

## International Private Pension Systems Conference Law and Practice

### Regulatory Clarity Encourages Successful Retirement Savings

**Stephanie Ortvals-Tibbs, Director, ICI Media Relations:** Can you talk about some of the key takeaways that you shared about the US experience over the past 10 years, since the country modernised its system?

**Dennis Simmons, Principal, Global Retirement Savings Policy, Vanguard International:** It's fair to say that the US defined contributions system is more mature. It is 20 years in the rearview mirror and those 20 years have shown what happens when the legislatures and policymakers work together with the industry and give it a tailwind.

There are a number of initiatives that I talked about: automatic enrolment, automatic escalation, target date default funds, robo-advice or advice to individuals. Those things were happening, but then you had some regulation and legislation that gave a seal of approval, and companies and the industry started to really ramp that up. So we've seen those types of features really take off in the United States and in addition to that, I think it's had an interesting signalling effect for other parts of the globe.

**Ortvals-Tibbs:** It really is amazing, too, when you look at some of the statistics that you were showing, about how much that can improve people's retirement savings picture.

**Simmons:** Individuals are going to have to start saving in workplace plans. There was a lot of discussion this morning from some of the academics about Pillar Three and the importance of individuals starting to save on their own. There is no question that those parts of the pie are starting to become much more important.

**Ortvals-Tibbs:** The last interesting thing was to see how engaged the audience was after you made your presentation—there were a lot of questions. What did you think were some of the most interesting themes among those questions?

**Simmons:** Notably, I think people really are interested in the *how*. How did these things develop? How did, practically speaking, things get implemented? I talked a lot about tax incentives and that Congress put tax incentives in the US system. And there was a great question around the idea that tax incentives may not work in different regions where individuals aren't paying taxes. So then, in that case, what are some of the other incentives? We talked a lot about behavioural aspects and the notion of people being "nudged." Using automatic enrolment or inertia to get people saving probably is more powerful than a dollar figure.

But other incentives exist. I thought it was very interesting that the audience was really trying to roll up their sleeves and understand how some of these things get implemented.

**Ortbals-Tibbs:** You can understand why they're looking at the *how*, because look at what fund companies like yours have been able to do—the amount of savings that fund companies have been able to spur by taking advantage of [the regulatory clarity they got 10 years ago](#) to give people other choices. You really ultimately see that playing out with significantly bigger pension pots in the end.

**Simmons:** It's not a question *whether* systems have to change, it's *when* and *how* will they change. I think we're seeing a lot more engagement, and this inevitability that individuals are going to need the tools to save on their own. They're going to need the ability to save on their own, and having policymakers get together to share best practices is a very positive development.