

Department for Work and Pensions

Research Report No 370

Public attitudes to personal accounts: Report of a qualitative study

Suzanne Hall, Nick Pettigrew and Paul Harvey

A report of research carried out by Ipsos MORI Social Research Institute on behalf of the Department for Work and Pensions

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First Published 2006.

ISBN 1 84712 052 0

ISBN13 978 1 84712 052 6

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Printed by Corporate Document Services.

Contents

Acknowledgements	v
The Authors	vi
Summary	1
1 Introduction	9
1.1 Research background	9
1.2 Study objectives	10
1.3 Methodology	10
1.4 Research design	11
1.5 Report outline	12
1.5.1 <i>Definitions, presentation and interpretations of data</i>	13
2 Understanding the context	15
2.1 Attitudes to saving for retirement	16
2.2 The pensions debate	19
3 Overall attitudes to personal accounts	21
3.1 Perceived need for personal accounts	22
3.2 Spontaneous attitudes towards automatic enrolment	23
3.3 Automatic enrolment – in more detail	24
3.4 Age of automatic enrolment	25
3.5 The lower income threshold	26
3.6 Opting out	26
3.7 Who might choose to opt out	27
3.8 Re-enrolment	28
3.9 State pensions, personal accounts and affordability	29
3.10 Voluntary joining	30

4	Views on contributions and features of personal accounts	33
4.1	Contribution rates	35
4.1.1	<i>Employee contribution</i>	36
4.1.2	<i>Employer contribution</i>	37
4.1.3	<i>State contribution</i>	39
4.1.4	<i>Views on contribution levels proposed by the Pensions Commission</i>	40
4.2	Liquidity before retirement	41
4.3	Portability	43
4.4	Views on having a choice of provider	44
4.5	Views on having fund choices	45
4.6	Guarantees	46
4.7	The lifestyle default fund	49
5	Management and administration	51
5.1	Responsibility for overseeing personal accounts	52
5.2	Communicating the Government's role	54
5.3	Ways of implementing personal accounts	55
5.3.1	<i>The central clearing house</i>	55
5.3.2	<i>Pensions Commission proposal for an NPSS</i>	56
5.4	Making contributions	56
5.5	Management charges	58
6	The Decumulation Phase	59
6.1	Pension age	60
6.2	Annuities	61
6.3	Death before drawing a pension	63
7	Communication	65
7.1	Information style	65
7.2	Communicating the message	67
Appendix A	Screening tools	69
Appendix B	Topic guides	85
Appendix C	Prompt materials	111

Acknowledgements

We would like to thank all the participants who took part in the research both for the time they gave and for the openness with which they expressed their views. We would also like to thank the analytical and policy teams at the Department for Work and Pensions, especially our research managers Zoey Breuer and Andrea Garman, for their help, input and advice throughout the study.

At Ipsos MORI we would like to thank all members of the research team in the Social Research Institute who recruited and interviewed participants across Britain and assisted with administrative tasks.

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Summary

Background, objectives and methodology

- This summary contains findings from qualitative research carried out among the general public into the concept of automatically enrolling people into personal accounts. This work was undertaken by Ipsos MORI Social Research Institute (Ipsos MORI) on behalf of the Department for Work and Pensions (the Department). The independent Pensions Commission's report¹, published on 30 November 2005, recommended a range of pension reforms including the creation of a National Pension Savings Scheme (NPSS) into which all eligible employees not covered by other adequate pension arrangements should be automatically enrolled but with the right to opt out. The Government has been consulting widely on pension reform and, as a part of this process, wished to explore individuals' reactions to the idea of automatically enrolling people into a personal account scheme. The overall aim of this research was to explore both spontaneous and in-depth public reactions to the idea of personal accounts including features such as automatic enrolment, contribution rates (including those set out by the Pensions Commission in its proposals for the NPSS), portability and liquidity, fund choices, and management and administration
- A series of 22 extended group discussions of two and a half hours in length, were carried out with around 160 participants currently in employment, supplemented by 20 follow-up depth interviews with participants not currently saving in a pension and the self-employed. In addition, eight depth interviews with carers were carried out. This fieldwork took place during January to February 2006

¹ The Pensions Commission (November 2005), The Second Report of the Pensions Commission: A New Pension Settlement for the Twenty-First Century.

- In order to explore a range of views and opinions, quotas for the group discussions were set on a number of key attributes. These included income levels, whether currently saving in a pension, whether offered an employer contribution to a pension, age, location and gender. We also carried out groups with the self-employed and those working for micro-employers. Those working in the public sector and the pensions industry were excluded from this research.

Understanding the context

- Participants were concerned about how they will cope, financially, in retirement. There was a strong feeling that while once pensioners could expect to be provided for by the State, this was no longer the case. Many participants – particularly those earning under £15,000, did not believe that, when other financial demands are taken into account, they will have enough money spare to save for retirement. Furthermore, there was perceived uncertainty regarding the long-term future of the State Pension
- There was also a lack of confidence to take into account. High profile incidents such as the Maxwell case alongside endowments mis-selling have damaged confidence as well as some receiving lower than expected pension plan forecasts from pension providers. Pensions were felt to be complex and full of jargon and it was felt that little effort is made to communicate what choices are best in a way that is meaningful and understandable. In light of this, there was evidence to suggest that some participants, especially those currently not saving, were thinking about choosing to rely on an alternative source of income in retirement, for example, property or high interest Individual Savings Accounts (ISAs) or simply 'taking their chances' when they reach pensionable age
- In spite of these barriers, participants did firmly believe that it is their responsibility to ensure they are provided for in retirement. Given the perceived uncertainty over the future of state pensions, they did not see who else they can rely on. That said, there was also a strong feeling that the State has a role to play in encouraging and educating people about saving for retirement
- There was little evidence to suggest that participants were up to date with the current pension debate in Government. However, there was a strong sense that something needed to be done and people recognised and understood the need for pension reform.

Overall attitudes to personal accounts

- Before examining the features of personal accounts in detail, we introduced the idea to participants as a broad concept in order to generate top-of mind debate. Generally, participants across all groups welcomed the idea of personal accounts; they were aware that something needed to be done to bridge the savings gap and this was seen as a good solution

- Participants stated that they would see the account as their own fund, thus, encouraging them to take greater responsibility for it. Also, the scale of the scheme offered reassurances to participants, as they assumed that the numbers of people who would be involved offered a guarantee that personal accounts would not be allowed to go wrong. Many participants stated that they thought the Government would seek to include measures to protect their savings
- Spontaneously, automatic enrolment was believed to be a good means of encouraging people to save for their retirement. However, there were some unprompted concerns about personal accounts. There was confusion as to why people should have to contribute to a personal account – National Insurance Contributions are already believed to cover provision for retirement. The introduction of personal accounts was seen by some, especially those under 35, as a way of gradually phasing out state support for pensioners
- On further discussion, positive reactions to the idea of automatic enrolment were reiterated and furthermore, it was a concept that was easily grasped and understood by participants. Automatic enrolment was seen to overcome the inertia which stops people from saving. Participants believed that automatic enrolment would lead to higher rates of participation than traditional active joining
- The majority of participants felt that getting people enrolled into a personal account as soon as they start work was important as it gets people used to saving as soon as possible, even if this is as young as aged 16. It was felt that by doing this it would help change the 'spending culture' and get people in the habit of saving. There was, however, acknowledgement among all participants that there are certain barriers to saving faced by young people and views on automatically enrolling people at age 16 were balanced by concerns about affordability for these younger age groups
- There was support for the idea of having a lower income threshold for contributions. However, on outlining the Pensions Commission's proposals on this, participants expressed concern that the proposed £5,000 limit was too low and raised questions about the affordability for this group²
- There were mixed views on the period of time that should be given for people to decide whether they want to opt out of personal accounts – the main consideration being that people have enough time to decide whether a personal account can best meet their needs. It was thought that between three and six months would be ample time in which to do this. A few suggested that payments could be deducted from the first wage packet and then refunded if, on reflection, people decided that they wanted to opt out

² People were given relatively limited information about contribution levels. It was not feasible to give specific examples of the actual amounts that people on low incomes might pay.

- There was also much positive feeling regarding the idea of people being automatically re-enrolled (i.e. being automatically enrolled after a period of time and having to opt out again) into a personal account. Participants recognised that personal circumstances and life stages can change considerably in a relatively short space of time and, because of this, when the idea of three and five years was suggested it was felt to be an appropriate timescale for re-enrolment.

Features of personal accounts

- Participants spontaneously suggested that employees should be contributing between five and ten per cent of their gross salaries, although there was a range of views about where this figure should lie. Anything below this level was felt by some to be not worth it in the long-run, whilst above ten per cent was considered unaffordable. However, it was felt by younger participants (aged under 35) that a lower 'entry level', such as one or two per cent would help ease young people into the scheme
- The majority of participants saw an employer's contribution as important – without this people might be more likely to opt out. Participants also felt that loyalty may increase if employers can demonstrate that they care about their employee's future welfare by contributing to a personal account. However, there were a few concerns that some employers may find it difficult to make contributions leading to negative impacts such as loss of competitiveness and potential job losses, especially for smaller employers. Therefore, participants were keen to be reassured that any financial requirements on employers be affordable and realistic – spontaneously, participants often stated that a contribution rate of between two to three per cent of salary would be enough to make a real difference to the amount of money in their pension pot while, at the same time, remaining affordable for employers. It was agreed that any requirement for an employer contribution would need to be for all employers, in order to make it equitable
- There was also a strong feeling that a state contribution is crucial in order to encourage participants to save; if the Government is serious about motivating people to take responsibility for their own personal provision in retirement, then it has a role in helping to realise this. However, on explanation of the concept of tax relief on pension contributions, it was seen as the Government 'letting you off' something one would normally pay rather than as an active state contribution. Participants felt that if the Government's contribution to an individual's personal account is going to be in the form of tax relief then it needs to be communicated/branded differently to be recognised as an active state contribution

- The recommended contribution levels set out in the Pensions Commission's model³ – five per cent of the individual's gross income (made up of four per cent post-tax pay plus one per cent in tax relief) and three per cent from the employer – were generally well received. However, there were some concerns: low earners were worried about their ability to meet the demands of the contribution rate; and high earners felt that they could get 'a better deal' by investing their money elsewhere. There were also some concerns raised among those with an occupational pension, that the more 'generous' employers' schemes already in existence would level down their own rate of contribution in line with rates set in the model, although others thought that some employers would offer a higher/improved rate of contribution as an additional 'perk' for staff in order to be seen as a 'good employer'
- Liquidity⁴ was not a popular option, and was felt to go against what the Government are aiming for with personal accounts and would be too tempting for people to 'dip' into
- Portability⁵ was seen as a real advantage to the scheme. Participants believed that people are more likely to change jobs frequently now and a scheme which takes account of these changing circumstances is to be welcomed. This feature was also seen to increase levels of ownership over the scheme and thus, ensure that people take greater responsibility for providing for their retirement
- Having a choice of providers and of funds was seen by many as making the scheme more complicated and confusing than it needed to be. This raised practical worries for participants. It was felt that this choice would add a layer of complexity to the scheme and thus, reduce its appeal leading to a higher proportion of people opting out

³ The Pensions Commission (November 2005), *The Second Report of the Pensions Commission: A New Pension Settlement for the Twenty-First Century*. The report states that the contribution rates would be based on the income between the 'primary threshold' (the level of income at which Income Tax and National Insurance become payable) of £4,888 in 05/06 and the upper earnings limit of £32,760 in 05/06. Rounded figures of £5,000 and £33,000 were used in this research for simplicity of explanation.

⁴ Liquidity was presented as the idea of being able to borrow against pension savings or withdrawing funds from the pension savings before retirement.

⁵ Portability was described as the idea that if an individual changes employer, or moves into self-employment, they will be able to continue to contribute to their personal account.

- Respondents wanted an assurance that their investment would be safe, that there was no danger of being told at some point in the future that the 'value' of their fund was less than they had invested, or that it had disappeared altogether. Participants spontaneously raised the idea of a guarantee which they considered should be 'significantly more' than the amount invested. Views ranged about what 'significantly more' meant – often this was 'more than inflation' or changes in the cost of living, though largely respondents felt that they would want their savings to grow by at least the rate they would expect from a bank or building society. Participants, particularly non savers, considered that a guarantee would increase the attractiveness of personal accounts
- To counter the idea of a choice of funds, participants from all groups suggested that there should be just one fund into which all the money is directed. The idea of a default fund, or 'standard' option was raised spontaneously by participants from all groups – and once discussed in more detail through the presentation of stimulus slides – was well received. The reasons for this were that it was perceived to be simple and straightforward. Furthermore, when presented with the notion of a lifestyle default fund with the money invested in progressively lower risk funds – the perceived safety of this was also welcomed.

Management and administration

- People expressed concern over whether Government has the financial expertise necessary to manage a scheme like this. There were misgivings regarding the involvement of private companies; they were not seen to be accountable and it was also believed that their only motivation would be for profit. Neither was there support for the establishment of a new independent organisation to oversee personal accounts; as this was seen as adding another layer of bureaucracy
- In light of this, participants stated that of the three options, the Government would be best placed to run the scheme as it was perceived not to be looking to make a profit from people's contributions and to have the necessary systems in place to collect money from large sections of the population. However, participants were keen that the Government reassures the public over its ability to manage financial schemes and, furthermore, that the scheme has cross-party buy-in to ensure persistency of the scheme
- Participants were presented with different options as to how personal accounts might be implemented. Initially there was much negative feeling regarding the idea of having a central agency (a central clearing house) that might act as an intermediary between individuals and providers as it was seen to add another layer of bureaucracy and complexity to the scheme. This led to a feeling that personal accounts would be just as complicated as a regular pension scheme which would result in a high proportion of people opting out. However, the benefits that could be brought by a central clearing house, for example, portability, were well received – the issue lay in how this concept was framed

- Participants were, generally receptive to the proposed NPSS model with centralised administration, collection and investment of funds. It was seen to be a simple solution that would limit their involvement and, as such, this was welcomed. Their favourability towards this model also relates back to points made about being not for profit and having established collection systems
- Regarding possible different methods for collecting contributions, participants stated that having the money deducted at source would be the most effective method – they did not believe that they would miss what they have never had. Participants also wanted to be able to regularly see how much they themselves had put aside – payslips were often suggested as a way of doing this
- It is important to note that some of the participants were not saving in a pension and had not been exposed to the concept of management charges before. We, therefore, introduced this to them on a slide together with the proposal that these would be low in comparison to other pension schemes. Despite this explanation, some were unsure of why management charges were needed especially if the Government was in charge of the scheme. However, among current pension savers and higher earners, the low management charges were seen as a benefit.

The Decumulation Phase

- The majority of participants were initially keen that the age at which money from personal accounts can be claimed should be in line with the state pension age, as this would cut down on its complexity and make it simpler for people to understand. Despite this generally held view, there was also a strong sense that flexibility of retirement age would provide a further sense of personal ownership to account holders. There were participants, especially higher earners, who wanted to be kept informed (on a yearly basis) as to the amount in their retirement pot so they could make the decision whether to retire earlier. Conversely, there were others, typically lower earners and the self-employed, who wanted the option to retire later
- Awareness of how a pension fund is converted into a regular income by the purchase of an annuity was very low; with only those with an occupational or personal scheme and high earners having heard of annuities and even then understanding was sometimes limited. Once explained, there was a perception that the need to annuitise could act as a motivating factor to opt out of personal accounts. It was felt annuities were complex, adding another layer of risk and may diminish the levels of perceived ownership of personal accounts. However, on reflection, there were participants who could see the need for some kind of fixed income in retirement, both for themselves and for scheme participants as a whole. Some participants spontaneously suggested having a lump sum on retirement in addition to the fixed annual income as a 'reward' for saving

- The inclusion of an option to transfer funds on death before drawing a pension was proposed. This issue was felt to be very important. Participants saw the account as 'their' money to do what they like with and, therefore, assumed this would be part of any pension scheme.

Communication

- Clear and concise information about personal accounts was called for spontaneously by participants, especially as the technical language surrounding pensions was seen as 'jargon'. This jargon helps contribute to the perception that pensions are complex and hard to understand. However, in contrast, those earning over £30,000 and those currently contributing to a pension scheme in the sample tended to call for more details to enable them to weigh up their choices
- Although perceived as expensive and potentially unrealistic, there were also some requests for face-to-face briefings to answer any questions. In particular, face to face briefings by employers were seen as a way to achieve this
- A TV campaign to raise awareness was also called for by many participants across the sample. A TV campaign would need to give a positive, clear, simple message about personal accounts in order to encourage take-up.

1 Introduction

This report contains the findings from qualitative research among the general public undertaken by Ipsos MORI Social Research Institute (Ipsos MORI) on behalf of the Department for Work and Pensions (the Department). In this chapter the background to the research is discussed along with the detailed research objectives, the methodology used, and how the remainder of the report is structured.

1.1 Research background

The independent Pensions Commission's report published on 30 November 2005⁶ recommended a range of pension reforms including the creation of a National Pension Savings Scheme (NPSS) into which all eligible employees not covered by other adequate pension arrangements should be automatically enrolled, but with the right to opt out. The Government has been consulting widely on pension reform and as a part of this process, wished to explore individuals' reactions to the idea of automatically enrolling people into a personal account scheme as a way of encouraging more individuals to save for retirement.

The Pensions Commission recommended that contributions to the NPSS should be around eight per cent of gross earnings, made up of four per cent contributions from employees' post-tax pay, one per cent from tax relief and a three per cent employer contribution⁷.

Personal accounts could take a number of forms, with a range of different features, and with employers and the State playing various roles. To inform the Government's considerations in this area, the Department wanted an in-depth exploration of the

⁶ The Pensions Commission (November 2005) *The Second Report of the Pensions Commission: A New Pension Settlement for the Twenty-First Century*.

⁷ The Pensions Commission (November 2005) recommended that the band of earnings across which contributions should be made to the NPSS, should stretch from the Primary Threshold (£4,888 in 05/06) up to the Upper Earnings Limit (UEL) (£32,760 in 05/06).

views of the general public towards automatic enrolment into personal accounts, focusing on the different features of a possible personal account scheme. This research was commissioned alongside another project which explored the views of employers⁸.

1.2 Study objectives

The overall aim of this research was to explore both spontaneous and in-depth public reactions to the idea of personal accounts. More specifically the objectives were:

- To examine in-depth attitudes and reactions towards the key features of personal accounts including automatic enrolment, contribution rates (including those set out in the NPSS proposals), portability and liquidity, fund choices, its management and administration, and annuitisation
- To examine what features would make the public more or less likely to opt out of such a scheme
- To examine how relevant the options are to individuals
- To gauge views on what types of people (in terms of earnings, employment status, and age) should be covered by such options.

1.3 Methodology

The research adopted a wholly qualitative methodology of a series of 22 extended group discussions of two and a half hours in length, supplemented by a series of follow-up depth interviews a week or two later with 20 group participants⁹. In addition, eight in-depth interviews with carers were carried out. This fieldwork was carried out during January to February 2006.

A qualitative method was chosen for this study as it provides a depth of understanding which cannot be achieved from a structured questionnaire. The free-flowing format of the discussions provided an insight into participants' views and concerns, while seeking to identify not only **what** they know and think, but also **why** they do so. Qualitative research is an interactive process and, therefore, it was possible to respond to the individual circumstances of each participant as well as being flexible enough to bring to light new insights.

⁸ Helen Marshall and Andrew Thomas (2006) DWP Research Report 371: Employer attitudes to personal accounts: Report of a qualitative study.

⁹ Two participants from each of the first ten groups were selected to take part in further in-depth interviews. Sixteen of these interviews were with non-savers and four with the self-employed.

We utilised extended group discussions so that we were able to drip-feed information throughout the discussion about possible aspects of personal accounts. This meant that participants' knowledge was gradually built up and opinions sometimes shifted as more information was presented. This 'laddering' technique meant we could ensure that people were able to debate difficult and complex issues without oversimplifying them and allowed us to examine specific aspects of personal accounts in detail. The groups comprised a smaller number of participants (around seven) than the more usual eight or nine. This meant that each person had more time to speak and allowed people to be more relaxed about speaking about financial matters in front of a smaller number of people.

These extended groups were supplemented by a series of face-to-face in-depth interviews with people not saving for retirement in either a personal or occupational pension (non-savers) and the self-employed (including savers and non-savers). These were people who had attended the group discussions. The follow-up depth interviews were used to see if views had changed over time, once the participant had more time to reflect about the idea of personal accounts and discuss it with family and friends. It also meant we were able to undertake a more in-depth exploration of people's personal finances and further examined whether the participant believed the personal account was suitable for them personally and what impact it would have on them. The views of people not currently saving in a pension and the self-employed were of particular interest because these groups are at risk of going on to under-save for retirement.

We also carried out eight depth interviews with people who were carers, including those who were caring for adults and those who were caring for children. These interviews included a range of ages as well as some people who were currently saving for retirement.

Researchers from Ipsos MORI Social Research Institute, trained in qualitative interviewing, carried out all of the fieldwork. Each in-depth interview and group was guided by the researcher using a topic guide and stimulus material developed in close collaboration between Ipsos MORI Social Research Institute and the Department. Copies of the topic guide and the stimulus material designed for this project can be found in the appendices to this report.

1.4 Research design

In order to explore a range of views and opinions, quotas for the group discussions were set on a number of key attributes. Below we list these attributes and the reasons why the sample was selected in this way.

- Income levels – we carried out group discussions with those earning £5,000-£15,000; £15,000-£30,000; and £30,000 to £50,000 per annum to explore whether views about personal accounts were influenced by earnings

- We also hypothesised that contributing to a pension (personal or occupational) would influence views and therefore, we carried out group discussions with those who currently do so, as well as some with those who do not. We also carried out groups with those who, despite having an employer contribution available, are not currently contributing to a pension (referred to as **current savers** and **non-savers** respectively in this report)
- Previous research has shown that views about saving into pensions can vary quite significantly with age and therefore we carried out groups with those aged between 20-34 (referred to as younger participants throughout the report), 35-49 and 50-retirement age
- Two groups were also carried out with the self employed; to see how their views differed given no employer contribution would be available. One was with those currently saving into a pension scheme and one with those who were not
- Two groups were carried out with people who were working for a micro employer (four employees or less) to examine how this influenced their views.

