government adviser and investment banker, says in her report **Planning for Retirement: You're On Your Own** sponsored by MetLife Europe Limited (MetLife), that policymakers "never seriously entertained" the idea that stock markets might not deliver strong returns and good levels of retirement income over the long-term.

Research\* from MetLife for the report shows 32% of those who are five years from retirement are either unhappy with their pension or feel they wasted their money by investing. Around 54% say their pensions will fall short of expectations and are worried about their retirement income.

The report argues that the "bet on equities" has allowed Governments to cut the State Pension to low levels and to shift responsibility to employers only for employers in turn to cut pension provision as Government regulation and policy changes increased their costs.

Stock market returns over the past 10 years have however averaged just 1.2%<sup>1</sup> compared with 16.1% in the previous 10 years with the result that “millions are facing an impoverished old age” due to the entire UK pensions system being based on a bet on shares.

The credit crunch has piled on the pain – a man retiring now is 27% worse off or around £20 a week on a £50,000 pension fund than someone retiring last year\*\* due to the effects of stock market volatility and the Bank of England’s quantitative easing policy on annuity rates.

MetLife research\* shows the credit crisis has knocked confidence in stock market investing for pensions among the wider population – 65% of all adults now feel less confident in pension investing with just 9% believing the stock market is a sound long-term investment.

Dr Altmann stresses that private pension income is vital to enable savers to avoid poverty in later life and calls in the report for new approaches to pension saving. Potential solutions include insured pensions or unit-linked guarantees which provide guarantees in return for a premium.

She said: “Essentially the entire UK pensions system has been based on a bet that equities would always do well enough over the long-term to deliver reliably good pensions.

“The old idea that stock markets can always be relied on to deliver strong returns has left millions facing an impoverished old age. It is therefore important that people understand what risks and costs have now passed from employers on to their own shoulders.

“As both State and employer pension provision decline the importance of individual long-term savings increases. People will be increasingly on their own to cope with both the costs and the risks. Not everyone who is saving for their retirement is aware of the risks of poor equity market or investment returns.”

Dominic Grinstead, Strategic Development and Marketing Director of MetLife’s UK Retirement & Savings business, said: “Retirement savings is at a crossroads and the need for new approaches is clear. Dr Altmann’s report is an important contribution to the debate on the future of UK pension provision and MetLife is committed to playing its part.”

The report highlights the pension insurance option – unit-linked guarantees – which have been launched recently in the UK by firms such as MetLife. They offer peace of mind by guaranteeing income and enabling savers to benefit from market upturns while limiting risk and providing death benefits.

Dr Altmann said: “Everyone who lives in a house knows that they face the risk of burglary, fire or flood. If you cannot afford to lose much of your pension savings you can now consider insuring against this eventuality.”

Research for the report shows 43% of people would like the idea of being able to pay for some insurance against losing money in the stock market and that this would make them more confident.

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### **Notes to Editors**

<sup>1</sup> FTSE All share index fact sheet - 2009

\* MetLife analysis

\*\* Research conducted online among 1,000 UK adults aged between 55 and 64 between March 13<sup>th</sup> and 27<sup>th</sup> 2009 and among 1,183 UK adults aged 18+ between March 13<sup>th</sup> and 20<sup>th</sup> 2009 by Research Plus

### **Dr Ros Altmann**

Ros Altmann is an independent expert on pensions policy, investment banking, savings and retirement. Her policy advisory work specialises in pensions and investment-related issues. She was a consultant to the UK Treasury on the Myners Review of Institutional Investment and has worked on pensions policy issues with the Number 10 Policy Unit. Ros has first class honours degree in Economics from University College London, a Ph.D. degree in Economics from LSE and was a Kennedy Scholar at Harvard. She is a Non-Executive Director and a Governor of LSE and Chair of its Investment Committee. She is also a Governor of the Pensions Policy Institute, a trustee of the Age Employment Network and a member of the Lord Chancellor’s Strategic Investment Board.

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