We also ensured that people from a range of different industries and full-time and part-time roles were invited to the discussions. We excluded people working in the public sector as these individuals are more likely to be members of an occupational pension scheme. We also excluded people working in the pensions industry as it was felt they would have too much detailed knowledge. Groups were carried out in Scotland, Wales, London, the South East, the Midlands, the North West and the North East. In each group we ensured that there was a mix of gender.

The recruitment of participants was handled by our internal qualitative field team and free-find recruitment techniques¹⁰ were used to find participants for the group discussions. We used a structured recruitment questionnaire to confirm the eligibility of potential participants and gain informed consent, a copy of which can be found in Appendix A.

1.5 Report outline

Following this introduction, the report is organised into six main sections; the pensions context and attitudes to retirement; overall attitudes to personal accounts including automatic enrolment; features of personal accounts such as contribution rates, liquidity, portability, provider choice, fund choices and a guarantee; the management and administration of personal accounts; the decumulation phase; and communications issues.

¹⁰ With free-find techniques, recruiters are set targets or quotas and then use their knowledge of the local area to find eligible participants; this may involve recruiting off the street or knocking on people's doors.

1.5.1 Definitions, presentation and interpretation of data

Qualitative methods, such as in-depth interviews and group discussions, are ideal for exploring complex issues and to elicit a full range of possible answers. The real value of qualitative research is that it allows insight into the attitudes and beliefs of participants, which could not be examined in as much depth using a structured quantitative questionnaire. Qualitative research utilises smaller samples that are chosen purposively to ensure representation of a full range of views within the sample.

However, it must be remembered that qualitative research is designed to be illustrative and does not look to produce statistics, but to identify the range of views, opinions and experiences of the general public. In addition, it is important to bear in mind that we are dealing with perceptions rather than facts. Therefore, these issues need to be taken into account when interpreting the research findings.

Throughout the report we have made use of verbatim quotations to exemplify a particular viewpoint. It is important to be aware that these views do not necessarily represent the views of all participants.

Where quotations have been used, the attributes, in order, are:

- Whether currently saving in an occupational or personal pension
- Age
- Income.

2 Understanding the context

Before examining views towards personal accounts, it is useful to explore attitudes towards retirement and pensions in general. This contextual information is necessary in order to determine more deeply held opinions of why people feel the way they do towards personal accounts.

Summary: Understanding the context

Participants were concerned about how they will cope, financially, in retirement. Their initial responses raised concerns about whether, when the other financial demands on them are taken into account, they will have enough money spare to save for retirement. Furthermore, there was perceived uncertainty regarding the long-term future of the State Pension.

There was also much mistrust regarding the pensions industry more generally. High profile incidents such as the Maxwell case alongside endowments mis-selling have damaged confidence in both pensions and financial products more generally.¹¹

Aligned to this, the majority of participants believed pensions to be a confusing issue. They believed that the level of knowledge required to make the right decisions for them was beyond their capability and this impacts on their attitudes towards saving.

Continued

¹¹ The Pensions Act 2004 introduced a range of measures to improve security and confidence for occupational pension scheme members including the setting up on the Pension Protection Fund (PPF). The PPF was set up to provide a statutory level of compensation to members of defined benefit or the defined benefit element of hybrid occupational pension schemes where the employer has an insolvency event on or after 6 April 2005 and the scheme is funded below PPF levels of compensation.

As a result, many participants, from across all groups spoke of how they may choose to rely on an alternative source of income in retirement, for example, property or high interest ISAs.

There was little knowledge of how the Government is seeking to tackle what participants perceived as a pensions crisis – i.e. that people are living longer, saving less, and that the State Pension is not believed to provide for people in old age in the way that it once did.

Participants did firmly believe that it is their responsibility to ensure that they are provided for in retirement. However, they also felt that the Government has a role to play in educating and encouraging people to save and are keen to hear more from it regarding its plans for addressing these issues.

2.1 Attitudes to saving for retirement

There was much concern among participants about how they will cope, financially, in retirement – even those that were earning above £30,000 per annum. There was a strong feeling that while once pensioners could expect to be provided for in retirement by the State, this is now no longer the case. Rising costs of living, increased longevity and a perception of falling Government investment in state retirement provision are all cited as main factors behind this.

'We're draining pensions constantly at the moment because people are living longer. So there's not going to be an awful lot to go round by the time people our age get to retirement.'

(Not saving, 20-34, £15K-£30K)

Part of the problem was seen by many in the groups to stem from the fact that, during working age, people now generally have a good quality of life; they are used to living in decent accommodation, having access to a car, taking holidays and treating themselves to the odd luxury from time to time. While there was recognition that, for some, this lifestyle is funded by increased access to credit, it was still perceived to raise expectations regarding standards of living to the point where many are unwilling to see a decline on retirement. However, the problem remains as to how to save the necessary money to continue living at this level. Many participants – particularly those earning under £15,000 per annum – stated that they have so many other demands on their income (mortgage repayments, loans to pay off and so on) that they simply do not currently have any extra money to put in a pension.

'I can't afford to put any extra money in a pension...my money's gone before I can even blink.'

(Saving, 35-49, £15K-£30K)

This was seen by participants as a particular problem for the younger generation who are believed to have more financial demands than ever before such as student loan repayments. Indeed, this sentiment was verified by those aged 20-34.

There was also a lack of confidence in pensions to take into account. Some participants – mostly those aged over 34 and currently saving in a pension – were quick to mention how, in the past, they themselves have been let down by their pension plan with forecasts from their provider indicating that they will not have as much as expected on retirement.

High profile media reporting of this issue has also shaken confidence. Participants from all groups cited the Maxwell case as indicative of this but also came forward with more recent examples – the collapse of MG Rover being one, and the campaign by workers of Allied Steel and Wire another – they saw this as demonstrating that even those who do save are afforded little protection and have no guarantee that their efforts will be ultimately worthwhile.¹²

'Ever since the Robert Maxwell thing with pensions, people have lost all faith in them.'

(Not saving, 20-34, £5K-£15K)

Added to this was the perceived complexity of the pensions industry. There was a strong feeling that little effort is made to communicate what choices are best for individuals in a way that is meaningful, and understandable, to them. The industry was criticised for using 'jargon' which leaves the consumer unsure of which course of action they should take. Indeed, this was something that was reiterated by those that are already saving for a pension. Furthermore, many participants felt that there is **too much choice** available in pensions in general and this compounded their confusion further.

In light of this, there was evidence in the discussion groups to suggest that some participants – particularly those that were not currently saving in a pension – were thinking about either looking to alternative sources of income in retirement, or simply deciding to 'take their chances' with the state provision when they reach pensionable age.

Of those that were looking to alternative sources of income, property was seen as the most reliable – and profitable – source of income in retirement. This view was particularly prevalent among those earning between £15,000-£30,000 and those earning £30,000 plus per annum and, as such, were in a better financial position to take this course of action. There were mixed views on whether the best course of action would be to buy a second home which can then be rented out or, alternatively, on retirement, downsizing to a smaller property and living off the

¹² The Pensions Act 2004 introduced a range of measures to improve security and confidence for occupational pension scheme members including the setting up of the PPF. The PPF was set up to provide a statutory level of compensation to members of defined benefit or the defined benefit element of hybrid occupational pension schemes where the employer has an insolvency event on or after 6 April 2005 and the scheme is funded below PPF levels of compensation.

proceeds from the sale of their original home. However, whichever route these participants believed to be the most appropriate for them, the property market was seen to have grown consistently over the past few years and participants saw no reason as to why this might change. Some participants, particularly those not currently saving within the lower income groups, believed that their needs will be best met by investing in high interest savings accounts such as ISAs.

'I'd be more inclined to put my money in a high interest savings account, or invest in property or something. Then I could keep track of where my money is whereas with a pension you don't really know what's going on.'

(Not saving, 20-34, £5K-£15K)

Regarding those that thought that they may have to take their chances with the State Pension, there was an interesting contradiction here. There was a strong feeling among some participants – especially those aged between 20-34 – that by the time they come to retire, there will no longer be a State Pension for them to rely on. They mentioned how in recent years they have noticed the value of the State Pension declining relative to costs; and evidence for this was brought forward with examples of how their grandparents or parents struggle to live in retirement on what the State provides alone.

However, some of this group also stated that they do not see the point in saving for their retirement. They are under the impression that those that make the effort to save are penalised through, for example, taxation and means-testing. Conversely, those who make no effort and spend their life on benefits are provided for by the State.

'The less you pay into the system, the more you get out.'

(Not saving, 20-34, £5K-£15K)

This perceived inequality was cited as one of the barriers to encouraging the younger generation (respondents aged 20-34) to save. While they had little faith in the longevity of the State Pension, there was a strong sense that those that were seen as 'undeserving' are ultimately provided for.

In spite of these barriers, participants did firmly believe that it is their responsibility to ensure that they are provided for in retirement. Given the perceived uncertainty over the future of state pensions, they did not see who else they can rely on. That said though, there was also a strong feeling that the State has a role to play here in encouraging people to save and in educating them about the options open to them.

'At the end of the day it's the individual's responsibility. But also, there's a certain responsibility of the State to maybe educate and assist.'

(Not saving, 35-49, £15K-£30K)

2.2 The pensions debate

In spite of the high level of concern among participants about how themselves and others will cope, financially, in retirement, and an understanding that this is an issue that needs to be tackled – and soon – there was little evidence to suggest that participants were up-to-date with the current pension debate in Government.

Some were aware of the increase of the age at which women can draw their State Pension so that it falls in line with men's.¹³ There was some limited awareness of Pension Credit¹⁴ but little knowledge of who might be eligible for this and of what it provides.

Aside from this, while there was at least residual awareness of the Pensions Commission Report, there was a real lack of knowledge as to the content of it.

That said though, there was a strong sense that something needs to be done to meet the challenges of the perceived pensions crisis and participants were keen that the Government leads on this. It was felt that if the Government is unable to support the population in retirement through state benefits alone – which participants considered to be the case – then it must offer alternative solutions.

Therefore, it can be said that participants recognised and understood the need for reform and were open-minded as to how the Government might seek to move forward on this. These attitudes did, in part, underpin their responses to the concept of personal accounts as will be highlighted in the remainder of this report.

¹³ The state pension age for women (currently 60) will be equalised with men's state pension age (65) between 2010 and 2020.

¹⁴ This refers to Pension Credit, which in addition to the State Pension, provides extra money to pensioners whose income is below a certain level (i.e means-tested).

3 Overall attitudes to personal accounts

Before examining the features of personal accounts in detail, we introduced the idea to participants as a broad concept in order to generate top-of mind debate. Stimulus material was used to remind participants of the key features as this was a new concept to them (see Slide 3 in Appendix C). The key concepts included on the slide were the idea of a national scheme; automatic enrolment with the opportunity to opt out; automatic deductions from salary if an individual does not opt out; portability between employment; possibility of an employer contribution; and low management charges.

Summary: Overall attitudes to personal accounts

Participants welcomed the idea of personal accounts; they were aware that something needs to be done to bridge the savings gap and this was seen as a good solution. This was due to the fact that participants stated that they would see the account as their **own** fund, thus, encouraging them to take greater responsibility for it.

Spontaneously, automatic enrolment was also believed to be a good means of encouraging people to save for their retirement – participants, particularly non-savers, did not believe they would actively seek to join such a scheme; barriers such as perceived unaffordability were cited here. Automatic enrolment was seen to overcome this and, as such, it was believed that it would lead to higher rates of participation.

Continued

However, there was confusion as why people should contribute to a personal account – National Insurance Contributions (NICs) were already believed to cover pension provision. There was also some concern that the introduction of personal accounts might signify the end of the State Pension. Even with the explanation that personal accounts are intended to supplement, rather than replace, the State Pension this fear still lingered – particularly among the younger participants (aged 20-34) who were already more sceptical about the longevity of state support for pensioners.

3.1 Perceived need for personal accounts

Given attitudes towards pensions in general and the fact that many were uncertain that they could set the necessary money aside, the majority of participants were worried about how they will cope, financially, in retirement. In light of this, there was a strong sense that the establishment of a new scheme designed to help bridge the savings gap is necessary.

On discussion of the broad ideas encompassing personal accounts (see Slide 3 in Appendix C for participants in work and Slide 18 for carers) there was much positive feeling towards the concept. In the first instance, the fact that it was seen as a **personal** account was a key feature that would incentivise people to not opt out of the scheme. Participants held the opinion that should they choose to save in this way then they would see the money as theirs – in direct contrast to the contributions they make via National Insurance to the State Pension.

Furthermore, they stated that they would be able to watch their pot of money grow over time. Participants tended to believe that as they would be putting in a regular fixed amount, the total should always increase. Additionally, they thought that if this scheme came about, the Government would seek to include measures to protect their savings.

The scale of the scheme also offered reassurances to participants. They assumed that a great number of people would be enrolled into it and given the numbers of people that would be involved, this was seen to offer a guarantee that it would not be **allowed** to go wrong.

'If it's one that's nationwide right across the board, I think you'd be confident to know that so many people are in it as well.'

(Not saving, 35-49, £15K-£30K)

Given this, and the fact that they thought of these accounts as being specifically for them, participants in each group specifically requested transparency – accessibility to information specific to their account.

The fact that participants believed that they would take ownership of their pension was seen to have a number of positive side-effects. On the one hand, it was thought

that it would encourage people at large to take a greater awareness of, and interest in, the need to save for retirement. Some participants believed they would become more knowledgeable about investing for their future more generally, as a result of becoming enrolled in such a scheme. As such, they would potentially take an interest in other means of generating income for their retirement through, for example, ISAs, stocks and shares and property.

3.2 Spontaneous attitudes towards automatic enrolment

Prior to slides on automatic enrolment being introduced to discussions, some participants talked about more coercion being needed to encourage people to save for retirement – indeed, some raised the idea that people should be **forced** to save for their pension.

The majority of participants strongly believed that the UK has become a nation of spenders, rather than savers. The ease with which credit is secured – even for those who may not be capable of making repayments – was seen as indicative of this. Participants recognised that, in some instances, people have little choice but to live beyond their means. Student loan repayments and also the cost of securing a mortgage for first-time buyers were cited as key factors here. However, whatever the root cause, the fact remains that participants stated that people are now simply in the habit of spending more than they earn each month and, as a result, have nothing left over to save.

Furthermore, participants recognised that saving for retirement is something that is very easy to put off. At any given life stage, they highlighted a number of barriers – student loan repayments, mortgage repayments, providing for the family and so on – which they believed makes finding the motivation to start saving very hard.

In spite of this though, participants stated that both they themselves – in particular those who were not currently saving for their retirement – and the population at large **need** to save for their retirement.

As such, a scheme which seeks to overcome the inertia that exists regarding saving for retirement was welcomed. Participants recognised that both they themselves and also the general public more widely, almost need to be **forced** into putting money aside into a pension plan. As such, automatic enrolment was seen as a good way of prompting participation without going down the compulsion route. Participants stated that they believed that both they themselves and others would be much less likely to **opt in** to a pension scheme and, as such, automatic enrolment was welcomed.

It was also felt that if people are automatically enrolled, it would get them into the habit of saving from a young age and, as such, they would continue to do this throughout their working life, thus, ensuring they have an adequate income in retirement.

3.3 Automatic enrolment – in more detail

There was much positive reaction to the idea of automatic enrolment and, furthermore, it was a concept that was easily grasped and understood by participants. In order to generate debate on this issue, participants were presented with stimulus slides (see Appendix C for more details, Slides 4 and 5) which outlined the broad features as to how this might work, in practice. Among other things, participants were informed that:

- Everyone earning around £5,000 per year or more would be automatically enrolled
- Individuals would be given a set amount of time to decide whether or not they wish to opt out of this
- People who had opted out would be automatically enrolled again every three-five years, with the option to opt out
- Employed people would be automatically enrolled into such a pension account and money would be automatically deducted from wages and paid into a pension account. This would only happen if the employer does not automatically enrol all employees into an equivalent or better scheme.

Participants were quick to stress that there are many barriers (such as the fact they find the whole issue of pensions confusing, there was a lack of confidence generally and participants perceived that they have many other financial pressures to contend with such as mortgage repayments and inertia) that prohibit them from setting money aside for their retirement and, as such, any mechanism that helps them to overcome these would be welcomed.

They were of the opinion that automatic enrolment would lead to a higher participation rate in personal accounts than if they were left to join the scheme of their own accord. The main reason for this was seen as being inertia. Participants (especially those that are not currently saving in an occupational or personal pension scheme) stated that they, and other people like them, want these kind of decisions to be made for them; if it were left to them to decide when to start saving, it was feared that they may always find reasons not to do so.

'It saves you the hassle of trying to sort out pensions really.'

(Not saving, 35-49, £15K-£30K)

'People who are out there thinking "oh, I'll get round to it" – it's there, it's done for them.'

(Not saving, 20-34, £15K-£30K)

As such, automatic enrolment was welcomed as a key feature of this scheme. However, there was a sense that it perhaps does not go as far as it should and there were a few calls for people to be **compelled** to save for their retirement. These responses typically came from those that were already saving for their retirement

and, consequently, stated that they were unlikely to be affected by any efforts to force people into making financial provision. Those with in-depth financial knowledge drew on the example of Australia here as a model of best practice that they thought should be followed.

However, the general sense among the majority of participants was that while saving should be **encouraged**, people should not be **forced** to do so. This was due to the fact that participants stated that only the individual themselves know their personal circumstances and whether they themselves can afford to save into a scheme like this. In fact, as will become apparent throughout this research, this decision about whether to save in a personal account was the one choice that most participants would like to make– they were happy for other key decisions, such as how the money is invested, to be made for them.

3.4 Age of automatic enrolment

Having discussed automatic enrolment in principle, moderators highlighted the fact that the Pensions Commission suggests that people are automatically enrolled at the age of 21. This served to frame the discussion on this issue, and acted as a starting point for respondents' own views.

Most participants, particularly those not currently saving in a pension, identified strongly with the notion that given the choice, people will choose not to join a pension scheme, and therefore, will be choosing not to make retirement provision.

As such, the majority of participants felt that getting people enrolled into a personal account at a young age was important. There was a feeling that as soon as people reach working age that would be an appropriate time to get them started saving.

'As soon as your National Insurance shows up somewhere that you're employed, then you should automatically get into that.'

(Not saving, 35-49, £15K-£30K)

Many participants felt that encouraging saving from an early age was crucial to elicit cultural change, and to become a nation of savers rather than spenders. It was believed that only by encouraging people to contribute money from a young age would they get into the habit of saving so that it became a natural thing for them to do. Many participants stated that people should contribute to a pension as soon as they start work – even if this is as young as aged 16. This was an opinion that was particularly expressed by older participants in the group discussions who, on reflection, rued the fact that they had not had the encouragement to save from early on.

Views on automatically enrolling individuals at age 16 were, however, balanced by an acknowledgement among all participants that there are certain barriers facing young people. Many participants stated that for a growing number of graduates, their early years are spent paying back increasingly large student loans and tuition fees.

3.5 The lower income threshold

Aside from the debate regarding the age at which individuals should be automatically enrolled into a personal account, the other key consideration for participants here was the lower income threshold at which people might be enrolled. After introduction of the stimulus material (see Appendix C, Slides 4 and 5), the majority of participants recognised that were personal accounts to be introduced, then they would be covered by the scheme.

However, the perceived affordability of the scheme was something that was mentioned spontaneously by many participants. Indeed, for those not currently saving in a pension, this was a key concern. In light of this, even prior to the introduction of the stimulus material, some participants mooted the idea that were personal accounts to be introduced then there would need to be a lower income threshold.

On outlining the Pensions Commission's proposals here through the introduction of a stimulus card (see Appendix C, Slide 8), there was concern that the proposed £5,000 lower income threshold for contributions was far too low to ensure that people can afford to pay into the scheme. Participants simply did not see how people on this kind of income would be able to pay for the essentials – accommodation, food and so on – and have money spare to contribute to a personal account.¹⁵ Those on an income of between £5,000-£15,000 also reported this concern.

As such, many called for the minimum income at which people could be enrolled into a personal account to be raised to £10,000. Aligned to this, those on lower incomes of between £5,000-£15,000 per annum suggested they should be allowed to make flexible contributions rather than pay a fixed percentage of their salary so as to allow them to put money in the scheme as and when they can afford to do so.

3.6 Opting out

There were mixed views on the period of time that should be given for people to decide whether they want to opt out of personal accounts. The main consideration here was that enough time is given so that people can weigh up all the options available to them, assess their financial situation and decide whether a personal account would best meet their needs. It was thought that between three and six months would be ample time in which to do this.

It was suggested that for new employees, the opting out period be linked to their probationary period with their new employer. How participants envisaged this working, in practice, was that on commencement in employment, employees be automatically enrolled into a personal account yet money would not be deducted at

¹⁵ People were given relatively limited information about contribution levels. It was not feasible to give specific examples of the actual amounts that people on low incomes might pay.

this stage. When their probationary period (often considered to be around six months) was complete, if they had not opted out they would become a member of the scheme and start contributing.

A few suggested that monthly contributions be deducted from the first wage packet received and then if, on reflection, people decided that they wanted to opt out then this money could be refunded at a later date. However, others were against this idea as they did not see why they should have **their** money taken without their initial consent.

Participants were keen to ensure that the opt out procedures allow some provision for casual and temporary workers. They stated that people on short-term employment contracts may not be in any one place long enough to allow for a three-month opt out period before starting a new role. As such, they would like to see provision made for these kinds of people so as to allow them to opt out and re-enrol as and when suits them.

However, beyond this, participants were unable to envisage how the opt out procedures might work in practice for casual and temporary workers. The participants we engaged with as part of this programme of research, tended to be employed on a long-term basis, so were not well versed in the particular issues that face casual workers and, as a result of this, beyond recognising that this section of society may need alternative provision, were unable to come up with concrete solutions as to how this might be achieved.

3.7 Who might choose to opt out

In terms of the kind of people that are most likely to opt out, those that were high earners, current savers or over the age of 50 stated that they would be more likely to do this. High earners stated that they believed they would be able to secure better returns by placing their money in other (perhaps riskier, but with the possibility of higher returns) investments. The higher earners (earning over £30K) tended to be more financially astute, and aligned to this, less risk averse. As such, they stated that they would opt out so as to enable them to invest their money in property, stocks, shares and so on; the potential rewards from this were seen to outweigh the risks. They did not believe that personal accounts would offer the same potential returns.

Those that were currently saving in either an occupational or personal pension also stated that they would opt out. The reason for this was that they were **already** contributing to their own retirement income; they did not see why they should have to duplicate the effort.¹⁶ Additionally, they were of the opinion that their own scheme would offer a better rate of return.

¹⁶ The Pensions Commission (November 2005) *The Second Report of the Pensions Commission: A New Pension Settlement for the Twenty-First Century*. The report states of the National Pension Savings Scheme (NPSS), that *'all employees not covered by a high quality pension scheme should be automatically enrolled into the scheme, but with the right to opt out'*, pg 133.

Among the participants aged 50 and above, there was a sense it was already too late for them to save for a pension; they stated that if they were to have any **meaningful** income in retirement then they would have to save the vast majority of their wages – an option which was simply not viable given the other financial demands they have to bear. However, while this group did not believe that the scheme was designed for them, they were positive about it in respect of younger generations. They stated that anything that can be done to encourage younger people to save would be worth it so as to ensure that by the time they come to retire they will have their own income.

3.8 Re-enrolment

After discussing the concept of automatic enrolment generally, we then moved on to consider the idea of re-enrolment which was introduced to participants as a concept through the use of a stimulus slide (see Appendix C, Slide 4). There was much positive feeling regarding the idea of people being re-enrolled into a personal account; participants recognised that personal circumstances and life stages can change considerably in a relatively short space of time. As such, they thought it important that those who have opted out of the scheme initially are re-enrolled so as to provide them with the opportunity to reconsider their decision.

Given the speed with which personal circumstances were perceived to be able to change, participants spontaneously suggested that individuals should be re-enrolled every year.

'People's circumstances change yearly, don't they, so you could have a kid or whatever and think actually, yeah, I should start thinking more about the future.'

(Saving, 20-34, £15K-£30K)

The notion of being reminded about pensions was also seen to be of particular benefit to younger people so as to prompt them and encourage them into the habit of saving for their future. Many participants perceived that were they to be re-enrolled then they would, at least, receive some form of communications stating that they would have to opt out if they did not wish to be a part of this scheme. This was seen to constitute a 'reminder' for them that they should think about their plans for retirement.

'Yeah, you see that, that's quite good, isn't it, if you did opt out you'd be automatically enrolled every three to five years. So if you are 20, 21 and you didn't enrol, at least you've got that option.'

(Saving, 20-34, £5K-£30K)

On the introduction of stimulus material suggesting a timeframe of between three and five years (as proposed by the Pensions Commission¹⁷), participants considered this to be suitable. Furthermore, on reflection, participants stated that if the re-enrolment period was a year – as they initially suggested – then people might begin to feel bombarded with information on such a regular basis, especially given the opting out period of three months as well.

Three years was seen to fit well with general life changes that occur – it was believed to be long enough to allow people to progress, financially. However, participants urged that provision should be made regarding re-enrolment for those that are in casual work with short-term contracts. They assumed that individuals would be re-enrolled on the commencement of every new employment post (due to the fact that income levels might change, their new employer might offer their own attractive pension scheme and so on) and felt that the paperwork this would entail might become too laborious. As such, they suggested that temporary/casual workers are re-enrolled every three years – regardless of how many times they change position in the intervening period.

There were some concerns regarding re-enrolment. It was stated that the process of re-enrolment might increase the risk of individuals being enrolled into a personal account by mistake. For instance, some gave the example that in the three year period after initially opting out, some individuals might change address yet Government and/or employer records may not be kept up-to-date with these changes. Information may then be sent to the wrong location, thus, denying the individual the chance to read through the material and make an informed choice. The upshot of this was that there were a few participants who felt that people may be enrolled into a personal account when, in reality, they may have chosen to opt out again.

Participants stated that careful communications are needed to reassure the public that even with the system of re-enrolment, measures are in place to minimise and manage any risks that are posed.

3.9 State pensions, personal accounts and affordability

While most participants freely admitted that they – and others – need some encouragement in order to start saving for a pension, and believed that the introduction of personal accounts would be a step in the right direction here, there were some concerns raised spontaneously.

In the first instance, many participants stated that they were **already** paying into their own pension plan via NICs and, as such, did not see why they should have to

¹⁷ The Pensions Commission (November 2005) The Second Report of the Pensions Commission: A New Pension Settlement for the Twenty-First Century. The report proposed re-enrolment of non members every three to five years, pg 368.

pay again to ensure they have an income in retirement. Although there was uncertainty among most participants over whether the State Pension will provide a standard of living in retirement that they would like, a few did believe that it may perhaps be easier to increase NICs so as to raise the basic level of the State Pension and, thus, obviating the need for personal accounts.

Aligned to this, there was a fear among some participants that the introduction of personal accounts spells the end for state pensions. As discussed earlier in this report, there was much distrust regarding pensions generally and participants did not see how state pensions could be sustainable in the long-term; they were simply not seen to be affordable for the Government. Consequently, especially among the younger participants (aged 20-34), there appeared to be a certain degree of acceptance and resignation about the fact that by the time they come to retire, there will be no State Pension support available to them.

In light of this, personal accounts were seen by some – particularly those aged under 35 – as being a convenient means for the Government to introduce the general public to the idea of taking responsibility for themselves, financially, in retirement while, at the same time, gradually phasing out state support for pensioners.

It was interesting to note that the level of misgiving regarding the Government's intentions over the State Pension was such that even after careful explanation by the moderator that personal accounts should be viewed as **supplementing**, rather than **replacing**, it there was still a strong feeling among some that this should not be believed.

Another concern regarding personal accounts related to the **affordability** of the scheme. Whilst some of those that were earning between £15,000-£30,000 per annum (particularly those towards the upper end of this scale) were of the opinion that they would be able to make contributions, there was concern as to how those who do not earn so much might bear the financial burden. Spontaneously, participants mentioned sections of society such as carers and part-time workers who it was felt would not be able to afford to pay into their own pension.

3.10 Voluntary joining

Both the self-employed and carers were keen that they should be allowed the opportunity to voluntarily join a scheme such as this. They mentioned that, because of their circumstances, they are often excluded from saving for their retirement by virtue of the fact that they are not eligible to join an employer scheme. Further, they recognised the importance of saving for their retirement and were concerned about how they might manage, financially, were they in the position where they had to depend on the State Pension alone. This was especially true of the carers – in particular, women – who stated that as a result of the choices they have made, their NICs are not up to date and they are worried how this may impact on their State Pension on retirement.

However, while both the self-employed and carers were keen that they should be able to join a scheme like this, they did not want to be automatically enrolled into it. The reason for this was two-fold: In the first instance, they did not see how, logistically, they could be automatically enrolled into a scheme like this. Given that they work for themselves, or in the case of carers, are not in paid employment at all, they did not believe that the administrative systems necessary to facilitate this would be in place for them.

Secondly, they felt very strongly that a decision like this should be very much left in their hands. The reason for this was that for both groups, they stated how managing financially was always a challenge and it was impossible to know from one month to the next how much – if at all – spare money they would have for investment purposes.

As such, both groups were strongly of the opinion that though they would like to be offered the opportunity to save, the decision should be left to them as to whether this was the right scheme for them and, furthermore, when they should join.

In spite of them stating that they would like to actively join this scheme as opposed to being automatically enrolled, both the self-employed and carers were unsure how this might work in practice. Most were of the opinion that the relevant forms would be made available in public places, such as libraries and post offices.

Other participants in the group discussions also felt that carers, in particular, should be eligible to join this scheme. The role of carers was highly praised; they were seen to perform valuable work which, in turn, saves the Government money, and all for very little reward. As such, participants strongly felt that any scheme designed to bridge the savings gap should ensure that it allows people who perhaps do not earn very much – through no fault of their own – to be covered.

Furthermore, there was a strong sense that the scheme should be flexible for this group – carers should be allowed to contribute an amount decided on by them that they can afford and at times that they can do so.

A few participants also stated that the Government should provide more support for carers through state contributions to 'top-up' their personal account.

4 Views on contributions and features of personal accounts

Having been introduced to the notion of personal accounts, participants within the groups and the depth interviews were asked for their views on a range of possible features of a personal account scheme:

- Contribution rates
- Liquidity
- Portability
- Provider choice
- Fund choices
- Guarantee

Summary: Features of personal accounts

Views were mixed on the rate at which employees and employers should contribute to the accounts. It was recognised that a personal contribution would be essential – spontaneous suggestions ranged between a contribution of five per cent and ten per cent and the majority of participants saw this as being an affordable amount that would, at the same time, go some way to providing an adequate income for their retirement. However, younger participants (20-34 years) were reluctant to commit to this level of contribution

Continued

from the outset and suggested contributions could begin at one to two per cent and rise in stages to meet the general contribution levels.¹⁸

An employer's contribution was seen as vital by many and would act as a major incentive not to opt out of the scheme. However, there was concern among some that an employer contribution could lead to unwanted negative side effects such as pay cuts, redundancies or even employer insolvency. As such, many participants stated that while they viewed an employer contribution as important, it should only be introduced with the assurances that it will not impact adversely on employers. Between two and three per cent was suggested as a level that should be affordable for employers without impacting negatively on them.

Participants generally perceived the contribution levels set out by the Pensions Commission as offering a fair balance of responsibilities between individuals, their employers and the State.

The majority of participants believed that it was important that the State offered a contribution; it was believed that if it is trying to encourage people to save then it needs to offer some incentive for them to do so. However, on explanation of the concept of tax relief, as the Government's contribution to an individual's personal account, participants felt that it needs to be communicated/branded differently to be recognised as an active contribution.

Liquidity – the idea of being able to borrow against or withdraw funds from pension savings was not a popular option. The majority thought that the money should be ring-fenced for pensions alone and feared that the ability to use this saving for other purchases, for example, buying a house, may mean that on retirement they would not have an adequate income on which to live. Furthermore, the idea of being able to use the money for something other than a pension was seen to go against the idea of encouraging people to save.

The idea of a portable account was popular and a real selling-point. Those participants that were saving in a pension mentioned how, in the past, they have invested in an occupational pension scheme and, as such, they now have various pots of money held in different places. As a result of this, they found it hard to keep track of how much they have accrued and how this will translate into an income on retirement.

Continued

¹⁸ As mentioned before, people were given relatively limited information about contribution levels. It was not feasible to give specific examples of the actual amounts that people might pay.

Views were sought on how important it was for individuals to have a choice of provider under any new scheme. There was much negative feeling towards the idea of having to make a choice here. The majority stated that this was not something of importance to them and they would prefer for someone else to make the choice for them. They did not believe that they had the financial expertise necessary to help them to make this decision.

As with choosing a provider, having a choice of funds was seen as making the scheme more complicated and confusing than it needs to be. The majority of participants in all groups – particularly the non savers – stated that having to find out which fund would be best for them did not appeal to them. As a result, they thought it would make personal accounts less attractive and increase opt out.

Respondents wanted an assurance that their investment would be safe, that there was no danger of being told at some point in the future that the 'value' of their fund was less than they had invested, or that it had disappeared altogether. Participants spontaneously raised the idea of a guarantee which they considered should be 'significantly more' than the amount invested. Views ranged about what 'significantly more' meant – often this was 'more than inflation' and changes in the cost of living, though largely, respondents felt that they would want their savings to grow by at least the rate they would expect from a bank or building society. Participants considered that a guarantee would increase the attractiveness of personal accounts.

Consequently, the idea of a default fund was well received. As the majority of participants believed that pensions are confusing, any ways in which they can be simplified are appreciated. Furthermore, the idea that this might be a lifestyle default fund with the money invested in progressively lower risk funds, was well received; the majority of participants did not want to be seen to be 'gambling' with their income in retirement.

4.1 Contribution rates

In this section of the discussion, respondents were asked to spontaneously state what they thought a suitable rate of contribution would be for the personal accounts from firstly themselves, then employers and lastly from the State. For each stakeholder, in turn, a slide was shown with a scale of contribution rates of between zero and 15 per cent (see Appendix C, Slides 10-12). After these discussions participants were presented with a slide showing the proposed contribution rates as outlined in the National Pension Savings Scheme (NPSS) model.

4.1.1 Employee contribution

Spontaneously, there was a commonly held view among participants that employees generally should be contributing between five and ten per cent of their salaries. Anything below this level was felt by some to be not worth it in the long-run, whilst above ten per cent was considered unaffordable. There was disagreement on where exactly the figure should lie.

However, it was felt by younger participants (aged 20-34) that a lower 'entry-level' would help ease young people into the scheme; one or two per cent was thought to be a good start and would not seem like a big initial loss. The theory here, from these younger participants, is that once young people are used to seeing a deduction from their wages then increases to the level that others are contributing at will not have such a big impact. This theory and thinking developed throughout the course of the discussion. Younger participants were initially reluctant to commit immediately to the notion of losing five per cent of their salaries, though suggested this more flexible 'step-wise' approach may be more attractive.¹⁹

Some participants on lower incomes (£5,000-£15,000 per annum) tended to say they would like to be able to contribute a fixed amount as and when they could afford to do so, for example, £5 or £10 a week. They felt that their finances were such that planning to have 'spare' monies to go towards retirement income was not viable. They felt the option to pay small amounts in, as and when they could afford to, would be more beneficial to them. For this group it was felt that contribution holidays would be an attractive option, as would the option to pay lump sums in should the opportunity arise. However, the point was raised that to allow for such flexibility in the scheme could result in increased management charges which would, in the long-run, cost people more than if they were to simply pay fixed contributions. This point was raised by participants from the higher earning groups, and those already saving.

Whilst choice and flexibility in contributions was felt to be important, there were respondents (those who were already saving and those typically earning over £30,000 per annum) who felt that there should be no flexibility here, that a rigid, fixed structure would be more effective at achieving the aim of the scheme; to encourage savings.

The self-employed stated that for their own contribution they would wish to contribute what they could afford rather than a fixed percentage each month; they described how cash flow problems associated with running one's own company can impact on the ability to save and, as such, would like to see some flexibility here.

¹⁹ As mentioned before, people were given relatively limited information about contribution levels. It was not feasible to give specific examples of the actual amounts that people might pay.

Respondents felt that carers, given their low level of income, would struggle to be able to afford to make a contribution towards their retirement income. Discussion moved to the savings that carers were felt to be making to the public purse in terms of a reduced burden on the health service. As a result, respondents on the whole suggested that the State could make more provision for carers, and act as a contributor in place of a regular 'employer'.

Carers stated that were they to join a scheme like this, then there would be a real need to ensure that they could make flexible contributions. As stated earlier in this report, many carers found it particularly hard to budget, financially, and were often unsure how much money they would have from one month to the next. This was due to the fact that they were often surviving on very limited financial means and, as such, any unexpected event (such as the need for household repairs) often left them short of money. In light of this, they stated that they would like to pay an amount of money – rather than a percentage of their income – each month and that this should be easily adjustable so if it turned out that one month they were short of funds, they could pay less (or nothing at all). Conversely, if they came into some unexpected money they would like the opportunity to pay in a lump sum for one month only. Aligned to this, the need for payment holidays was also stressed by carers.

4.1.2 Employer contribution

Participants did not see why employees should bear the burden of paying for their retirement alone. While they recognised that, ultimately, it is the individual's responsibility to ensure that they have adequate provision in retirement, the State and the employer was also seen as having an important role in encouraging and incentivising people to save.

The majority of participants saw an employer's contribution as an important incentive to participate in the scheme, both for themselves, and when talking about potential scheme members in general. There was a strong feeling that, without this incentive, employees would, on the whole, be less likely to want to contribute and thus, may opt out. The predominant reason for this was felt by respondents on the whole to be the additional money they would be getting and that if it were only the money of the employee that was being directed into the pension pot – then they may as well invest it in what is seen to be a safer option, such as a high interest bank account.

In addition to the monetary value that a contribution from employers would add to personal accounts, participants felt that this would demonstrate a commitment from employers to their employee's future. Participants recognised that company loyalty is perhaps lower than it used to be and the number of times people change their jobs is seen as indicative of this. It was thought that loyalty may increase if employers can demonstrate that they care about their employee's future welfare.

'If they're paying, say, five per cent of your salary into a pension scheme for you, in a way it's like a bonus isn't it.'

(Non-savers, 35-49, £15K-£30K)

Spontaneously, and after discussion, **matched contributions** made by employers were seen as the ideal. However, it was recognised that a financial requirement such as this may prove to be unaffordable – particularly for smaller employers – and that the financial cost to employers may impact negatively on employees in the long run.

Participants spontaneously mentioned that if employers were required to make contributions at an unrealistic level, in terms of what they could afford – which would, it was felt, vary from employer to employer – then they may seek to make pay cuts as a means of absorbing the additional outlay. Other fears concentrated around job losses and, linked to this, a potential increase in the amount of work that is outsourced abroad so as to enable employers to avoid making payments to personal accounts. A few participants were also concerned that if these side effects came to pass then, in the long run, there would be a downturn in the economy as, for example, if people had lower wages then they would be able to spend less.

'If a lot of employers were suddenly given the responsibility, an obligation to make these contributions above and beyond all the other taxes that they currently pay, that's going to knock the stock market about a bit.'

(Currently saving, 20-34, £15K-£30K)

This concern about the possible impact of a requirement for an employer's contribution prompted questions regarding the level of help that would be offered by the State. Participants mentioned that tax breaks granted by the Government to employers participating in the scheme may help alleviate some of the impact.

Participants were keen to be reassured that any financial impact on employers be affordable and realistic so as to ensure that they are not adversely affected in other ways. Spontaneously, participants stated that a contribution rate of between two and three per cent would be enough to make a real difference to the amount of money in their pension pot while, at the same time, remaining affordable for employers.

However, whatever the final agreed percentage for a minimum employer contribution, it was agreed that any requirement would need to be for all employers, in order to make it equitable.

The self-employed and carers recognised that an employer contribution would not be an option for them were they to opt in to the scheme and while this did diminish its appeal, it was seen as an unavoidable fact. However, they did mention other features that could be put in place so as to mitigate this. There were calls for lower management charges here so as to offset the 'lost' contributions due to the lack of input by an employer. In particular, there were calls from carers for greater contributions from the State to this scheme for them so as to ensure that they would not be at a disadvantage on retirement.

4.1.3 State contribution

There was a strong feeling among participants on the whole, that a state contribution is crucial in order to encourage participants to save. They were of the opinion that if the Government is serious about motivating people to take responsibility for their own personal provision in retirement then it has a role in helping to realise this. A financial incentive, in the form of a percentage contribution to each personal account, was seen as the most effective way that the Government can do this and it was believed that this would send out a clear signal of intent on the part of the Government. This was raised after the discussion on suitable rates of contribution by both the employee and the employer.

Spontaneously, participants believed that a sizeable contribution by the Government – around three per cent – would act as a good incentive for individuals to stay in the scheme. The figure three per cent was seen as an amount that would be affordable for the Government and one that would make a real difference to people's income in retirement. However, on discussion, it was realised that if personal accounts are to run across the UK then this amount of money would not be affordable for the Government – not least without a negative impact on other public services. As such, a smaller contribution of one per cent was seen to be viable by participants and, indeed, was welcomed and was a level that was spontaneously suggested by some.

However, on explanation of the concept of tax relief, this was not seen to be an adequate Government contribution. Participants did not associate tax relief as an active state contribution. Rather more, it was seen as the Government 'letting you off' something that one would normally pay. This was perceived as an exemption – rather than a contribution – and was not seen to demonstrate the intent of the Government to encourage others to save.

Furthermore, the point was made that on annuitisation, pension income is then taxed anyway and, as such, the benefits gained by tax relief would be cancelled out.

As such, many participants stated that if the Government's contribution to personal accounts is to be in the form of tax relief, then it should be communicated **differently**. These participants stated that, in the first instance, the term 'tax relief' should be revised so as to convey the message that the Government would be actively making a contribution. Furthermore, the benefit that will be reaped from this contribution needs to be clearly explained – the example using real figures certainly helped to demonstrate the value of tax relief to participants and was something that they mentioned should be developed in future communications (see Slides 13 and 17 in Appendix C).

'It shouldn't be called tax relief... maybe the 'Government contribution'.'

(Not saving, 35-49, £15K-£30K)

4.1.4 Views on contribution levels proposed by the Pensions Commission

After a spontaneous discussion as to what participants believed the rates of contribution for individuals, employers and the State should be, the moderator then introduced a slide which outlined those suggested in the Pensions Commission model (see Appendix C, Slide 14). On the whole, the recommended contribution levels set out in the Pensions Commission report²⁰ – five per cent of the employee's gross income (made up of four per cent employee's post-tax pay plus one per cent in tax relief) and three per cent from the employer – were well received. Given that participants recognised that it was their responsibility to ensure that they have an adequate income in retirement, it was seen as fair that the bulk of the contributions should come from the employee. Furthermore, it was clear to many of the participants that contributions would be made on the income between the minimum and maximum thresholds (£5K and £33K per annum). However, for a few – particularly those that were non-savers – this did require some explanation.

Furthermore, the contribution rates set for employers were seen to add a good incentive to participate in the scheme without proving unaffordable. However, there was a sense among the participants that the rates set for employers were perhaps a little more generous than they might have envisaged happening in reality. Even though participants were pleased that this would result in a larger pension pot, they did reiterate the need for safeguards here to ensure that any financial costs on employers do not have any unintended negative consequences such as job losses or pay cuts.

Likewise, the state contribution – in conjunction with that offered by the employer – was seen to provide another reason not to opt out of the scheme. However, as mentioned previously, participants urge that tax relief be communicated carefully to the general public so as to reassure them that the Government is taking the issue seriously. This was an issue that was strongly felt by many of the participants; they stated that if the Government wants to encourage people to save then it needs to demonstrate that it is willing and able to help them to do this. Furthermore, the state contribution **alone** was not seen to provide incentive enough not to opt out of the scheme.

²⁰ The Pensions Commission (November 2005) The Second Report of the Pensions Commission: A New Pension Settlement for the Twenty-First Century. The report states that the contribution rates would be based on the income between the 'primary threshold' (the level of income at which Income Tax and National Insurance become payable) of £4,888 in 05/06 and the upper earnings limit of £32,760 in 05/06. Rounded figures of £5K-£33K were used in this research for simplicity of explanation.

There were, however, some concerns raised by the contribution rates as set out in the Pensions Commission's report. Low earners – typically those earning between £5,000-£15,000 per annum – were concerned about their ability to meet the demands of the contribution rate, and would look for some degree of flexibility here.

On the other hand, those earning £30,000 and above per annum stated that they would wish to invest their money in funds that they felt would give them greater opportunities for return. The contribution rates set out in the Pensions Commission report did not offer a sufficient incentive for them not to opt out. Furthermore, there was a sense among some of these participants that **whatever** the contribution rates were, they would invest their money elsewhere; they perceived that a Government-backed scheme would have to urge on the side of caution with financial investments so as to help ensure security for the scheme's members and, as such, they felt they would get opportunities for higher rates of return elsewhere.

Current savers in occupational schemes also had their own set of concerns here. There were some concerns that the more 'generous' employers' schemes already in existence would level down their own rate of contribution in line with rates set by the personal accounts scheme. There was, however, a contrasting view put forward, that some employers would offer a higher/improved rate of contribution as an additional 'perk' for staff in order to be seen as a 'good employer' and to help build company loyalty.

4.2 Liquidity before retirement

Liquidity is, essentially, the idea of being able to borrow against pension savings or withdraw funds from pension savings before retirement and was presented to participants by the moderators as a possible optional element to personal accounts.

There was strong negative feeling against the idea of liquidity being a feature in personal accounts. Participants stated that they believed one of the main driving forces behind the scheme's inception is that of the need to encourage people to **save** rather than **spend**. As such, a feature which allows people to withdraw or borrow from their pension pot and use the money for other things, such as debt repayments or a deposit on a house, was seen as incongruous.

'Saving's all about saving – you shouldn't be able to use it for further borrowing.'

(Not saving, 20-34, £15K-£30K)

'I thought the idea for the Government was to get you saving, and this isn't doing that is it?'

(Not saving, 35-49, £15K-£30K)

Not only was there a fear that this feature would not promote the cultural change that participants believed to be necessary in order to bridge the savings gap but, moreover, there were concerns that people approaching retirement would end up with nothing in their fund and, thus, be forced to rely on the State for help.

Participants – particularly those aged between 20-34 – also mentioned that the ability to be able to use the money for other pursuits may simply be too much of a temptation for them. They recognised the importance of saving for retirement but, equally, stated that they face a number of other financial pressures. This was especially true of the younger participants (aged 20-34), who stated that they were in the position of paying off student loans while, at the same time, trying to gather money together so as to enable them to get a foot on the property ladder. As such, should they have the ability to divert some of their pension funds to these causes then this may be something that they would feel that they have little choice to take up. However, they did recognise that were they to do this they may end up with an inadequate income in retirement.

On a more practical level, a few participants were also concerned that to include liquidity as a feature of personal accounts would increase the administrative burden of running the scheme. It is thought that this would, in turn, increase the management charges thus leading to lower returns. This idea was mooted by those that were currently saving in a pension and, as such, were more aware as to how increased flexibility such as liquidity can impact.

To counter this, participants were generally of the opinion that the funds within a personal account should be ring-fenced for financial provision in retirement **alone**.

This is not to say, however, that all participants were against the idea of liquidity. A few current savers mistakenly believed that this is a feature of their pension scheme and, as such, they did not see why it should not be included here so as to make personal accounts competitive with the others on the market.

The self-employed – both those that were and were not currently saving in a pension – were also more favourable to the idea of liquidity as they would be able to use the money to help expand their business without taking on a loan from the bank. They viewed this as an attractive feature of the proposed personal accounts.

However, there was strong feeling across the board that if liquidity were to become a feature of personal accounts then any withdrawals from the fund should be restricted to the individual's contribution alone. Participants did not believe that it was fair that either the employer's or the state's money be used to fund individuals' own private endeavours. This was something that was mentioned in response to probing on the issue in detail.

Furthermore, limiting the reasons for which the money can be withdrawn was seen to reduce the risk of people ending up with nothing from a personal account on retirement as even if the individual spends their own contributions on an important investment then they will, at the least, be able to draw on the contributions made by the employer and the State.

Aligned to this, participants also stated that the money should only be allowed to be used for certain types of purchases, such as a down payment on a house or debt consolidation. Participants believed strongly that there needs to be strict criteria governing how the money is used – if at all – to ensure that less responsible people do not fritter their retirement income away.

4.3 Portability

Portability was seen as a real advantage to the scheme. Some of the current savers – particularly those that were aged around 50 or above and, as such, had worked for a few employers – stated that in each place of employment they have worked, they have had a pension fund which, on leaving the job, was subsequently frozen. The result of this was that they found it hard to keep track of how much they have accrued and how this will translate into an income on retirement.

Furthermore, participants stated that there is now more need for portability than ever before. They believed that people are more likely to change jobs frequently now and that staying with one employer for the duration of one's working life is an increasingly rare occurrence.

'I think the key thing is, is it's portable, so you can take it from company (to company) and I think that's the best thing about that.'

(Currently saving, 20-34, £5K-£15K)

Indeed, this was cited by many of those not currently saving for retirement as a barrier to joining a pension scheme in the first place; people did not intend to stay at any one place for a considerable amount of time and, as such, did not believe that it was worth their while to invest in an occupational scheme. As such, a scheme which takes account of these changing circumstances was welcomed.

This feature was also seen to increase levels of ownership over the scheme. It was believed that the ability to move the fund with the individual would encourage them to see it as 'theirs' and thus, ensure that people take greater responsibility regarding how they will finance their retirement.

In light of these facts, portability was seen to be one of the major selling-points of personal accounts, and participants across all groups were strongly in favour of this aspect of the scheme – and indeed it was perceived to differentiate it from other pension schemes²¹. As such, many were strongly of the opinion that this feature should be highlighted so as to deter opt out. This was something that particularly appealed to non-savers who believed that the portability aspect would offer great convenience for them in saving. Furthermore, those that were currently saving also

²¹ On the whole, participants were not generally aware that some pension schemes are portable under certain circumstances.

believed that while they themselves would choose to opt out of the scheme, it would act as a real incentive to others.

For a few current savers, while they recognised that portability would be a key advantage to this scheme over the one they currently invest in, portability alone would not be enough to stop these participants from opting out. The reasons behind this lay with the fact that they did not believe that this fund would offer them the returns that they are able to get from the scheme that they already contribute to or, alternatively, from other investments such as property. Furthermore, as they stated that they already have a number of different pension schemes, they did not want to add to the complexity of their own financial situation by starting another²². However, on the other hand, some current savers assumed that it would be possible to add other pension pots into the personal account and the idea of consolidation appealed.

For the self-employed, portability also worked as a key selling-point. They stated that they may not run their own company forever and, as such, should they ever seek employment elsewhere then they would like to be able to carry their pension fund with them.

Likewise, carers recognised that their personal circumstances might change and they may end up in a position where they are able to work. If this is the case, they stated that they would like to be able to continue paying into the same pension scheme so as to ensure that they know where they stand regarding their income in retirement.

4.4 Views on having a choice of provider

In general, the majority of participants did not want to have a choice of provider. In the first instance, many participants – particularly those that were not currently saving for a pension – did not feel that they were equipped with the necessary financial expertise to make a decision like this. Furthermore, they envisaged that if they were to make a decision like this then it would involve a great deal of their time researching what would be the best option and this too was unappealing; they stated that personal accounts would be far more of an attractive option were their active involvement to be limited.

Another reason as to why views on having a choice of provider were largely negative was that, on the whole, this held little interest for participants. The two key areas of concern for them were: what they were putting into the scheme; and, what they would get out of it at the end. The processes involved between these two stages were of little concern. As such, participants tended not to be engaged with this issue and did not want to actively make a choice here.

²² These participants assumed that they would not be able to transfer the funds from their current pension account into the personal account.

The only group that would like a choice of provider were those that were earning in excess of £30,000 per annum. Given that they tended to be more financially astute, they felt they had the necessary aptitude to make decisions such as this and, furthermore, they felt that were they to have this choice they could maximise the potential for higher rates of return.

We also discussed the possibility of choosing a provider from a shortlist. While this was more warmly received than having to choose from all of those on the market – it was perceived that a shortlist would take less time to research – participants did query as to who would devise the shortlist and what criteria they would use to judge who would be allowed on it.

4.5 Views on having fund choices

The notion of investment and fund growth had been introduced in the earlier part of the discussion (see defined contribution slide Appendix C, Slide 1). The moderators further explained the trade-off investors faced when looking to maximise potential returns on their funds, in terms of facing the 'risk' that their fund could in fact reduce in size as well as increase. It was explained that funds that offered a greater opportunity for return also offered less certainty in the level of return, and those that had less opportunity for greater returns may be more certain of offering 'some' return.

As with provider choice, having a choice of funds was seen as making the scheme more complicated and confusing than it needs to be. The majority of participants in all groups – particularly the non savers – stated that this feature would result in them having to do a great deal of research to find out which fund would be best for them; which did not appeal to the majority of participants. As a consequence, they thought it likely that opt out rates would increase.

As mentioned before, participants were generally very passive regarding making arrangements for saving for their retirement and would like the key decisions to be made for them by people who they believe are more qualified to do so. Given that they perceived pensions to be a complicated issue, they did not think that they had the necessary financial knowledge to make the right decisions with regard to where to invest their money. This was true for the majority of participants; the only exception was those who were currently saving for a pension and, as such, have made these kinds of choices before and, consequently, this was less intimidating for them. However, even this group of people recognised that for those who are not saving in a pension, the need to make these decisions may prove off-putting enough to encourage them to opt out.

To counter this choice, many participants spontaneously mentioned that there should be just one fund into which all the money is directed. This was seen as an easy way to keep the scheme simple and avoid confusion. While it was recognised that some people might want to have a choice in this matter – and indeed, those who

were not currently saving but earning over £30,000 per annum (and those at the upper end of the £15,000-£30,000 per annum) did state that flexibility here would appeal – there was a sense that this scheme should be kept as simple as possible. Many participants stated that, in a way, in order to encourage highest rates of participation, if this scheme is to go ahead it should be made easy and participants stated that the most obvious means by which to do this is to limit choice.

This was also seen as a way of making the scheme equitable. There was concern by some of the non-savers – particularly those earning between £5,000-£15,000 per annum – that if there was a choice of funds available, those with a greater sense of financial awareness would be able to profit while those who were new to pensions may play safe and, as such, have less income in retirement. Therefore, having one fund was seen by the majority to be the fairest – and easiest – solution that takes into account everyone's needs.

However, there were some groups that would like to be able to have a choice here. In the first instance, current savers stated that having to choose which funds money is invested in is an accepted part of other pension schemes and, as such, they did not see why it should be different here. As a concession to those with perhaps limited experience in investing, the idea was mooted by these people that perhaps a shortlist of funds could be drawn up so as to make it easier for people to choose.

Similarly, those earning over £30,000 per annum (and those at the upper end of the £15,000-£30,000 per annum bracket) would also like the ability to choose here. Their concern was that if there was just one fund then it would be likely that this would be comparatively low risk and with a low potential for return. However, given that these people tended to be more financially astute and, akin to this, less risk averse, they stated that they would prefer to take risks through less certain investments in the chance of making higher returns. In essence, those that were earning more money not only tended to be more financially astute but, furthermore, less risk averse. They stated that they could afford to take more risks with their money as they were in a comfortable financial position. In light of this, the idea of a potentially low return default fund was not welcomed by this group.

As a point of difference, there were also calls for choice here from some younger participants (aged 20-34). It was important to these participants that they be able to invest their money ethically. They stated that corporate and social responsibility is becoming more of an issue in industry and is one that they would be keen to support. As a compromise, they stated that even if they did not have a choice as to what funds their money was invested in, they would like to see some reassurances that the one fund be ethical and compliant with certain standards.

4.6 Guarantees

The phrase 'guarantee' cropped up a great deal throughout the discussions, across all groups. Essentially, participants wanted the security of knowing that they would get back **at least** what they had invested on retirement, and, furthermore, the assurance that this fund would have grown by a minimum percentage.

'You've got to be guaranteed what you put in, you get back.'

(Not saving, 35-49, £15K-£30K)

The need for a guarantee was three-fold. In the first instance, there was a strong sense among all participants that what they would be investing would be 'their' money and, as such, they had the right to claim back at least what they had put into the scheme on retirement.

'Well there'd have to be guarantees... Because it's your money.'

(Not saving, 35-49, £15K-£30K)

Secondly, the notion of a guarantee was seen to help with financial forward planning. Participants stated that it would only be possible for them to know whether they would be able to manage, financially, in retirement were they to have a sense of roughly how much money they would be receiving.

Finally, the notion of a guarantee was strongly linked in with the issue of trust. As mentioned earlier, participants were, on the whole, not happy to associate risk with their retirement income. In this context – an assurance that their money was 'safe' and by definition, guaranteed – was sought.

Participants stated that there would be two key benefits from introducing a guarantee. In the first instance, it was believed that guarantees would decrease the numbers of those opting out of the scheme. Throughout the discussion groups, participants spontaneously asked whether the Government would 'guarantee' the monies, and felt that if there was a chance that their savings could shrink in time than this would be a strong reason to opt out and choose what was felt to be a 'safer' form of investment – for example, a high interest savings account.

Amongst low income groups and non-savers in particular, there was a sense of not wanting to take a lot of risk with pensions. The majority of participants felt that the notion of the Government wanting to encourage people to save for their retirement but, at the same time, 'risk' the future value of their funds (by allowing monies to potentially lose value through poor fund performance) was sending out a mixed-message. Furthermore, a pension was not seen as something to 'gamble' with, and as such putting money into something that might lose money (even though returns might be better) was seen as illogical.

'A pension's meant to guarantee that everyone has enough money for their retirement... You can put other money in riskier schemes, but this is something for everyone, and we're talking about people making the minimum contribution so they have enough.'

(Not saving, mixed ages, £30K-£50K)

This belief was strongly driven by previous bad experiences with investments especially endowments, which for some people in the groups – particularly those aged 35 and above and those that were homeowners – had resulted in large

shortfalls. As a consequence, there were very often requests for security in investments and guarantees on retirement – pensions were simply too important to be an investment carrying a lot of risk.

'The endowments were the best thing since sliced bread weren't they? Look what happened to them? You're expecting a pension at the end of the day and they say oh, you've lost on it. Well, all that money sacrificed.'

(Not saving, 20-34, £5K-£15K)

There were also participants on lower incomes (£5,000-£15,000) who believed that they may find it difficult to put money into personal accounts and may have to go without certain goods in order to invest the money. Knowing that a return was not guaranteed at retirement would make them more likely to opt out.

'You might as well have stuffed it under your mattress, hadn't you... You may as well just put it in a bank if that's what's going to happen. Cos you're just going to get the same.'

(Saving, 20-34, £5K-£15K)

Participants often assumed that a guaranteed return would automatically be part of a personal account and were surprised that the issue was being discussed. These attitudes tended to underpin people's views towards fund choices in personal accounts, as discussed in the previous section. It was believed that if you did want to invest in something riskier then that was a different kind of saving scheme and not something that should be associated with pensions.

'Cos it is your money after all. So you're going to want some sort of a guarantee that, yes, you have got that money at the end, and no, I'm sorry, we've lost the lot. No, that's not good.'

(Not saving, 20-34, caring for children)

A guarantee also meant that personal accounts were simpler to understand and more transparent, which in turn would increase their attractiveness to people. Participants assumed that the Government would back the fund and that they would have to support people if the funds did lose money.

Participants considered that any guarantee should be 'significantly more' than the amount invested, otherwise there is little point investing in a personal account and other sources of investments may be a better prospect. Views ranged about what 'significantly more' meant – often this was 'more than inflation' or changes in the cost of living, though largely respondents felt that they would want their savings to grow by at least the rate they would expect from a bank or building society.

4.7 The lifestyle default fund

The discussion groups also explored attitudes towards a default fund. Indeed, in the discussion many participants had already mooted the idea of a default fund; they perceived that this would work to make the scheme simple and, as such, would be more likely to appeal to people who had, in the past, been put-off from saving for their retirement by the perceived complexity of pensions in general.

The introduction of the idea of a lifestyle default fund – a mixture of shares and Government bonds with funds being progressively moved into lower risk Government bonds on approaching retirement (see Appendix C, Slide 15) – was, consequently, well received by participants. The main benefit of this was that it was seen to be straightforward and simple. Participants stated that if this scheme is to be **national** then it has to be understandable by **everyone** – even those who have no previous experience in, or knowledge of, pensions. Limiting choice and, in turn, the number of decisions that have to be made by individuals was seen as being one of the main ways in which to achieve this. The perceived safety of a lifestyle default fund was also welcomed.

5 Management and administration

The question of who should manage and administer any new personal accounts scheme is implicitly tied in with the extent to which participants themselves would **trust** the scheme and, consequently, affects how likely it would be that they would opt out of it or not.

Within the group discussions and depth interviews we explored three possibilities regarding the organisations that could take charge of personal accounts and, in addition to this, allowed participants to generate their own spontaneous suggestions as to who might be best placed to assume this role. We also explored views on different ways of implementing personal accounts.

Summary: Management and administration

People expressed concern over whether the Government has the financial expertise necessary to manage a scheme like this.

Likewise, there were misgivings regarding the involvement of private companies; they were not seen to be accountable to the public and it was also believed that their only motivation would be for profit. Neither was there support for the establishment of a new independent organisation to oversee personal accounts. This was perceived to be adding another layer of bureaucracy.

After much discussion, many participants stated that of the three options, the Government would be best placed to run the scheme as it was not seen to want to make a profit from this scheme and, additionally, it was seen to be accountable – both to Parliament and the general public at a General Election. It was also perceived to have the necessary systems in place to collect money from large sections of the population.

Continued

However, given the lack of trust more generally in the Government, many participants stated that they would need reassurance as to its credentials to manage and administer such a large scale scheme. Furthermore, many felt it would be important that the Government demonstrates that this scheme has cross-party buy-in. Most participants perceived that the establishment of such a scheme would be initially costly yet would bring long-term benefits. As such, they were keen that it be in place for the long-term – and not just for the duration of the present Government.

This research explored views on different ways of implementing personal accounts. The idea of a central agency to act as an intermediary between individuals and providers (a central clearing house) was perceived by participants as adding another layer of bureaucracy to the scheme. However, on explanation as to what role this might play and why it might be needed, participants understood that such a feature would be necessary so as to allow for portability – a key advantage of personal accounts.

The Pensions Commission's proposed National Pension Savings Scheme (NPSS) model with centralised administration, collection and investment of funds was generally well received by participants as it was perceived to limit the need for their involvement.

Regarding a method for collecting contributions, participants stated that having the money deducted at source would be the most effective method – they did not believe that they would miss what they have never had.

The need for management charges was largely not understood by non-savers and, for participants, this highlighted the need for clear communications about such charges so as not to encourage people to opt out.

On explanation of the proposed low level of management charges – and the need for them – many participants viewed this as a positive feature of the scheme. However, in itself, low management charges were not seen as a sufficient enough incentive to persuade participants not to opt out or to choose a personal account over their current pension provision.

5.1 Responsibility for overseeing personal accounts

In each group discussion and depth interview, we explored in depth whether the Government, a private company or a new organisation should oversee the management of personal accounts.

This issue generated a great deal of debate. The Government was not, on the whole, widely trusted. Participants who disagreed with Government policies and actions were less inclined to trust the Government to manage personal accounts.

Linked to this though, the Government was also questioned over its credentials regarding financial issues. The Child Support Agency (hereafter referred to as the CSA) was mentioned here as a good example of this. It should be pointed out that the failures of the CSA received much media attention during the fieldwork period for this study but this notwithstanding; it was still highlighted as being symptomatic of the challenges faced by the Government in this area. Aligned to this, problems with Tax Credits were also mentioned. Some participants had suffered problems here regarding overpayment or non-payment. Others had heard of similar reports from friends or via media reporting and all this served to reinforce the opinion that the Government might not be in the best position to manage such a scheme.

However, this is not to say that participants were any more favourably disposed to the other organisations that they were presented with. The idea of a provider (assumed to be a private company) running the scheme was met with strong opposition in all group discussions. In the first instance, private companies such as pension providers were perceived to be, in the main, concerned with making a profit rather than working in the best interests of others. There was concern that much of the contributions made by individuals to personal accounts would be siphoned off for profit and, as such, they would not receive as good a rate of return as they could.

Furthermore, the issue of accountability of all private companies in general was a concern. While the Government was not widely trusted, participants did state that it is held to account by both Parliament and the electorate in a General Election. However, these structures of accountability were not believed to be in place for private companies and participants perceived that they would have no course of redress should they have an issue that needs tackling.

'Who's accountable? That's at the crux of what we all want to know – who can we get hold of and throttle when it goes wrong?'

(Saving, 35-49, £15K-£30K)

As such, it would appear that participants generally had concerns about either the Government or private companies managing personal accounts. However, in spite of this, there was much opposition to the creation of a new organisation to take charge of this. It was perceived by participants that this would be set up by Government and then the management and administration would be outsourced to another organisation. This was perceived to add another layer of bureaucracy to the scheme and there were fears that the cost of set-up would result in increased management charges and, as such, lower returns.

It was also stated that the establishment of a new organisation by the State to run personal accounts would simply be a 'job creation' scheme on the part of the Government. It was felt that this would be an inefficient use of resources that could be better diverted elsewhere.

Therefore, on reflection, participants believed that of the three options, the Government would be in the best position to manage personal accounts. The main

advantage of this arrangement was that the Government was not seen to look to make a profit; participants were of the opinion that whatever they contributed would go into their fund, rather than being diverted for the financial gain of others.

'I really distrust the Government completely. However, I think a Government-run pension scheme would probably be more accountable than a private company'

(Self-employed, saving, mixed ages and incomes)

Additionally, the Government was also believed to have the mechanisms in place to collect monies from large sections of society. Some participants cited that HM Revenue and Customs have the capability, and necessary information, at hand to do this and, as such, this could reduce the set-up and operational costs. It was hoped that this benefit would, in turn, be passed on to the individual in the form of lower management charges.

'If the Government were running it, they should have a lot of the administration and computer work already in place, so that cuts the costs.'

(Not saving, 35-49, £15K-£30K)

It is also important to remember that, many of the participants we engaged with in this research did not want to take a lot of risk with pensions. For these participants, their lack of confidence in the pensions industry generally – fuelled by media reports of savers being left out of pocket on retirement – had left them keen to secure guarantees. There was a strong assumption that the Government would be far less likely to 'gamble' with funds – the Government was simply not believed to want to take this risk given that it would be held responsible for any failures on returns.

Therefore, while the Government was in no way seen to be an ideal solution to answering the question of who should manage personal accounts, it was, in a sense, perceived to be the most universally acceptable of the three options that participants were presented with. What is more, participants were unable to think of an alternative body that might be better placed to do this.

5.2 Communicating the Government's role

In light of the fact that there was concern over how the Government might handle the management of personal accounts, participants were keen that it seeks to reassure the general public over its capabilities in this area.

In the first instance, participants were keen that the Government demonstrates that any new scheme has cross-party buy-in. They stated that as they broadly supported the concept and objectives of the scheme, they would not wish to see it withdrawn should an opposition party be elected. Furthermore, it was imagined that the cost of getting personal accounts fully operational would be high and, as such, participants were keen that it is intended to last for the long-term – and not for the duration of the present Government alone.

'They would have to guarantee that even if Governments change, it will still be there and it won't be null and void after four years.'

(Saving, 35-49, £15K-£30K)

It also must be remembered that there was much scepticism regarding the Government's ability to manage financial schemes. The perceived failures of the CSA, challenges linked to the introduction of Tax Credits, and the State Earnings Related Pension Scheme (SERPS) were all mentioned as proof of this.

However, there was a feeling among participants that, perhaps, the situation is changing here. There was positive feeling towards the Child Trust Fund; recent mothers that took part in the group discussions mentioned how successful they feel this scheme has been. As such, there was a sense that if the Government could play up its role here, then it might be able to convince others as to its credentials for running personal accounts.

Finally, while participants did state that they understand Government to be accountable – both to Parliament and the electorate – they would like to see a clearer demonstration of this framework of accountability to ensure that they find the scheme to be credible.

5.3 Ways of implementing personal accounts

Views were sought on what people think of the idea of two alternative ways of implementing personal accounts. The first idea presented was that of a central agency which would act as an intermediary between individuals and providers (a central clearing house). This central agency would collect contributions from individuals and would then pass them on to the chosen provider who would be responsible for the investment of funds. Views were also sought on the idea of a centrally run NPSS which would act as the sole provider but allow portability, as recommended by the Pensions Commission.

5.3.1 The central clearing house

Of all the possible elements of personal accounts, the idea of a central clearing house was the hardest for participants to grasp and understand even when explained using stimulus material (Slide 6 in Appendix C). In turn, this lack of understanding led to increased negativity regarding the scheme in general.

Spontaneously, a central clearing house acting as an intermediary between individuals and providers was seen to add another layer of bureaucracy to the scheme. This was not welcomed as it was assumed that it would lead to increased management charges.

The addition of a central clearing house was also seen to increase the risk associated with the scheme. Participants understood that their contributions would be taken from their wages, passed to the clearing agency and then on to the provider. There were fears that during one of the two transfers of funds, money could be lost and then not recouped.

However, on the whole, the central clearing house was just seen to add unnecessary complexity to the scheme. As stressed throughout, participants stated that they found the whole pensions issue very confusing and, as such, anything that can be done to reduce complexity in this arena would be welcomed. The concept of a central clearing house led to a feeling that, in actuality, personal accounts would be **just as complicated** as a regular pension scheme and, as such, resulted in a higher proportion stating that they might opt out were it to be introduced.

On further discussion though, participants understood that a central clearing house would be necessary if personal accounts are to be portable. Given that portability was such a strong motivating factor in encouraging participants not to opt out, they stated that while the central clearing house appears complex, they would be content to see its inclusion – as long as the need for it was clearly communicated to the public.

However, participants (after much explanation) also recognised that the central clearing house would allow for a choice of providers. Given the points made earlier (see Section 4.4) regarding choice, this did lessen the appeal of this model for many – particularly the non-savers. Participants stated strongly that if this were to be the chosen route forward then there would be a real need for clear communications so as to ensure that any perceived complexity did not lead to people opting out.

5.3.2 Pensions Commission proposal for an NPSS

Participants were also asked about the model as put forward by the Pensions Commission report, that is, the creation of a nationally run NPSS applying the principle of automatic enrolment at a national level. This body would be responsible for the central administration, collection of contributions and investment of funds i.e. the NPSS would be the provider under this scenario (this was explained using Slide 8 in Appendix C).

Participants were, generally receptive to this idea. It was seen to be a simple solution that would limit the need for their involvement and, as such, this was welcomed. Their favourability towards this model also relates back to earlier points made regarding their attitudes towards the Government, providers and so on.

5.4 Making contributions

Given that, ultimately, participants know that they themselves have to take responsibility for their income in retirement, there was a consensus that they should have to make regular contributions to a scheme like this.

However, while they accepted the need for this, participants were keen that their contributions should be handled as efficiently, and with as little input from them, as possible. This attitude underpinned their advocacy of contributions being directly deducted from their wages at source in the same way that National Insurance Contributions (NICs) are currently paid.

This was seen as the simplest option of all and, furthermore, it was believed to provide a number of other benefits. In the first instance, participants felt that this method of payment would be easiest to bear. While the level of income tax paid is, at times, resented by participants, they stated that they do not question the fact that it is taken out of their wages – it has become an accepted fact for them as they have never **not** paid it.

It was thought that if contributions to personal accounts were managed in the same way then saving for retirement would, in effect, become normalised. Participants stated that they would not miss the money that they have never had and, as such, would be less likely to opt out of a scheme if payments were made in this way.

Furthermore, participants were strongly of the opinion that were contributions deducted at source, then they would be able to see the amount of money they have paid into the scheme accumulate over time. They stated that this could be detailed on their payslip allowing them to keep track of their investment to date.

It was thought that if they were able to regularly see how much they themselves had put aside then, in the first instance, they would realise how important it is to **continue** saving so as to provide an adequate income in retirement. Furthermore, it was thought that being able to see how much of your own money you had contributed would lead to an increased sense of ownership over the scheme in general.

While participants were of the firm opinion that contributions should be deducted at source from their wages, other alternative payment options were discussed. Participants highlighted the idea of using Direct Debits as a means of managing contributions but this was largely dismissed. On the one hand, setting up a Direct Debit requires the **active involvement** of the individual. Throughout this research, participants stressed that while they recognise the importance of saving for their retirement, they would like the majority of the work necessary to realise this done for them – as discussed previously, there is much inertia. Furthermore, the point was raised that it is easy to cancel Direct Debits after they have been set up and, as such, this ability to be able to stop payments at any time may not work to encourage people to save for their future.

In contrast, carers made the point that they would like to manage their contributions in a different way. They stated that they have to live day-to-day and struggle to get by on the income they receive. As such, they would not feel comfortable with a set amount of money being deducted each month. Instead they would like to be able to make contributions as and when they are able to. They mentioned that ease of

access is important here and that they would like to be able to invest money into their fund over the telephone, via the internet or even at a post office or bank.

The self-employed, on the whole, believed that contributions should be taken on a monthly basis wherever possible although they were not sure how this would work in practice given they pay their own wages. There was some discussion about paying it on an annual basis similar to tax, but participants felt it would be too much of a temptation to 'dip' into these 'pensions' savings'.

5.5 Management charges

It is important to note that given that some of the participants were non-savers, they had not been exposed to concepts such as management charges before. In light of this, it was necessary to introduce the concept of management charges to the groups in order that they could be discussed in detail. To do this, we displayed a slide explaining management charges (see Appendix C, Slide 9).

Views on management charges varied depending on which organisation might be in charge of overseeing personal accounts. For example, if the Government takes responsibility for personal accounts – as was seen to be the most favourable option – then there was a strong feeling among many participants (both savers and non-savers) that there should be no management charges at all. It was not understood why the Government would need to raise money to run a scheme like this and, as such, the additional cost here caused some resentment. This was particularly true of the non-savers.

However, among the current savers and the higher earners – those earning above £30,000 per annum – the low management charges that are proposed for personal accounts were seen to be a benefit. They mentioned the fact that the management charges they pay for their schemes, or those that they have been quoted, tended to be much higher than this.

It should also be noted though that even though current savers recognised the benefits of having low management charges, this, in itself, was not enough to persuade them to participate in the scheme. They still stated that they will get a better rate of return on their investments elsewhere.

This highlighted the need for clear communication about management charges.

6 The Decumulation Phase

This chapter looks at receiving pensions from personal accounts when people come to retirement, the age at which they think they should be able to draw this money, views about annuities and lump sums, as well as other features of the account.

Summary: The Decumulation Phase

The majority of participants were initially keen that the age at which money from personal accounts can be claimed should be in line with the state pension age, as this would cut down on its complexity and make it simpler for people to understand. Despite this generally held view, there was also a strong sense that flexibility of retirement age would provide a further sense of personal ownership to account holders. There were participants, especially those earning between £15,000-£30,000 per annum, who wanted to be kept informed (on a yearly basis) as to the amount in their retirement pot so they could make the decision whether to retire earlier. Conversely there were others, typically those earning between £5,000-£15,000 per annum, and the self employed, who wanted the option to retire later. They suggested that working longer would allow them the opportunity to accumulate a larger pension pot.

Continued

Awareness of how a pension fund is converted into a regular income by the purchase of an annuity was very low, with only current savers and high earners having heard of annuities and then understanding was sometimes limited. Once explained, there was a perception that the need to annuitise could act as a motivating factor to opt out of personal accounts. It was felt annuities were complex, added another layer of risk and may diminish the levels of perceived ownership of personal accounts. However, on reflection, there were participants who could see the need for some kind of fixed income in retirement, both for themselves and for scheme participants as a whole. Some participants spontaneously suggested having a lump sum on retirement in addition to the fixed annual income as a 'reward' for saving.²³

The idea of transfer of funds on death before drawing a pension was felt to be very important as participants saw the account as 'their' money to do what they like with.

6.1 Pension age

Participants were initially keen that the age at which a pension from a personal account can be received should be in line with the state pension age. This would cut down on additional complexity and help to make the account easier to understand, again echoing the calls for simplicity in the account.

Despite these initial views, as participants considered the issue further, it was felt that having flexibility in the accounts was also important to help retain a sense of personal ownership. Participants felt that because it was their account, they should be able to make a decision as to whether to retire early should they have enough money to do so. Current savers and higher earners were aware that personal pensions can currently be annuitised from age 50²⁴ – and suggested a similar level of flexibility for personal accounts.

This was an especially important factor for those earning around £15,000-£30,000 per annum. Conversely, there were others, especially those earning between £5,000-£15,000 per annum and the self employed who would like to have the option of being able to retire later, because they enjoyed their work or did not feel they would have enough income to retire on. They also suggested that working longer would increase the amount of money in their pension pot.

²³ As of 6 April 2006, it is possible to choose to take up to 25 per cent of a pension fund as a tax-free lump sum before drawing a pension (this can depend on the scheme rules). The remainder of the fund can then be used to provide an income for life by buying a lifetime annuity.

²⁴ The minimum age from which someone can take a pension is going up from 50 to 55 by 2010. The precise timing may vary between different pension schemes.

'You get a cumulative increase in your pension if you work X number of years over pension retirement now don't you, so if you work till 70 that extra five years gives you a drastic increase in your pension.'

(Saving, 20-34, £15K-£30K)

'I mean, you've got to have flexibility there. Because some people might carry on working. Not everyone wants to retire at 60...I know a fellow at my place, he's nearly 70.'

(Saving, 35-49, £15K-£30K)

In order to make the decision on whether to retire, participants stated that they would need to be kept informed, possibly on a yearly basis as to the amount in their retirement pot. However, there were participants who urged caution. Related to the issues around liquidity, it was felt there may be people who would be tempted to retire early because of the money built up and who might end up with little money when elderly. Furthermore, questions were asked about whether someone could properly assess whether they have enough funds to retire early.

Those who thought that the pension should be taken at the state retirement age occasionally suggested that there could be some exceptions to this, perhaps when someone becomes ill or were in a caring capacity and unable to work again.

'But I'd say, basically, the pension age. Unless, obviously, like, for illness reasons, like you know, that they can't work any longer, and it's proven that they can't work any longer, or anything, they've had to take early retirement, there's, then it would be good for that sort of person to have that choice to be able, for that to kick in for medical reasons, or something.'

(Carer, non-saver, 35-49, caring for children)

6.2 Annuities

Respondents were introduced to the notion and basic principles of annuities (see Slide 16 in Appendix C). Awareness of how a defined contribution pension fund is converted into a regular income in retirement was very low, with only current savers and high earners having heard of annuities and even then understanding was sometimes limited. Though this is a complex issue, participants were on the whole able to grasp the basic principles. Once annuities were explained, there was a perception amongst some respondents; largely the lower earners and those not currently saving, that annuities could act as a motivating factor to opt out of personal accounts. They were seen as complex and would contribute to participants feeling they had less ownership and control over their personal accounts. Some participants felt that uncertainty over what they would get from annuities upon retirement would leave them feeling less certain about their futures, this was after it was explained that various factors such as increased longevity and fluctuating prices can have an effect on the price of annuities. Furthermore, the majority of

participants felt that annuities would add another layer of unnecessary bureaucracy to personal accounts and increase potential mistrust of the concept.

Most importantly, annuities were seen as taking away the guaranteed income that is wanted and adding another level of perceived risk. It was suggested that on retirement the annuity rate may be lower than it is currently, diminishing the value of the pot that has been built up. When discussing the issue of 'guarantee', respondents were, on the whole, more concerned with having a guarantee from the outset; from the point that savings commence, rather than waiting to the age of 65 (or earlier/ later retirement age) to find out what the future guaranteed level of pension for life is going to be.

Respondents were, on the whole, more concerned with knowing what their retirement income was going to be upon retirement now, rather than having to wait to find out what is happening vis-à-vis annuities sometime in the future. It was in this sense that annuities were perceived to be a risky element – people were concerned about the lack of certainty.

Furthermore, there was always a risk that one may die shortly after annuitising, 'wasting' the money that has been built up.

'Oh, if you had to go into an annuity? I wouldn't go into it [personal account] if I had to go into an annuity. Absolutely not... There's pensioners who live till they're 61. There's pensioners live till they've 68, 70. And all that money they've paid in.'

(Not-saving, 35-49, £15K-£30K)

'If you want to take out 300 grand, you might be terminally ill. You might have six months to live, and you might just think, right, I'm just going to go for it, rather than ten grand a year, you're going to have five grand of it.'

(Not saving, mixed ages, £30K-£50K)

Current savers also assumed that high charges, similar to other financial products, may be associated with annuities and speculated about the kinds of advice on annuity choices that would be available perhaps from a Government agency or private companies offering annuities. Questions were also asked whether there would be a choice of annuity provider which might increase the complexity still further.

'I think there's something about the simplicity, isn't there? Probably the less choices there are the more likely people are to go for it, I think.'

(Saving, 20-34, £5K-£30K)

However, on reflection, there were participants who could see the need for some kind of fixed income in retirement. There were worries that people might spend all their money at once if they just received a lump sum, forcing the State to look after them in retirement. A compromise was often suggested of having a lump sum on retirement in addition to the fixed annual income.

'But it's a difficult one cos what you do, is it like they were saying if there are people who live longer than what you expect them to, what you've budgeted for then, how's the shortfall going to be made up?'

(Not saving, 35-49, £15K-£30K)

'What happens to the people who, when they get to retirement age, they decide to take their money, and do their own thing and lose everything, who's going to pick them up?'

(Not saving, 20-34, £5K-£15K)

Participants also believed that if there were annuities for personal accounts, they would have to be simple and easy to understand. Despite this, there were high earners who understood the concept of annuities and wanted as much choice over the provider as possible in order to secure themselves the best deal.

These higher earning participants could also see the advantages of having a lump sum, but believed that this would reduce their annuity rates. A tax free lump sum on retirement was also perceived as an attractive option as it was seen as a 'reward' for saving and would be used on something special immediately on retirement such as going on a world cruise or buying a new car. Furthermore, high earners and current savers again expected this option as a 'given' feature of personal accounts, especially as it was a feature of their occupational or personal pensions.

6.3 Death before drawing a pension

Respondents were told that one possibility may be that should they die prior to receiving income from their personal accounts, the value of the accumulated fund (less an administration charge) could be transferred to a next of kin.²⁵

The transfer of funds to a spouse or children, on death while still working, was seen as a very important feature of personal accounts. Participants were sometimes

²⁵ Where a member of a non-contracted out defined contribution (DC) personal pension (including a stakeholder pension) dies before drawing upon their pension fund, the proceeds will pass as a lump sum to the dependants or beneficiaries nominated in writing by the member. Many DC occupational schemes also operate on this basis but, depending upon the scheme rules, may, instead, provide a lump sum and/or pension based on the member's salary and pensionable service. With both types of scheme, if the member has used it to contract out, the fund will hold contracted-out rights (known as protected rights) and different rules apply where the member is married or a civil partner when he dies. In these circumstances, the protected rights (subject to a tax-free lump sum payment) must be used as soon as is practicable to provide for a pension or annuity for the widow/widower/civil partner.

surprised this was being debated as they saw it as a 'given', their view was that the personal account was 'their' money to do what they like with, and not 'owned' by the scheme.

'It's your money you've put in there. So you'd be better off doing a private pension that you could pass on to a spouse, rather than, that means that it's just going to disappear when you do.'

(Not saving, 20-34, £5K-£15K)

'If I paid into that for like 20 years and I die on my 59th birthday I would expect it to go to my wife even if I haven't signed anything, it should be just automatic, it's something I've paid into for all them years.'

(Saving, 20-34, £5K-£15K)

Without this feature, personal accounts became less attractive and decreased participants' sense of personal ownership. In particular, it was felt that the Government or private companies may profit if people die early.

'I think it's a bit unfair because if you look at it as a savings scheme, if you'd have been saving that money in a bank and you die, you leave it to whoever you want... You've been putting it away and maybe doing without, I don't know that pair of shoes or whatever so for that time, you haven't gone out that time, you saved that money so why shouldn't you and your family have the benefit of it.'

(Not saving, follow-up depth, 20 – 34, £15K-£30K)

Overall, it was felt to be important that relatives would benefit from the fund in the event of the policy holder's early death.

7 Communication

This section explores participants' views about how personal accounts should be communicated to the public and the key messages that need to be conveyed. Although communication issues were not a prime objective of the research, it was often raised spontaneously by participants as something that would need to be properly addressed in order to encourage buy-in and confidence about personal accounts.

Summary: Communication

Clear and concise information about personal accounts was called for spontaneously by participants, especially as the technical language surrounding pensions was seen as 'jargon', helping contribute to the perceptions that pensions were complex and hard to understand. Only high earners and current savers in the sample tended to call for more detailed information to enable them to weigh up their choices.

Although perceived as expensive and potentially unrealistic, there was also some call for face-to-face briefings to make sure any questions about personal accounts could be answered. In particular, briefings by employers were seen as potentially a good option to have, although again it was recognised that this might be difficult for some employers.

A TV campaign to raise awareness was also requested by many of the participants. A TV campaign would need to give a positive, clear, simple message about personal accounts in order to encourage buy-in.

7.1 Information style

The technical language surrounding pensions was seen as convoluted and full of 'jargon' and compounded the feeling that pensions are complex and hard to understand. Indeed, this was seen as a contributory factor to people's reluctance to put money into a pension. This perception was often reinforced by communications people had received about pension schemes in the past.

'And that's why nobody's taking these pensions. They're thinking, oh it's too complicated, we'll deal with that another time, and that's why nobody's doing it.'

(Not saving, 20-34, £15K-£30K)

Clear and concise information about personal accounts was called for spontaneously by participants. They felt that the language used should be as simple as possible using everyday language, but without being patronising. In addition, information about personal accounts needed to be trustworthy, especially given people's views about the misleading advice they had been given about endowments.

'I think I would, provided the information was clear, and we were to know, we had complete clarity over how it's managed, who it's managed by etc...As long as all of that is provided in a very clear fashion.'

(Not saving, 20-34, £5K-£15K)

However, high earners and current savers tended to call for more details and information about personal accounts to enable them to weigh up their choices as to whether they were a good option for them. In particular, some people in these groups wanted detailed information on the charges, contribution rates and fund options so they were able to make a comparison with other investments and pensions.

Some participants believed that face-to-face briefings about personal accounts would be useful, although it was realised that this may be unrealistic due to time and the expense of these. Despite this, it was felt that the need to have questions answered is important for anyone thinking about joining the scheme and that there may be a role for employers to play here in briefing employees about the advantages and disadvantages of the account, although participants again recognised this might be difficult for some employers.

In addition to this, participants called for information to be available from as many sources as possible including libraries, community centres, jobcentres, career centres and public buildings. If this information could be accompanied by general help about personal accounts from qualified staff at these centres, then this would be seen as an advantage. As discussed previously, participants also assumed they would see information about the amount in their personal accounts on their wage slip.

The internet was often cited as a good source of potential information about personal accounts, especially if it included features allowing people to see contribution levels from Government, employers and themselves. Although who should run such a site was not discussed, the internet was felt to be a convenient and private way in which to explore the features of the account in more detail.

Participants also spontaneously suggested that there needed to be greater education about pensions and living on retirement income, both more generally and at school

or college. This would help raise awareness of the issues amongst younger people and perhaps encourage more people to take out a personal account in the long run.

'But I think it has to be combined with an awareness, particularly for younger people that are just beginning to save, what the pension, what the State Pension actually is going to provide them when they retire.'

(Saving, 50+, mixed income)

'It's...because it is a boring subject. I know we've talked about it for two hours but it is, it does bore everyone, I think, like you said, it should be explained in school.'

(Self-employed, not saving, mixed ages and incomes)

7.2 Communicating the message

A TV campaign to raise awareness was requested by many participants. People said that a TV campaign would need to give a positive, clear, simple message about personal accounts in order to encourage buy-in amongst the general public, again reflecting the fact that pensions are seen as confusing and complex.

Participants believed that this campaign would need to be reinforced by other methods, such as radio advertising, billboards and direct mail. Participants pointed out that given it is such a shift in policy and has the potential to affect everyone within the UK, there would have to be a large campaign about it, perhaps fronted by a famous and trusted personality.

In addition, participants felt that any campaign would need to reflect the following key messages:

- Many participants wanted it emphasised that the personal account is a long-term measure and is going to be around for many decades to come. Participants strongly wanted to know that if there was a change in Government, personal accounts would not be scrapped
- It was also felt useful by some for there to be information on why there is a need for personal accounts and why it is being launched at this particular point in time
- Some participants also thought there should be information on what is going to happen to the State Pension and National Insurance Contributions (NICs) as well as what happens if you have an existing pension
- Also, that it will be possible to receive regular updates on how the personal account is growing.

A few participants had more specific issues that they thought the campaign should highlight. These included reassurances that personal accounts have been given considerable investment in terms of infrastructure and that there are processes and

computer systems in place that will safeguard their money. A few participants also believed that any campaign should also communicate who has ultimate accountability for personal accounts, and the names of key members of staff working on it to increase transparency and trust in the accounts. Similarly, a few thought it would be useful for information to be provided on how any private companies working on the personal accounts have been selected.

However, the overriding key message from participants was to keep the personal account as simple as possible and emphasise this simplicity in the campaign:

'Yeah, just make people aware that it can be that simple, it doesn't have to be as difficult as everyone thinks it is.'

(Saving, 20-34, £5K-£30K)

'Cos I think the whole thing about pensions is confusing, it's a grey area for a lot of people, yeah. So I think if you just try and put too many things in the works people will just opt out of it and they'd be just like oh I'll do it another day or another year and it just doesn't happen.'

(Not saving, follow up depth, 20-34, £5K-£15K)

Appendix A

Screening tools

Recruitment Questionnaire – Group discussions

DWP – Public attitudes to personal accounts

Good morning/afternoon/evening, my name is from MORI, the opinion poll company. We are inviting a group of people together to take part in a group discussion about saving for retirement and the kind of options that could be made available to people in the future to help them do this, I wonder if you could help me? This will take place in <LOCATION> on <DATE> The discussion will last between two and two and a half hours.

To say thank you for your time and cover any expenses incurred we would like to offer you a £40 voucher. This voucher can be spent in over 30 high street stores (SHOWCARD).

We are looking for particular groups of people, therefore I would like to ask you some questions about yourself. All information collected will be anonymised.

NOTE TO INTERVIEWER:

NB: please note that the shaded area indicates that the interviewer must check quotas and recruit to quota.

Q1 Would you be interested in taking part? SINGLE CODE ONLY

B	A	Yes	1	CONTINUE
	B	No	2	CLOSE

Q2 SHOWCARD A Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity? SINGLE CODE ONLY

A	Journalism/the media	1	CLOSE
B	Advertising	2	
C	Public relations (PR)	3	
D	Market Research	4	
E	Financial Services	5	
F	Public sector work (for example, teaching, the NHS, local authorities, the government and so on)	6	
G	No, none of these	7	CONTINUE
H	Don't know	8	

Q3 Have you participated in a focus group discussion or depth interview for a market research company in the last 6 months? SINGLE CODE ONLY

A	Yes	1	THANK AND CLOSE
B	No	2	CONTINUE

Q4 SHOWCARD B
Which of these best describes your work status?
 SINGLE CODE ONLY

A	Working: Full-Time (30+ hours per week)	1	RECRUIT TO QUOTA
B	Working: Part-Time (29 hours per week)	2	
C	Unemployed – seeking work	3	THANK AND CLOSE
D	Unemployed – not seeking work	4	
F	Stay at home to look after house/family	6	
G	In full-time education	7	
E	Retired	5	
H	Don't Know	8	

Q5 **How many people are employed by your company**

A	Four or fewer	1	RECRUIT TO QUOTA AND CONTINUE – GO TO Q6
B	Five and above	2	
C	Don't know	3	THANK AND CLOSE

Q6 **Are you self-employed?**

A	Yes	1	CONTINUE – GOT TO Q7
B	No	2	CONTINUE – GO TO Q8
C	Don't know	3	THANK AND CLOSE

Q7 SHOWCARD C
 ASK ALL WHO ARE SELF EMPLOYED (CODE 1 AT Q6)

Looking at this show card, please can you estimate your income from your job/business: that is, after paying for any materials, equipment or goods that you use in your work. On average, what was your yearly income from this job/business over the last 12 months?

SINGLE CODE ONLY

A	Under £5,000 per annum	1	THANK AND CLOSE
B	£5,000 - £14,999 per annum	2	RECRUIT TO QUOTA – GO TO Q9
C	£15,000 - £29,999 per annum	3	
D	£30,000 - £49,000 per annum		
E	£50,000 per annum or above	4	THANK AND CLOSE
F	Don't know	6	

Q8 SHOWCARD C

ASK ALL WHO ARE EMPLOYED (CODE 2 AT Q6)

Looking at this show card, would you mind telling me how much your income is each year, before tax. There's no need to tell me how much exactly – just read out the letter that applies.

SINGLE CODE ONLY

A	Under £5,000 per annum	1	THANK AND CLOSE
B	£5,000 - £14,999 per annum	2	RECRUIT TO QUOTA – GO TO Q10
C	£15,000 - £29,999 per annum	3	
D	£30,000 - £49,0000 per annum		
E	£50,000 per annum or above	4	THANK AND CLOSE
F	Don't know	6	

Q9 ASK ALL

Do you currently pay into a personal pension scheme?

A	Yes	1	CONTINUE – GO TO Q10 (BE SURE NOT TO RECRUIT TO NON SAVER GROUPS)
B	No	2	CONTINUE – GO TO Q11
C	Don't know	3	THANK AND CLOSE

Q10 And does your employer contribute to this pension scheme?

SINGLE CODE ONLY

A	Yes	1	CONTINUE – GO TO Q11 (BE SURE NOT TO RECRUIT TO NON SAVER GROUPS)
B	No	2	CONTINUE – GO TO Q11 (BE SURE NOT TO RECRUIT TO NON SAVER GROUPS)
C	Don't know	3	THANK AND CLOSE ()

Q11 Does your employer offer a company/occupational/stakeholder pension scheme for its employees?

SINGLE CODE ONLY

A	Yes	1	CONTINUE
B	No	2	CONTINUE
C	Don't know	3	THANK AND CLOSE ()

Q12 And are you currently paying in to the pension run by your current or previous employer?

SINGLE CODE ONLY

A	Yes	1	CONTINUE – RECRUIT TO QUOTA
B	No	2	CONTINUE – RECRUIT TO QUOTA
C	Don't know	3	THANK AND CLOSE ()

Q13 **And does your employer contribute to this pension scheme?**
SINGLE CODE ONLY

A	Yes	1	CONTINUE – RECRUIT TO	
B	No	2	QUOTA	
C	Don't know	3	THANK AND CLOSE	()

Q14 **Can you tell me if the pension you will receive is linked to your salary (either average or final) or is it linked to the amount you pay into the scheme over the years and the return on this investment (i.e. your contributions)?**
SINGLE CODE ONLY

A	Linked to salary (defined benefit)	1		
B	Linked to amount pay in over the years and the return on this investment (defined contribution)	2	RECRUIT TO GROUPS	
C	Don't know	3		()

The following questions must be asked but are largely for information purposes. Please ensure that the project executives receive this information prior to the groups being conducted.

Q15 **SHOWCARD D**
And, looking at this card, could you tell me what your household income is per annum? What I mean by this, is all the money that you have coming in each year? Again, there's no need to tell me how much exactly, just read out the letter that applies
SINGLE CODE ONLY

A	Under £5,000 per annum	1	
B	£ 5,000 - 14,999 per annum	2	
C	£15,000 - £24,999 per annum	3	
D	£25,000 - £34,999 per annum	4	RECRUIT A GOOD RANGE
E	£35,000 - £44,999 per annum	5	
F	£45,000 - £54,999 per annum	6	
G	£55,000 or above		

Q16 **SHOWCARD E**
To what extent do you agree or disagree with the following statements. It is important that people save for their retirements.
SINGLE CODE ONLY

A	Strongly agree	1	
B	Tend to agree	2	
C	Neither agree nor disagree	3	RECRUIT A GOOD RANGE OF OPINIONS
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q17 SHOWCARD E

It is easy to find information about planning, financially, for retirement.

SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q18 SHOWCARD E

I understand the different options that are open to me in saving for retirement.

SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q19 SHOWCARD E

I feel confident in making financial decisions about my retirement.

SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q20 SHOWCARD E

I have given a great deal of thought as to how I will cope, financially, in retirement. SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q21 SHOWCARD E

I am well informed about pensions

SINGLE CODE ONLY

A	Strongly agree	1	THANK AND CLOSE
B	Tend to agree	2	RECRUIT A GOOD RANGE OF OPINIONS
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	

Q22 SHOWCARD F

To which one of the groups on this card do you consider you belong?
SINGLE CODE ONLY.

A	WHITE	British	1	
B		Irish	2	
C		Any other white background	3	
D	MIXED	White and Black Caribbean	4	RECRUIT TO QUOTA
E		White and Asian	5	
F		Any other mixed background	6	
G	ASIAN OR	Indian	7	
H	ASIAN	Pakistani	8	
I	BRITISH	Bangladeshi	9	
J		Any other Asian background	0	
K	BLACK OR	Caribbean	X	
L	BLACK BRITISH	African	Y	
M		Any other black background	1	
N	CHINESE	Chinese	2	
O	OR OTHER ETHNIC GROUP	Any other background	3	
		Refused	4	

Q23 SHOWCARD G

How would you describe the composition of your household? Just read out the letter that applies.
SINGLE CODE ONLY

A	Single adult under 60	1	
B	Single adult 60 or over	2	
C	Two adults both under 60	3	
D	Two adults at least one 60 or over	4	
E	Three adults or more all 16 or over	5	RECRUIT TO A GOOD RANGE
F	1-parent family with child/ren, at least one under 16	6	
G	2-parent family with child/ren, at least one under 16	7	

Q24 ASK ONLY IF CODE 3, 4, 5 AND 7 AT Q23 –Does your partner contribute to a pension scheme? SINGLE CODE ONLY

A	Yes	1	RECRUIT A GOOD RANGE
B	No	2	
C	Don't Know	3	

Q25 ASK ALL
SHOWCARD H

Which of the following do you, personally, have? Just read out the letter that applies. MULTICODE OK

A	Debit card	1	RECRUIT TO A GOOD RANGE
B	Credit card	2	
C	Store card	3	
D	Personal loan	4	
E	Student loan	5	
F	Mortgage	6	
G	Other (SPECIFY)	7	

Q26 ASK ALL
Do you have access to the Internet at any of the following places?
MULTICODE OK

A	At home	1	RECRUIT A GOOD RANGE
B	At work	2	
C	None of these	3	

Q27 CODE SEX (DO NOT ASK)

A	Male	1	RECRUIT TO QUOTA
B	Female	2	

Q28 WRITE IN & CODE EXACT AGE

Exact Age

A	Under 20	1	THANK AND CLOSE
B	20 – 34	2	RECRUIT TO QUOTA
C	35 – 49	3	
D	50+	4	

26819 Group Discussion

Occupation of Chief Income Earner

Position/rank/grade

Industry/type of company

Quals/degree/apprenticeship

Number of staff responsible for

PLEASE RECRUIT FROM A BROAD RANGE OF INDUSTRIES

Class		
A	1	RECRUIT TO
B	2	GROUPS – THIS IS
C1	3	LIKELY TO FALL
C2	4	OUT NATURALLY
D	5	IN LINE WITH
E	6	INCOME BANDS –
		Q9

Interviewer number:

Interviewer name (CAPS):

I confirm that I have conducted this interview face to face with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act.

Interviewer Signature:

Date:

Recruitment Questionnaire – Depth Interviews

DWP – Public attitudes to personal accounts

Good morning/afternoon/evening, my name is from MORI, the opinion poll company. We are inviting people to take part in a face-to-face depth interview about saving for retirement and the kind of options that could be made available to people in the future to help them do this, I wonder if you could help me? This will take place in <LOCATION> on <DATE> The discussion will last up to an hour.

To say thank you for your time and cover any expenses incurred we would like to offer you £25.

We are looking for particular types of people, therefore I would like to ask you some questions about yourself. All information collected will be anonymised.

Q1 Would you be interested in taking part? SINGLE CODE ONLY

	A	Yes	1	CONTINUE
B	B	No	2	CLOSE

Q2 SHOWCARD A Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity? SINGLE CODE ONLY

	A	Journalism/the media	1	CLOSE
B	B	Advertising	2	
C	C	Public relations (PR)	3	
D	D	Market Research	4	
E	E	Financial Services	5	
F	F	Public sector work (for example, teaching, the NHS, local authorities, the government and so on)	6	
G	G	No, none of these	7	CONTINUE
H	H	Don't know	8	

Q3 Have you participated in a focus group discussion or depth interview for a market research company in the last 6 months? SINGLE CODE ONLY

	A	Yes	1	THANK AND CLOSE
B	B	No	2	CONTINUE

Q4 SHOWCARD B
Which of these best describes your work status?
 SINGLE CODE ONLY

A	Working: Full-Time (30+ hours per week)	1	THANK AND CLOSE
B	Working: Part-Time (29 hours per week)	2	
C	Unemployed – seeking work	3	
D	Unemployed – not seeking work	4	
F	Stay at home to look after house/family	6	CONTINUE
G	In full-time education	7	THANK AND CLOSE
E	Retired	5	
H	Don't Know	8	

Q5 SHOWCARD C - ASK ALL WHO CODE 6 AT Q4
Can you tell me if you provide full or part time care or assistance for any of the following?

A	Child	1	RECRUIT TO QUOTA
B	Partner/Spouse	2	
C	Brother/Sister	3	
D	Other adult	4	
E	None of these	5	THANK AND CLOSE
F	Don't know	6	

Q6 ASK ALL
Do you currently pay into a personal pension scheme?

A	Yes	1	CONTINUE – RECRUIT TO QUOTA
B	No	2	
C	Don't know	3	THANK AND CLOSE

The following questions must be asked but are largely for information purposes. Please ensure that the project executives receive this information prior to the groups being conducted.

Q7 SHOWCARD D
And, looking at this card, could you tell me what your household income is per annum? What I mean by this, is all the money that you have coming in each year? There's no need to tell me how much exactly, just read out the letter that applies
 SINGLE CODE ONLY

A	Under £5,000 per annum	1	RECRUIT A GOOD RANGE
B	£ 5,000 - 14,999 per annum	2	
C	£15,000 - £24,999 per annum	3	
D	£25,000 - £34,999 per annum	4	
E	£35,000 - £44,999 per annum	5	
F	£45,000 - £54,999 per annum	6	
G	£55,000 or above		

Q8 SHOWCARD E

To what extent do you agree or disagree with the following statements. It is important that people save for their retirements.

SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q9 SHOWCARD E

It is easy to find information about planning, financially, for retirement.

SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q10 SHOWCARD E

I understand the different options that are open to me in saving for retirement.

SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q11 SHOWCARD E

I feel confident in making financial decisions about my retirement.

SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q12 SHOWCARD E

I have given a great deal of thought as to how I will cope, financially, in retirement. SINGLE CODE ONLY

A	Strongly agree	1	RECRUIT A GOOD RANGE OF OPINIONS
B	Tend to agree	2	
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q13 SHOWCARD E
I am well informed about pensions
 SINGLE CODE ONLY

A	Strongly agree	1	THANK AND CLOSE
B	Tend to agree	2	RECRUIT A GOOD RANGE OF OPINIONS
C	Neither agree nor disagree	3	
D	Tend to disagree	4	
E	Strongly disagree	5	
	Don't know	6	THANK AND CLOSE

Q14 SHOWCARD F
To which one of the groups on this card do you consider you belong?
 SINGLE CODE ONLY.

A	WHITE	British	1	RECRUIT TO QUOTA
B		Irish	2	
C		Any other white background	3	
D	MIXED	White and Black Caribbean	4	
E		White and Asian	5	
F		Any other mixed background	6	
G	ASIAN OR	Indian	7	
H	ASIAN	Pakistani	8	
I	BRITISH	Bangladeshi	9	
J		Any other Asian background	0	
K	BLACK OR	Caribbean	X	
L	BLACK BRITISH	African	Y	
M		Any other black background	1	
N	CHINESE	Chinese	2	
O	OR OTHER ETHNIC GROUP	Any other background	3	
		Refused	4	

Q15 SHOWCARD G

How would you describe the composition of your household? Just read out the letter that applies.

SINGLE CODE ONLY

A	Single adult under 60	1	
B	Single adult 60 or over	2	
C	Two adults both under 60	3	
D	Two adults at least one 60 or over	4	
E	Three adults or more all 16 or over	5	RECRUIT TO A GOOD RANGE
F	1-parent family with child/ren, at least one under 16	6	
G	2-parent family with child/ren, at least one under 16	7	

Q16 ASK IF CODE 3, 4 5 AND 7 AT Q15

Does your partner contribute to a pension scheme? SINGLE CODE ONLY

A	Yes	1	CAN RECRUIT TO SAVERS
B	No	2	RECRUIT A GOOD RANGE
C	Don't Know	3	

Q17 ASK ALL

SHOWCARD H

Which of the following do you, personally, have? Just read out the letter that applies. MULTICODE OK

A	Debit card	1	
B	Credit card	2	
C	Store card	3	
D	Personal loan	4	RECRUIT TO A GOOD RANGE
E	Student loan	5	
F	Mortgage	6	
G	Other (SPECIFY)	7	

Q18 CODE SEX (DO NOT ASK)

A	Male	1	RECRUIT TO QUOTA
B	Female	2	

Q19 WRITE IN & CODE EXACT AGE

Exact Age

A	Under 20	1	THANK AND CLOSE
B	20 – 34	2	
C	35 – 49	3	RECRUIT TO QUOTA
D	50+	4	

26819 Depth Interviews

Occupation of Chief Income Earner

Position/rank/grade

Industry/type of company

Quals/degree/apprenticeship

Number of staff responsible for

PLEASE RECRUIT FROM A BROAD RANGE OF INDUSTRIES

Class

A	1		
B	2		
C1	3	RECRUIT	TO
C2	4	QUOTA	
D	5		
E	6		

Interviewer number:

Interviewer name (CAPS):

I confirm that I have conducted this interview face to face with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act 1998.

Interviewer Signature:

Date:

Appendix B

Topic guides

The Department for Work and Pensions

Public attitudes to personal accounts – Discussion group topic guide

Description
<p>(1) Introduction and warm-up</p> <ul style="list-style-type: none"> • Thank participants for attending – mention that discussion should last around 2 – 2.5 hours • Research commissioned to understand how people feel about possible reforms to the pensions system • Stress there are no right or wrong answers – we are just interested in finding out their views and opinions • Don't need any prior knowledge • Reassure participants of confidentiality – MRS code of conduct • Permission to record – for analysis purposes only • Names, where they live, what they do, whether currently saving for a pension and what type, etc
<p>(2) Attitudes towards retirement</p> <ul style="list-style-type: none"> • How important would you say it is to save for your retirement? Why do you say this? Probe for increased life expectancy, perceived decline in state support, maintain standard of living and so on • Is saving for your retirement more of an issue now than it used to be? Why has this changed? • When is a good time to start saving for your retirement? And when is a realistic time to start saving for your retirement? Probe fully to see how different life events e.g. parenthood, buying first house, level of income, student loans and so on impacts on ability to save • When thinking about your retirement, how do you think you will manage, financially? Probe fully to determine what they will rely on – types of pensions, other forms of income e.g. property and so on • Are you aware of any discussions or announcements made by the Government recently to do with pensions? If yes Could you tell me briefly about these? Probe for awareness of Pensions Commission report (Turner report), increase in working age, NPSS, changes to State Pension. What is your reaction to these potential reforms? Probe level of trust, reassurance, fear...

- Thinking generally about pensions, and saving for retirement, whose responsibility is it to make sure that you understand the options available to you? And, whose responsibility is it to ensure your retirement income meets your needs? Probe for self, Government, employer
- Why do you say this? And who has **most** responsibility? Why is this?

(3) Understanding the current system

- Where do you go/would you go to find information on saving for retirement? Probe fully – IFAs, friends, family, banks, employers and so on. Why do you say this?
- Where would you like to access information? What format? How often should information be provided?
- And how far do you trust this information? Why do you say this? Probe for awareness of problems with private pensions, uncertainty over State Pension etc. What might make you have more confidence in it? Why would this make such a difference?
- Thinking about your retirement, what are the different options open to you to help you save? Probe for employer pension, State Pension, private pension, property etc.
- How aware are you of what advantages and disadvantages each type of pension/saving options e.g. property can bring? What are these? Probe fully – moderator to ensure that cover understanding of State Pension, S2P and so on
- And thinking about all of these factors that we have just discussed, how confident are you that you will be able to manage, financially, in retirement. Why do you say this? Probe fully
- Who is least likely to save? Who needs to be encouraged to save? What would encourage these people to save? Probe: self-employed, people who work for very small employers/small employers exempt, people on low incomes/part-time workers, age groups, carers, parents, graduates, etc)

(4) Attitudes to personal accounts

- ‘The Pensions Commission’s report included, among other things, a recommendation for the establishment of a National Pension Savings Scheme into which individuals are automatically enrolled but with the right to opt out. The Government is now interested in exploring public/employers/views on the idea of automatic enrolling people into some sort of a state-coordinated personal or individual pension account. These personal or individual accounts could take a number of forms and have a range of different features with the State playing various roles. The central features of this sort of scheme are likely to be: slide

Overall attitudes – general reactions

- What are your instant reactions to this? Why do you say this? Probe fully to see whether perceive them as a tax, part of wages, own pension fund, secure etc
- Is this something that you would be happy to be automatically enrolled into? Why is this? and what about other people?
- What would be the advantages of such a system? Why do you say this? Probe in particular for views on portability, good way to save, good to be prompted to save, national scheme, Government coordinated, money deducted from wages at source...
- Self-employed only – How do you feel about the idea of a state-coordinated personal pension account with low management charges which you can choose to join? Would you choose to join? What appeals to you? Probe: Government coordinated; low management charges; portability if also in employment or move into employment later on; it is national. Would you be likely to join? Why do you say this?
- And what about the disadvantages? Why do you say this? How do the two balance out?
- Do you think there are any alternatives to this scheme that might work more effectively? Why is this – why would this make a difference? Probe fully to see whether participants more favourable towards compulsion or not

Joining techniques – SLIDE on automatically-enrolment

- What do you think of people being automatically enrolled into this kind of scheme? Why do you say this? And who should not be automatically enrolled? Why do you say this? Probe fully e.g. on earning thresholds, age, in a good scheme already. Pensions Commission suggest only automatically enrolling those in work, earning over £5,000 and over 21yrs – what are your views on this?
- Self-employed only – Do they think the scheme should be open to the self-employed? On what basis – some level of compulsion or voluntary? Do they think the self-employed could be automatically enrolled into the scheme in a similar way to employees? Any idea how this could work for self-employed people? What other joining processes could work?
- Moderator to clarify with participants what the joining process would be
- And how do you feel about this? How does it balance with your own views?
- How do you feel about the issue of automatic enrolment? Why do you say this? Is this a good idea? Probe: Why? For themselves or others, who?

- How long should people be given to opt out of this scheme? Why do you say this – why not longer/shorter?
- What kinds of people are most likely to **opt out** of this kind of scheme? Why do you say this? Could anything be done to make them more likely to stay in the scheme? What would this entail?
- Would you opt out? Why/why not?
- And how do you feel about the idea of being automatically enrolled on a recurring basis? Anyone who does not want to pay into that scheme at that time could opt out and then would be automatically enrolled, with the option to opt out again, 3-5 years later. How often should this happen?
- Why do you say this? How might this benefit people? Probe for change in circumstances, increased wages meaning more able to join the scheme and so on
- And what about other people, like carers, or maybe people who cannot work due to health problems. Do you think people like this could be covered by a scheme like this? Should they have to put money aside for their retirement? Why do you say this? What do you think about a portable scheme that could stop and start with changing circumstances?

Management and administration

- Moderator to explain that now going to discuss ways that this scheme might be run, in practice
- Who, in your opinion, should manage such a scheme – what kind of organisation should oversee it? Probe for State, pension provider, new organisation or a combination
- Why do you say this? Why do you think they would be best placed to do this? Probe fully – trust, experience, competence and so on
- How would you feel about a central clearing house (moderator to explain using slide) administering the collection of contributions? Why do you say this? What impact would this have on how you feel about personal accounts?
- How would you feel about choosing a pension provider from a shortlist selected by your
 - Employer
 - State co-ordinated clearing house
 - Other? (e.g. independent body)
- Or should people choose from all those on the market? Why? Should there be an option to change providers? How often should people be able to do this?

- What do you think of the idea of having a new National Pension Savings Scheme which could be privately run, outsourced or a Government agency? They would be responsible for central administration and collection of funds and invest funds according to your preferences. What would be the advantages and disadvantages? Would you be happy to be automatically enrolled into a nationally run scheme like this?
- How far would you like a choice in which pension provider you would use for this? Why do you say this? If you had choice, what kind of information would you need to help you make **informed choices**? Why is this so important?
- What format would you prefer? (Probe: web; email; leaflet, dvd; TV) Who would you like to develop this information? Who would you like to distribute the information? Where would you like to obtain this information? Would you ask anyone for assistance? If so, who?
- And how should payments to such a scheme be made?
- Views on having money deducted from salary and sent direct to a provider compared to money deducted from salary going to the central clearing house who then pay it to the provider?
- Self-employed – Would they prefer to pay monthly or annually? How would they prefer contributions to be made? By paying them directly or if they were collected along other liabilities such as NI contributions. Would this affect the likelihood of you joining?
- What are the advantages and disadvantages of each of these methods? How would each of them affect how you feel about the scheme? Probe for convenience, ease, not noticing making payments, etc
- And how far do you think you would take ownership of a scheme like this – would you see it as ‘your’ own account? Why do you say this? What about other people?
- A national scheme would benefit from low management charges. How would this affect your views?

(5) The role of the employer and employee

- How do you feel about putting a percentage of your wages into a scheme like this? Probe for whether they see it as a tax, wage cut, their own savings and so on
- Slide – employee contribution
- What percentage of GROSS wages do you think should be put into a scheme like this? Why do you say this? Would this provide an adequate income in retirement? What impact would this have now?

- Ask savers only – How does this compare to your current personal contribution?
 - And what do you think the minimum level of contribution from employees should be? Why is this? And what about the maximum? Why do you say this?
 - How could the employee contribution process be improved? Probe for spontaneous suggestions and then probe on ideas such as:
 - Lump sum contributions
 - Escalating contribution rates
 - Matched contributions - by who?
- Potential for additional contribution
- How important is it that your employer makes a contribution as well? Why do you say this – why is it so important? How does this compare against other factors we have talked about so far? Probe fully
 - How would you feel about the scheme if there were no employer contributions? Why does this make such a difference?
 - Slide Employer contribution
 - How much do you think an employer should contribute? Why is this? Why not more/less? What is the minimum rate that an employer should contribute? And the maximum? How do you think an employer might react to having to pay a contribution probing on different coping strategies? – Especially employees of micro-employers
 - How does having employers contributions impact on your views about opting out?
 - What do you think might encourage employers or make it easier for them to implement such a scheme?
 - And what about the State? Should they make a contribution here? How should this be done? Probe for what kind of contribution the State should be making
 - How aware are you of tax relief? What do you think this involves? Do you see this as a contribution by the State? Why/Why not?
 - Tax relief slide
 - How does having tax relief impact on your views about opting out?
 - Re-ask question about employee contribution with slide

Self-employed

- Self-employed – What percentage of income should the self-employed contribute? Should contributions be based on net or gross income? Would they prefer to nominate a payment, say £x per month or a lump sum rather than pay a percentage of income? What do they see as the advantages and disadvantages to them?
- Summary – introduce Pensions Commission suggestion on one slide – gauges with employee, employer and state contribution. What are your reactions to this? Why?
- Savers only How does this compare to your current contribution?

Note – may need to explain gross

Pensions Commission model – SLIDE

Model for self-employed – SLIDE

LIQUIDITY

- And how about other ideas such as borrowing against your pension savings for other purchases if you needed to, for example, invest in business, a deposit for a house or pay off debts e.g. loans or credit cards? Probe fully How does this make you feel about the scheme? Does it make it more attractive to you? Why do you say this? Would this affect your contribution level?

(6) Views and understanding of DC arrangements, fund choices and attitudes to risk

PRESENT DC SLIDE again

- Seek spontaneous reactions to the explanation of a DC scheme [interested in views about opportunities for return and perceived risk]

Fund choices

In this type of arrangement your money could be invested in a range of different types of pension funds (*OR if appropriate: Non-interest bearing profit and loss investments / investments in-line with Muslim beliefs*)

- Would you choose to put your money in a fund that offered a greater opportunity for return although there may be less certainty of return or to put it into a fund which offers more certainty of return but may have a lower opportunity for return?
- What impact do you think doing things like this might have on your final retirement pot?

- Would you want someone else to make the choice of fund(s) for you? Why is this? Who should make this choice? Probe: Government, employer, pension provider, etc. Would your decisions depend on where funds are invested e.g. UK vs international; ethical; other?
- And how do you feel about having a default fund? Why do you say this? What do you imagine this might involve?
- What would you choose – your own fund(s) or the default? Why is this? What is more important to you potential return or guarantee? Why? How would you go about deciding what is best for you?
- What kind of guarantees would you expect from a scheme like this? Why do you say this? What is a guarantee? Probe what it means to them: exact amount e.g. match in and out, percentage increase/interest, guarantee of a certain income. How do you feel about ideas such as nominal cash back? Moderator to explain that one of fund options could be if you put in £50k over a lifetime you will be guaranteed a pot of at least £50k on retirement. Probe to explore trade offs about guarantee vs lower return
- What impact do you think doing things like this might have on your final retirement pot?
- How far would you want to split your savings across a number of funds? Why do you say this? What kind of information would you need to do this? And how often do you think you might want to change funds? Why do you say this?
- Would you expect to get advice on how to choose which funds are most suitable? Who should provide this? What should it cover? (distinguish between information and advice)
- How far does the fact that you are able to choose how your money is invested impact on how you feel about the scheme? Would you see it as your own savings account? Why do you say this? And how does this make you feel?
- How aware are you of annuities? Could you explain, briefly, to me what you understand them to be? If participants unsure, moderator to explain dc arrangement and annuity rates etc How do you feel about this? Why do you say this? How does this impact on your feelings about this scheme?
- How do you feel about being able to keep a proportion of your savings as a lump sum on retirement and turning the rest into a regular pension? Why do you say this? How does this make you feel about the scheme?
- Explore with individuals whether they would want a feature of this scheme to be that should they die before retiring/before annuitising their pension that their family (husband/wife/partner/dependents) would inherit their pension fund. How important is this to them as a feature of the scheme?

- How would the age at which you could choose to take your pension affect your choice to stay in the scheme? (could start 55-75 but this may move up a few years if the state pension age increase in line with longevity)
- Are there any other measures that could be put in place to make this scheme more attractive? What are these? Why would this make such a difference?

(7) Conclusion

- Thinking about all the things we've talked about, how likely would you be to remain in a scheme like this? Why do you say this? What would be the barriers to you getting involved? And what could be done to make it more attractive to you? And how about other people – what might they think about it?
- Key question – How far do you think a scheme like this might impact on other savings e.g. direct investment in your business, ISAs or other pension arrangements that you may have? Does this change how you feel about it?
- Thinking about what we have discussed, whose responsibility would you say it is to ensure that you have financial provision in retirement? Have your thoughts on this changed at all on this? Why do you think this is? What do you think other people might say?
- And if this scheme were to go ahead, what kind of information would you need to help you make the right choices about it for you? How should this information be provided? And who should it come from?
- Show of hands: Do you think you would opt out of such a scheme? Note if any people remain confused/feel they require any further info
- What would be the one thing that you would say to the Government, if you could, about this scheme to make it a success?
- And is there anything that we haven't discussed that you think is relevant?

Thank and close

The Department for Work and Pensions

Public attitudes to personal accounts – depth interviews with carers

Description
<p>(1) Introduction and warm-up</p> <ul style="list-style-type: none"> • Thank participants for attending – mention that interview should last up to an hour in length • Research commissioned to understand how people feel about possible reforms to the pensions system • Stress there are no right or wrong answers – we are just interested in finding out their views and opinions • Don't need any prior knowledge • Reassure participants of confidentiality – MRS code of conduct • Permission to record – for analysis purposes only • Names, where they live, what they do/who they care for, whether currently saving for a pension and what type, etc
<p>(2) Attitudes towards retirement</p> <ul style="list-style-type: none"> • How important would you say it is to save for your retirement? Why do you say this? Probe for increased life expectancy, perceived decline in state support, maintain standard of living and so on • Is saving for your retirement more of an issue now than it used to be? Why has this changed? • When is a good time to start saving for your retirement? And when is a realistic time to start saving for your retirement? Probe fully to see how different life events e.g. parenthood, buying first house, level of income, student loans and so on impacts on ability to save • How hard is it for you, and people like you, to save for your retirement? What are the barriers? How do you think you will manage, financially, in retirement? Probe fully to determine what they will rely on – types of pensions, other forms of income e.g. property and so on • Are you aware of any discussions or announcements made by the Government recently to do with pensions? If yes Could you tell me briefly about these? Probe for awareness of Pensions Commission report (Turner report), increase in working age, NPSS, changes to State Pension • What is your reaction to these potential reforms? Probe level of trust, reassurance, fear... • How do you think these potential reforms might affect someone like you?

- Thinking generally about pensions, and saving for retirement, whose responsibility is it to make sure that you understand the options available to you? And, whose responsibility is it to ensure your retirement income meets your needs? Probe for self, Government, employer
- Why do you say this? And who has **most** responsibility? Why is this?

(3) Understanding the current system

- Where do you go/would you go to find information on saving for retirement? Probe fully – IFAs, friends, family, banks, employers and so on Why do you say this?
- And how far do you trust this information? Why do you say this? Probe for awareness of problems with private pensions, uncertainty over State Pension etc. What might make you have more confidence in it? Why would this make such a difference?
- Thinking about your retirement, what are the different options open to you to help you save? Probe for employer pension, State Pension, private pension, property etc
- How able are you to take advantage of them? Why do you feel like this?
- How aware are you of what advantages and disadvantages each type of pension/saving options e.g. property can bring? What are these? Probe fully – moderator to ensure that cover understanding of State Pension, s2p and so on
- And thinking about all of these factors that we have just discussed, how confident are you that you will be able to manage, financially, in retirement. Why do you say this? Probe fully

(4) Attitudes to personal accounts

- ‘The Pensions Commission’s report included, among other things, a recommendation for the establishment of a National Pension Savings Scheme into which individuals are automatically enrolled but with the right to opt out. The Government is now interested in exploring the public’s views on the idea of automatically enrolling people into some sort of a state-coordinated personal or individual pension account. These personal or individual accounts could take a number of forms and have a range of different features with the State playing various roles. However, carers and the self – employed for example will not be automatically enrolled (explain fully – show slide if necessary) – they will have to opt in. The central features of this sort of scheme are likely to be: slide

Overall attitudes – general reactions

- How do you feel about the idea of a state-coordinated personal pension account with low management charges which you can choose to join?

- Would you choose to join? What appeals to you? Probe: Government coordinated; low management charges; portability if also in employment or move into employment later on; it is national
- And what about the barriers? Why do you say this? How do the two balance out? How might these be overcome?
- Do you think there are any alternatives to this scheme that might work more effectively? Why is this – why would this make a difference? Probe fully to see whether participants more favourable towards compulsion or not

Joining techniques – SLIDE on automatic enrolment

- Should the scheme should be open to carers and people like you? On what basis – some level of compulsion or voluntary?
- Do you think that carers could be automatically enrolled into the scheme in a similar way to employees? Any idea how this could work in practice? What other joining processes could work instead?
- What kinds of people should be automatically enrolled into a scheme like this? Why do you say this?
- How long should people be given to opt in of this scheme? Why do you say this – why not longer/shorter?
- And how often should this be reviewed? Why do you say this? How might this benefit people like you?
- What do you think about a portable scheme that could stop and start with changing circumstances?

Management and administration

- Moderator to explain that now going to discuss ways that this scheme might be run, in practice
- Who, in your opinion, should manage such a scheme – what kind of organisation should oversee it? Probe for State, pension provider, new organisation or a combination
- Why do you say this? Why do you think they would be best placed to do this? Probe fully – trust, experience, competence and so on
- How would you feel about a central clearing house (moderator to explain using slide) administering the collection of contributions? Why do you say this? What impact would this have on how you feel about personal accounts?
- How far would you want a choice in being able to choose your pension provider? Should you be able to choose from all those on the market? Why do you say this?

- Would you be interested in choosing a pension provider from a shortlist? Why do you say this? Who should draw up this shortlist? Probe for State, independent body, other etc
- And should there be an option to change providers? Why do you say this?
- When thinking about how you might choose your pension provider, what kind of information might you need to help you do this? Why do you say this? Why is this so important? And what format should this be provided in? Why do you say this?
- What do you think of the idea of having a new National Pension Savings Scheme which could be privately run, outsourced or a Government agency? They would be responsible for central administration and collection of funds and invest funds according to your preferences. What would be the advantages and disadvantages? Would you opt in to a nationally run scheme like this?
- And how should payments to such a scheme be made?
- Would you prefer to pay monthly or annually? Do you think that people like you might need more flexibility here? Why is this?
- How would you prefer contributions to be made? Probe for directly or other route Would this affect the likelihood of you joining?
- And how far do you think you would take ownership of a scheme like this – would you see it as ‘your’ own account? Why do you say this? What about other people?
- A national scheme would benefit from low management charges. How would this affect your views?

(5) The role of the carer and the State

- How do you feel about making regular payments into a scheme like this? Probe fully
- Would you be able to invest a percentage of your income in a scheme like this?
- Should there be a minimum that you could contribute? Why do you say this? And a maximum?
- How could the contribution process be improved? Probe for spontaneous suggestions and then probe on ideas such as:
 - Lump sum contributions
 - Escalating contribution rates
 - Matched contributions – by who?
 - Potential for additional contribution

- Do you think your contributions should be matched by someone else? Why do you say this? Who should they be matched by?
- If there were no matched contributions how would this affect your likelihood to join a scheme like this? Why do you say
- And what about the State? Should they make a contribution here? How should this be done? Probe for what kind of contribution the State should be making
- How aware are you of tax relief? What do you think this involves? Do you see this as a contribution by the State? Why/Why not?
- Tax relief slide
- How does having tax relief impact on your views about whether you would join a scheme like this?
- Thinking about what we have just said regarding contributions, do you think that this would provide you with enough of an income in retirement? How do you feel about this?

Model for carers – slide

LIQUIDITY

- And how about other ideas such as borrowing against your pension savings for other purchases if you needed to, for example, invest in business, a deposit for a house or pay off debts e.g. loans or credit cards? Probe fully How does this make you feel about the scheme? Does it make it more attractive to you? Why do you say this? Would this affect your contribution level?

(6) Views and understanding of DC arrangements, fund choices and attitudes to risk

PRESENT DC SLIDE

- Seek spontaneous reactions to the explanation of a DC scheme [interested in views about opportunities for return and perceived risk]

Fund choices

In this type of arrangement your money could be invested in a range of different types of pension funds (*OR IF APPROPRIATE: Non-interest bearing profit and loss investments/investments in-line with Muslim beliefs*)

- Would you choose to put your money in a fund that offered a greater opportunity for return although there may be less certainty of return or to put it into a fund which offers more certainty of return but may have a lower opportunity for return?
- What impact do you think doing things like this might have on your final retirement pot?

- Would you want someone else to make the choice of fund(s) for you? Why is this? Who should make this choice? Probe: Government, pension provider, etc. Would your decisions depend on where funds are invested e.g. UK vs international; ethical; other?
- And how do you feel about having a default fund? Moderator to explain what a default fund might entail. Why do you say this? What do you imagine this might involve?
- What would you choose – your own fund(s) or the default? Why is this? What is more important to you potential return or guarantee? Why? How would you go about deciding what is best for you?
- What kind of guarantees would you expect from a scheme like this? Why do you say this? What is a guarantee? Probe what it means to them: exact amount e.g. match in and out, percentage increase/interest, guarantee of a certain income. How do you feel about ideas such as nominal cash back? Moderator to explain that one of fund options could be if you put in £50k over a lifetime you will be guaranteed a pot of at least £50k on retirement. Probe to explore trade offs about guarantee vs lower return
- What impact do you think doing things like this might have on your final retirement pot?
- How far would you want to split your savings across a number of funds? Why do you say this? What kind of information would you need to do this? And how often do you think you might want to change funds? Why do you say this? Insert
- How far does the fact that you are able to choose how your money is invested impact on how you feel about the scheme? Would you see it as your own savings account? Why do you say this? And how does this make you feel?
- How aware are you of annuities? Could you explain, briefly, to me what you understand them to be? If unsure, moderator to explain dc arrangement and annuity rates, etc
- How do you feel about this? Why do you say this? How does this impact on your feelings about this scheme?
- How do you feel about being able to keep a proportion of your savings as a lump sum on retirement and turning the rest into a regular pension? Why do you say this? How does this make you feel about the scheme?
- How appealing is the idea that a feature of this scheme to be that should they die before retiring/before annuitising their pension that their family (husband/wife/partner/dependents) would inherit their pension fund.

- How would the age at which you could choose to take your pension affect your choice to stay in the scheme? (could start 55-75 but this may move up a few years if the state pension age increase in line with longevity)
- Are there any other measures that could be put in place to make this scheme more attractive? What are these? Why would this make such a difference?

(7) Conclusion

- Thinking about all the things we've talked about, how likely would you be to opt in a scheme like this? Why do you say this? What would be the barriers to you getting involved? And what could be done to make it more attractive to you?
- Thinking about what we have discussed, whose responsibility would you say it is to ensure that you have financial provision in retirement? Have your thoughts on this changed at all on this? Why do you think this is? What do you think other people might say?
- And if this scheme were to go ahead, what kind of information would you need to help you make the right choices about it for you? How should this information be provided? And who should it come from?
- What would be the one thing that you would say to the Government, if you could, about this scheme to make it a success for people like you?
- And is there anything that we haven't discussed that you think is relevant?

Thank and close

Department for Work and Pensions

Public attitudes to personal accounts – follow-up depth interviews with non-savers and the self-employed

Description
<p>(1) Introduction and warm-up</p> <ul style="list-style-type: none"> • Thank participants for agreeing to be interviewed – mention that the interview should last up to an hour • Research commissioned to understand how people feel about possible reforms to the pensions system – this interview to pick up in more detail some of the points raised in the groups, and to explore their personal reactions and what they might do faced with particular decisions • Stress there are no right or wrong answers – we are just interested in finding out their views and opinions. Don't need any prior knowledge • Reassure participants of confidentiality – MRS code of conduct • Permission to record – for analysis purposes only • Names, where they live, what they do, whether currently saving for a pension and what type etc (although will have gathered this information at the initial group, can reiterate and gather more detail for analysis purposes)
<p>(2) Attitudes to retirement</p> <ul style="list-style-type: none"> • Recap what provision they have currently and record systematically [open to ideas on how to do this and the specific questions – we want to gain systematic background information] • Do you have a personal, occupational or stakeholder pension? Is this DB or DC? Who contributes to this? How much is put in by you and your employer per month? Is it fixed amounts each month or does it vary? Is the final pension you will receive is related to your salary? • Does your employer offer the opportunity to join a pension? Does this have an employer contribution? • If there is a scheme are you eligible to join? Have you been invited to join/ was there automatic enrolment? Have you requested to join? If you are a member, how long have you had this pension? Why did you join/not? • If you have a personal pension – Who is this with? How did you choose this pension? Does your employer contribute? How long have you had this pension? • Briefly cover the following just yes/no not specific amounts: • Do you have any other savings? Probe: investment in business; investment in property (own or buy-to-let); ISA; bank; building society

- Do you have any debts? Probe: mortgage; HP; credit cards; student loan; loan; etc
- Moderator to explain that going to pick up on some of the aspects explored in the group discussion. In the first instance, we will probe in more depth on their own attitudes to retirement and saving
- How important do you think it is to save for your retirement? Why do you say this? Have you always felt like this? What made you change?
- And when do you think you will retire? What do you think you might need, financially on retirement? Why do you say this? Can you imagine how your financial needs might change on retirement? Probe fully.
- What provision have you personally made for your retirement? Probe fully to uncover whether participant has private and/or employee pension scheme or other form of investment e.g. property. Why have you chosen to do this? How confident are you that this will support you in retirement? Why do you say this?
- And how confident are you that the State will support you in retirement? Why do you say this? Looking forward to when you retire, what do you imagine that the State will offer to pensioners? Why do you say this? How do you feel about this?
- For non-savers – why they chose not to join the scheme offered by their employer? Explore employer contribution and if this would make a difference or why it has not
- And whose responsibility would you say it is to ensure that you have adequate/sufficient income for retirement? Why do you think this?

(3) Thoughts since the group discussions

- Since the group discussion, what thoughts have you had about the State-coordinated personal pension account and the things that we discussed? Probe to see whether their views have changed in time
- Since the group discussion, have you discussed this with partner/family/friends and/or colleagues? If yes – what was said? And how has this affected your thoughts/feelings about such a product?
- And thinking back to the groups, what was the most memorable element of the state-coordinated personal pension account that we discussed? Why do you say this? What made it stand out for you?
- And what did you find to be the most **appealing** element of the state-coordinated personal pension account? And the **least appealing**? Why do you say this? Probe fully
- Was there any element of the state-coordinated personal pension account that concerned you? Why did you think this? What could be done to reassure you here?

- And since the group discussions, what further thoughts have you had on the state-coordinated personal pension account? Probe fully? Why have you thought this? What other questions do you have about it? Why is this?

(4) Attitudes to the state-coordinated personal pension account – in detail

- Moderator to explain that this interview will revisit some of the areas explored in the group discussions but that the emphasis will be on discussing what is best for them – use stimulus material from focus group as a guide through the main principles
- As far as you can remember, can you explain to me how the state-coordinated personal pension account would operate? Moderator to probe fully on enrolment, contributions, who it would be overseen by and so on.
- Moderator to fill in the gaps, if necessary in order to build up their understanding again

Overall attitudes – general reactions

- How do you feel about the idea of a state-coordinated personal pension account where individuals are automatically enrolled with the option of opting out and there is an employer and employee contribution? [may need to remind what automatic enrolment and opt out is]
- Would you be happy to be automatically enrolled into this kind of account? Why do you say this?
- What appeals to you? Probe: ease of arranging; low management charges; good to be prompted to save; employer contribution; tax relief on own contributions; portability; Government coordinated; national; ease of making payments
- Self-emp only – How do you feel about the idea of a state-coordinated personal pension account with low management charges which you can choose to join? What appeals to you? Probe: Government coordinated; low management charges; portability if also in employment or move into employment later on; it is national. Would you be likely to join? Why do you say this?
- What would be the advantages of such a system to you? Why do you say this? And what about the disadvantages?
- How would you perceive these deductions from your income? Probe: tax; reduction in wage/income; a good way to save

Joining techniques

- Can you tell me, in as much detail as you can remember, what the joining process would be like?
- Moderator to clarify with participants what the joining process would be – use slide from focus group to explain automatic enrolment
- And how do you feel about this?
- How do you feel about the issue of automatic enrolment? Why do you say this? Is it a good idea? Why is this?
- Self-employed only – Do they think the scheme should be open to the self-employed? On what basis – some level of compulsion or voluntary? Do they think the self-employed could be joined into the scheme in a similar way to employees? What other joining processes could work?
- How long would you want to be given to opt out of this scheme? Why do you say this – why not longer/shorter?
- Would you opt out? Why/why not?
- If you would opt out at the moment – how would you feel about being automatically enrolled again in 3-5 years?
- The Pensions Commission suggestion is that only people in employment, earning over 5K and over 21 years old are automatically enrolled? What are your views? Should any other groups be excluded from automatic enrolment? Why?
- Other groups can join voluntarily? What are your views on this? Should automatic enrolment be applied to other groups? Who and why?

Management and administration

- Moderator to explain that now going to discuss ways that this scheme could be run, in practice
- We spoke in the group discussion about who should manage such a scheme (either the State, provider, new organisation, or a combination). Thinking now, who do you think would be best placed to do this? Why do you say this? What are the perceived risks with the other organisations? Why do you say this?
- Explore views on making a choice of private pension provider e.g. bank, building society, or assurance provider. Would they like it to be:
 - Their choice
 - Employer's choice
 - Government's choice
 - Or a state/centrally run pension arrangement instead

- Would individuals want to have the option to change providers (if there was a choice of provider), and how often would they like to do this e.g. twice a year or more or less often than this?
- And how should payments to such a scheme be made? How else could payments be made?
- Self-employed – Would they prefer to pay monthly or annually? How would they prefer contributions to be made? by paying them directly or if they were collected along other liabilities such as NI contributions. Would this affect the likelihood of you joining?
- A national scheme would benefit from low management charges. How would this affect your views?

The role of the employer and the employee

- What percentage of your gross wages/income do you think you should put into a scheme like this? Why do you say this? How far does this tally with what you thought in the group discussion?
- And what about employers? What should their contribution rate be? Why do you say this? How far would the rate of employer contribution affect your likelihood to join this scheme?
- Should the State be making a contribution? Why do you say this? And how would this affect your likelihood to join this scheme?
- What should the balance of contributions be between individual, State and employer? Would you contribute more if your contribution was matched by your employer? If this arrangement did not include an employer contribution what would your views of this arrangement be? [note – this is a summary check question – please x-check with the focus group guide]

SELF-EMPLOYED

- Self-employed – What percentage of income should the self-employed contribute? Should contributions be based on net or gross income? Would they prefer to nominate a payment, say £x per month or a lump sum rather than pay a percentage of income? What do they see as the advantages and disadvantages to them?

LIQUIDITY

- And how about other ideas such as borrowing against your savings for other purchases if you needed to, for example, invest in business, a deposit for a house or pay off debts e.g. loans or credit cards? Probe fully How does this make you feel about the scheme? Does it make it more attractive to you? Why do you say this? Would this affect your contribution level?

Pensions Commission model

- Individual contribution level of five per cent of gross income which is made up of four per cent contributions from employees' post-tax pay and one per cent tax relief
- For employed people the employer would also contribute three per cent of the individual's gross income
- Contributions would only be made on gross income between minimum threshold (approx £5K) and the upper earnings limit (approx £33K)
- Would you join this scheme? Why?

Pensions Commission Model for self-employed

- Proposed total contributions for Pensions Commission model for the self-employed have no employer contribution just the individual contribution
- Contributions would only be made on gross income between minimum threshold (approx £5K) and the upper earnings limit (approx £33K)
- To make similar contributions the self-employed might be looking at a contribution of say six per cent of gross earning (+tax relief at basic rate of 22 per cent? this gives 7.3 per cent in total – 6.5 per cent contribution would give 7.9 per cent in total with tax relief)
- Would you join this scheme? Why?
- How do you think your employer would react? Would this affect your choice to join? Probe: future pay rises; recruitment; retention; hours of work; etc
- Can you remember the other options for employee contributions (probe on lump sum contributions, matched contributions, escalating rate/Phasing in from one per cent upwards gradually Contributions, additional contributions and so on)
- How do you feel about these? Which is most attractive to you? Are any of them more appealing now you have had longer to think about it? Why is this?

Views and understanding of DC arrangements, fund choices and attitudes to risk

Check understanding of a DC scheme and fill in the gaps if necessary.

Seek spontaneous reactions to the explanation of a DC scheme [interested in views about opportunities for return and perceived risk]

Fund choices

In this type of arrangement your money could be invested in a range of different types of pension funds. How important is it to you that you are able to choose where the money is invested?

Would you choose to put your money in a fund that offered a greater opportunity for return although there may be less certainty of return or to put it into a fund which offers more certainty of return but may have a lower opportunity for return? [key area – open to better ways to explain trade off]

Would you prefer these choices to be made on your behalf?

DEFAULT – present slide and explain

How do you feel about having a default fund?

How likely is it that you would stick with the default fund? Why do you say this? What do you imagine this might involve? **Should there be a default fund – or should everybody have to choose an investment strategy/fund?**

What would you choose – your own fund or the default? Why is this?

- What is a guarantee? Probe what it means to them: exact amount e.g. match in and out, percentage increase/interest, guarantee of a certain income. What are your views about this? Is this something you would want? Why?
- And how far would you want to be able to split your savings across a number of funds? Why do you say this? What kind of information would you need to do this?
- Would you expect to get advice on how to choose which funds are most suitable? Who should provide this? What should it cover? Ethical saving, where it is invested... **Would you want to choose from the whole market or from a selected list?**
- Would individuals want to change the choice of pension funds that they have made and if so, should they be allowed to do this say twice a year or more or less often than this?
- How far does being able to choose how your money is invested impact on how you feel about the scheme? Would you see it as your own savings account? Why do you say this? And how does this make you feel?
- How do you feel about being able to keep a proportion of your savings and turning the rest into a regular pension? Why do you say this? How does this make you feel about the scheme?
- Explore with individuals whether they would want a feature of this scheme to be that should they die before retiring/before annuitising their pension that their family (husband/wife/partner/dependents) would inherit their pension fund. How important is this to them as a feature of the scheme
- Are there any other measures that could be put in place to make this scheme more attractive to you? What are these? Why would this make such a difference?

(5) Conclusion

- Thinking about all the things we've talked about, how likely would you be to be part of a scheme like this? Why do you say this?
- How far have your views changed since the group discussion? On the state-coordinated personal pension account? On responsibility for financial provision in retirement? On saving for retirement in general? What has prompted this change? Do you think this will be true for other people as well?
- What would be the barriers to you getting involved? And what could be done to make it more attractive to you?
- How far do you think a scheme like this might impact on other savings e.g. direct investment in business, ISAs or other pension arrangements that you may have? Does this change how you feel about it?
- And if this scheme were to go ahead, what kind of information would **you** need to help you make the right choices about it for you? How should this information be provided? Who should it come from?
- What would be the one thing that you would say to the Government, if you could, about this scheme to make it a success?
- And is there anything that we haven't discussed that you think is relevant?

Thank and close

Appendix C

Prompt materials

Throughout the duration of the discussions, laminated slides were used to highlight various key points in the debate and of the proposed Pensions Commission plans. These slides acted as learning materials and reminders for participants.

They also served to ensure a consistent message was given to all respondents in both the groups and the depth interviews.

The slides are listed, along with a discussion of when and how the slides were introduced into the discussions. This point is important to note, as much of the discussion material was new to respondents, though some areas were referred to spontaneously before the subjects were 'officially' introduced into the discussion forum. Much reaction is, however, on the back of being introduced to the subject matter as a result of these slides, and resultant discussion and explanation by moderators.

It should be noted that questions on the points included within these slides were often raised spontaneously before the slide was introduced. Throughout the report we make reference to occasions that feedback or comment is made spontaneously on subjects without prompting from the moderator.

Slide 1 Defined contribution pension scheme

Respondents were asked what different options were available to facilitate savings for retirement.

Respondents were also asked to discuss the relative merits and de-merits of each of the various options. At this point the following two slides were introduced to the discussion – in order to ensure that all respondents were familiar with the terms *Defined Contribution* and *Defined Benefit*, and therefore the two main types of occupational/employer pensions scheme.

Defined contribution pension scheme

- Also known as a money purchase scheme
- Group Personal Pensions, Stakeholder pensions and Defined Contribution Occupational Pensions ALL work in this way
- Contributions may be made by individuals or employers or both
- Contributions are usually at a fixed percentage of the salary
- This money is then invested by the pension company on behalf of the individual
- If the stock markets do well, or interest rates are high, the investment grows faster
- In summary the pension from this kind of arrangement is based on
 - the amount of contributions made
 - the accumulated interest

Slide 2 Defined benefit pension scheme

Defined benefit pension scheme

- Also known as a salary related or final salary scheme
- Money is collected from the employer and employees may make contributions
- The contribution by the employee usually is at a fixed percentage of the salary
- The final pension is calculated using a fixed formula based on the number of years service and related to salary

Slide 3 Personal accounts

This slide was introduced to the discussion to introduce the key features of the NPSS as recommended by the Pensions Commission Report.

This slide was used to begin general discussion of the scheme, and gauge initial reactions to a national scheme.

Personal accounts

- People would be automatically enrolled into such a pension account
- A percentage of your salary would be automatically deducted from your wages each week or month and paid into the pension account
- People would have the opportunity to opt out
- Available to all earning around £5K or more
- Employers might be required to make a contribution
- Portable eg if an individual changes employers they would be able to continue paying into the same arrangement
- Low management/administration charges

Slide 4 Automatic enrolment

Moving on from initial reactions to the NPSS, the following slide was shown to stimulate further discussion on the notion of automatic enrolment.

The joining process

- Everyone earning around £5,000 per year or more would be **automatically enrolled**
- But you can **opt out** i.e. **you** have to inform the organiser if you do not wish to contribute
- If you did opt out, you would be **automatically enrolled again** every 3 – 5 years, **with the option to opt out**
- You could pause or stop payments at anytime

Slide 5 Clarifying the joining process

This slide was introduced during the discussion of the specific logistics of the automatic enrolment process.

Many of these points were raised spontaneously before the slides were introduced to the discussion.

More information about automatic enrolment

- Employed people would be automatically enrolled into such a pension account and money will be automatically deducted from your wages and paid into a pension account
- This will only happen if the employer does not automatically enrol all employees into an equivalent or better scheme
- If someone did not want to stay in the scheme they would have to specifically ask to be excluded.
- Individuals would be given a set amount of time to decide whether or not they wish to opt out of this

Slide 6 Central clearing house

Moving on from the automatic enrolment discussion, the specifics of managing and administering such a national scheme were introduced.

Respondents were, at first, asked who they thought should manage such a scheme, what type of organisation would be best placed to take charge.

Respondents were then shown the following slide (slide 6) by way of explanation/clarification of the recommendations put forward by the Pensions Commission.

A central agency to act as an intermediary between individuals and providers

- This could be run by the Government, or another agency
- Individuals would be automatically enrolled into a pension scheme run directly by a provider
- The individual would be able to choose their provider
- The employee would need to notify the central agency directly if they wished to opt out
- Contributions deducted from payroll would be transferred to the central agency who would then pass these on to the provider
- If you moved employer you could stay with the same provider

Slide 7 Administering/managing the NPSS

Respondents were presented with the following alternatives for overseeing personal accounts and asked for their reactions to each.

Personal accounts – who would oversee them?



The State?

A provider?



**NORWICH
UNION**

an AVIVA company



A new organisation?

Or a combination of them..?

Slide 8 Running the scheme

This slide further explains the responsibilities involved in running such a scheme. It was introduced alongside the previous Slide 7.

National Pension Savings Scheme

- This could be privately run, outsourced or a government agency
- They would be responsible for central administration, collection of funds and investment of funds according to your preferences.
- This agency would act as the provider

Slide 9 Charges

The notion of a low management charge was introduced using the following slide. The idea of 'economies of scale' was introduced to respondents by way of explanation.

This issue was generally raised spontaneously prior to the introduction of this slide, when the discussion was centred around the possibility of Private Insurance Companies becoming involved in the management and administration of personal accounts.

Management charges

- Management charges are paid on all company and personal pension schemes
- These charges cover the cost of the administration, the investment, the expertise and so on
- With this scheme, the management charges would be lower
- This cost saving would effectively be passed onto the employee

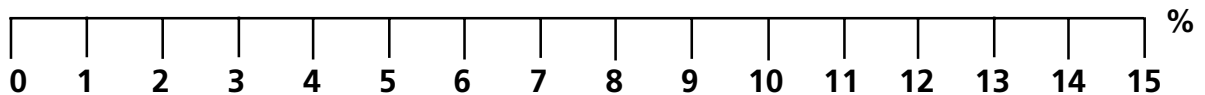
Slide 10 Employee contributions

Respondents were asked their reactions to putting a percentage of their own wages towards this scheme.

The following slide was introduced and respondents were asked what percentage of their wages they would be prepared to put into the scheme, within the range of 0-15 per cent.

The level of contributions

The individual



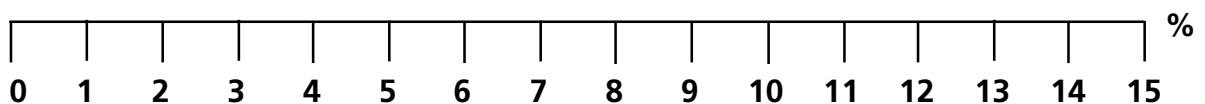
Slide 11 Employer contribution

Before asking respondents at what specific level they felt employers should be required to contribute at, they were probed for spontaneous reactions to the following:

- How important is it that your employer makes a contribution as well?
- How does having employers contributions impact on your views about opting out?
- What do you think might encourage employers or make it easier for them to implement such a scheme?

The level of contributions

The employer

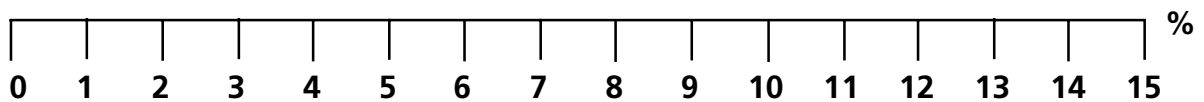


Slide 12 State contributions

Following on from the discussion of employers contributions, respondents were asked whether they thought the State should be making a contribution here. This area of discussion was prompted through the following slide.

The level of contributions

The State



Slide 13 Tax relief

Before having tax relief explained, respondents were asked for spontaneous reactions to the notion of tax relief; specifically:

- How aware are you of tax relief?
- What do you think that this involves?
- Do you see this as a contribution by the State?

Tax relief – Example

- BASIC rate taxpayers pay 22% tax
- This means that for every pound you earn, you would pay the government 22p
- However, if you put that pound into a pension scheme you do not pay tax on this money
- The Government effectively puts 22p into your pension
- For example, if you wanted £100 to be added to your pension scheme, you would only need to actually pay £78 and the Government pays the other £22

Slide 14 The Pensions Commission model

Following on from spontaneous promptings on perceived suitable levels of contributions, the recommendations of the Commission were put forward to respondents.

Pensions Commission model

- Individual contribution level of 5% of GROSS income which is made up of 4% contributions from employees' POST-TAX pay and 1% tax relief
- For employed people the employer would also contribute 3% of the individual's GROSS income.
- Contributions would only be made on GROSS income between minimum threshold (approx £5K) & the upper earnings limit (approx £33K)

Slide 15 Default investment fund

Following on from the unprompted discussion on fund choices and attitudes to risk and investment choice – the notion of a Default Fund was put to respondents in the following slide.

Moderators explained that this was commonly known within the Insurance Industry as a 'Lifestyle Investment'.

Default fund

- This is the fund people's money might go into if they don't make an active choice about where their fund will be invested and it is likely to be invested in a mixture of shares and government bonds with their funds being progressively moved into lower risk government bonds as they approach retirement. Government bonds are typically safer (lower risk) but lower potential return funds.

Slide 16 Annuities

Respondents were asked if they had any knowledge of annuities, and asked to briefly explain what they understood by the term.

The following slide was used by the moderators to ensure all respondents had an understanding of the concept.

Annuities

- When the individual retires, the money is used to buy what is called an annuity from a pension provider.
- The pension provider takes the money and in return agrees to pay a pension for life

Slide 17 Self-employed model

The following slide was used in place of Slide 14 for the discussion groups involving self-employed workers.

Model for self-employed

- Proposed total contributions for Pension Commission model for the self-employed have no employer contribution just the individual contribution
- Contributions would only be made on taxable income between minimum threshold (approx £5K) & the upper earnings limit (approx £33K)
- EXAMPLE ONLY - To make similar contributions the self-employed might be looking at a contribution of about 8% of taxable earning (including tax relief at basic rate of 22% – this is made up of 6.2% from post-tax earning and 1.8% tax relief)

Slide 18 Personal accounts for carers

The following slide was used during the separate discussion guide for Carers.

Personal accounts – for carers

- A state- coordinated personal pension account open to people in and out of employment
- People not in work could volunteer to join this personal account
- It would be portable e.g. you could continue this pension if you started working or changed jobs
- There would be low management/administration charges