PENSION LAW REFORM

THE REPORT OF THE PENSION LAW REVIEW COMMITTEE
CHAIRMAN: PROFESSOR ROY GOODE

VOLUME II RESEARCH

PRESENTED TO PARLIAMENT BY THE SECRETARY OF STATE FOR SOCIAL SECURITY BY COMMAND OF HER MAJESTY SEPTEMBER 1993

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INTRODUCTION TO
VOLUME II

The Pension Law Review Committee was established in June 1992 to review the framework of law and regulation within which occupational pension schemes operate.

In September 1992 a programme of research was commissioned by the Department of Social Security to provide background material for the Committee. The aim was to find out about the public’s perceptions of occupational pensions, their advantages and disadvantages, the confidence that members have in them, and how expectations match up to reality.

This Volume presents the findings of the research, which was carried out by Social and Community Planning Research, an independent, non-profit institute. The research consisted of four inter-related studies:

i) **A Personal Interview Survey** using a large representative sample of the adult population of Great Britain. Respondents were asked factual questions about employment, pension arrangements, and membership of occupational pension schemes, and also about their attitudes to pension schemes; scheme members were asked about their expectations of the scheme, and the kind of worries or problems they might have;

ii) **A Telephone Survey of Employers.** For those respondents to the personal interview who were currently scheme members, their employers were subsequently interviewed by telephone. The reason for this follow-up survey was to check on the scheme details as provided by the employees.

Studies (i) and (ii) constitute the quantitative element of the research programme. The findings of this research are presented in *Research Report One: Public Perceptions of Occupational Pensions.*

iii) **In-depth Interviews with Employees and Pensioners.** A subgroup of those respondents to the personal interview survey who had expressed worry or concern about their pension arrangements took part in a subsequent research study. The purpose of this in-depth research was to gain a detailed understanding of the respondents’ perceptions, and to elaborate on the material collected in the personal interview survey; and
iv) **In-depth Interviews with Employers.** The aim of this final part of the research was to get a thorough picture of the views of employers operating occupational pension schemes. Interviews focused on employers’ perceptions of the occupational pension scheme they provided, including any problems administering it, factors which would affect the continuation of such schemes, and how they saw the members’ concerns. The subgroup of employers was drawn from the telephone survey described in (ii).

Studies (iii) and (iv), which are based on qualitative research methods, are presented in *Research Report Two: Perspectives on Occupational Pension Schemes: A Qualitative Research Study.*
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ACKNOWLEDGEMENTS

Material from the OPCS Omnibus Survey made available through the Office of Population Censuses and Surveys has been used by permission of the Controller of HM Stationery Office.
Research Report One

Public Perceptions of Occupational Pensions

Julia Field
Graham Farrant

Social and Community Planning Research
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SUMMARY

This report presents the combined results of three surveys carried out on the public's perceptions and experience of occupational pensions. A module of questions was put to a representative sample of around 6,000 adults in Great Britain as part of the OPCS Omnibus surveys in November 1992, December 1992, and January 1993.

For those members of the sample who were employees and belonged to their employer's pension scheme, permission was sought to contact the employer, by telephone, to gather information on the pension scheme. This report presents the findings of this follow-up survey of employers. Employer data was used to check the accuracy of employees’ descriptions of their schemes.

A quarter of the sample said they were retired and of these nearly half were receiving an occupational pension, that is, some 11 per cent of the total sample. 45 per cent of those currently employed belonged to their employer's occupational pension schemes – two thirds of those with employer’s schemes available to them. This group accounted for 21 per cent of the total sample. Of the employees whose employer ran a pension scheme, a higher proportion of men (74 per cent) than of women (58 per cent) belonged to the scheme. 80 per cent of employees in social classes I and II worked for an employer who ran a scheme, compared to fewer than two-thirds of employees in other social classes. (2.4, 2.5)

Where an employer ran a pension scheme, the main reasons given for not belonging to it were satisfaction with other arrangements made (30 per cent), concern about not staying with that employer (27 per cent), and not being eligible (34 per cent). (2.6)

Employee’s descriptions of their employer’s scheme were compared directly with data from employers. Only 38 per cent of employees said the scheme was contracted out of SERPS, but data from employers showed that in 94 per cent of cases, the scheme was in fact contracted out. While employers reported that for 91 per cent of schemes, the pension would be calculated on final salary, only 73 per cent of employees correctly said that theirs was a final salary scheme. According to employers, 87 per cent of schemes were contributory, and most employees accurately identified their scheme in this regard. (3.3)
Employer data was also used to check the accuracy of employee’s expectations of benefits from their schemes. Generally, schemes provided a higher level of benefits than employees were aware of. For instance, 96 per cent of employees were entitled to a regular pension for their dependents in the event of death before retirement, but only 77 per cent thought they had this entitlement. In many cases employees did not know whether or not they were entitled to benefits, and on average it was twice the proportion of women as of men who did not know. (3.5)

Among respondents not yet retired, 63 per cent said they had given some thought to ‘pensions and plans for retirement’. Of this group, together with those already retired, 17 per cent had first given the matter some thought before the age of 25. This ranged from around 40 per cent of those currently aged 16-24 or 25-34, down to only 6 per cent of those now aged 65 or over. But many of the latter could not now remember when they had first given the matter any thought. (4.1)

From a list of advantages of pension schemes respondents were asked to choose two that they thought were the main advantages of the state scheme, including SERPS, and two that were the main advantages of employers’ pensions schemes. Similar questions were then asked about the disadvantages. The following were the most frequently chosen advantages and disadvantages:

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>State scheme</td>
<td>State scheme</td>
</tr>
<tr>
<td>Pension is secure</td>
<td>Amount of pension not enough to live on 64%</td>
</tr>
<tr>
<td>Easy, taken care of for you</td>
<td>Cannot retire early with pension 27%</td>
</tr>
<tr>
<td>Don’t lose out if you change jobs</td>
<td>Can’t choose how much or little to pay in 24%</td>
</tr>
<tr>
<td>Employers’ schemes</td>
<td>Employers’ schemes</td>
</tr>
<tr>
<td>Employers make contributions too</td>
<td>Might lose out if you change jobs 44%</td>
</tr>
<tr>
<td>Provides adequate income for retirement</td>
<td>It’s risky 22%</td>
</tr>
<tr>
<td>Can retire early with pension</td>
<td>Difficult to understand 12%</td>
</tr>
</tbody>
</table>

(4.2, 4.3)
35 per cent of employees in occupational schemes said they were very satisfied with the scheme and 47 per cent were fairly satisfied. Fewer than 1 per cent were very dissatisfied, 2 per cent were fairly dissatisfied, and 15 per cent were neither satisfied or dissatisfied. Employees who belonged to final salary schemes were a little more likely than those in money purchase schemes to be satisfied with their scheme. Two-thirds (69 per cent) of the non-retired said they would be very likely or fairly likely to join an employer scheme if they changed jobs or started a new one. 86 per cent of current occupational scheme members said they would be likely to join, compared to 62 per cent of those who were not currently members or had never been members. (4.5, 4.6)

35 per cent of the sample had contributed to a previous employer’s scheme. Excluding from this group those already drawing an occupational pension, 36 per cent had had their contributions returned in cash: 30 per cent had ‘frozen’ (retained) rights in the scheme; 22 per cent had transferred their rights to their current employer’s scheme or to another scheme, and 11 per cent said they had got nothing from their previous contributions. (5.1)

Altogether, 55 per cent of current contributors to occupational schemes and those with retained rights in employer schemes said they felt ‘felt worry or concern’ about one or more aspects of their scheme. The main worries were about the amount of pension (32 per cent), whether the scheme would still exist by the time they retired (30 per cent), and the transfer of pension rights on a change of jobs (26 per cent). However only 14 per cent of this group reported having actually experienced a problem. There was some overlap in problems, but the most frequently cited problem was with transferring pension rights (6 per cent). (5.2, 5.3)

A similar set of questions about worries and problems was put to those already drawing an occupational pension. Of this group 27 per cent had one or more worries or concerns, and 7 per cent had experienced a problem. The main worries were over the amount of pension (16 per cent) and whether the scheme would continue to exist (11 per cent). None of the specific types of problem had actually been experienced by more than 3 per cent. (5.4, 5.5)
INTRODUCTION
INTRODUCTION

1.1 RESEARCH AIMS AND METHODS

On 8 June 1992, the Secretary of State for Social Security announced that he was setting up a Pension Law Review Committee with the following terms of reference:

To review the framework of law and regulation within which occupational pension schemes operate, taking into account the rights and interests of scheme members, pensioners and employers; to consider in particular the status and ownership of occupational pension funds and the accountability and roles of trustees, fund managers, auditors, and pension scheme advisors; and to make recommendations.

In September 1992 Social and Community Planning Research (SCPR), an independent research institute, began a programme of research for the Pension Law Review Committee.

This research has two main aims:
(a) To look at the public’s perceptions of occupational pension schemes, the advantages, the disadvantages, and the confidence that scheme members have in them. This information is intended to provide an overall background for the Committee’s deliberations, against which other evidence can be assessed.

(b) To examine the concrete ways in which occupational schemes do not match up to expectations, for contributing members, those with retained rights, and those drawing a pension.

Three methods of research have been employed:

1) To meet the aims described at (a) above, a number of questions on pensions were added to the Omnibus survey conducted by the Office of Population Censuses and Surveys (OPCS). Each month, a large representative sample of the adult population of Great Britain is interviewed for the Omnibus survey. The fieldwork that included the pensions module took place in 3 separate stages over 3 months. The samples were also used to provide two further follow-up sub-samples:
2) Respondents who were currently employees contributing to occupational pension schemes were asked for permission for the OPCS research team to approach their employer, in order to check the technical details of their pension scheme. Employers were followed-up by telephone.

3) Respondents who reported having experienced any worries or problems about their occupational pension were asked to take part in a smaller-scale, in-depth follow-up study, designed to fulfil the aims expressed at (b) above. In contrast to the initial survey, this follow-up study used qualitative research methods, based on in-depth personal interviews. In-depth qualitative interviews were also carried out with the employers of these respondents. (The findings of this research are in Research Report 2.)

1.2 THE OPCS OMNIBUS SURVEYS

The Omnibus survey is carried out every month by the Office of Population Censuses and Surveys (OPCS) and asks questions on a number of different topics, which may vary from month to month. A module of some 40 questions concerning pensions was included in the Omnibus survey for November 1992, and this was repeated in December 1992, and again in January 1993.

In each of the 3 Omnibus surveys, around 2,000 adults were interviewed. From the November, December, and January surveys, a combined total of 6,123 respondents answered the module of questions on pensions, an overall response rate of 77 per cent. Details of this and other technical aspects of the survey can be found in the Appendix.

1.3 THE FOLLOW-UP SURVEY OF EMPLOYERS

All respondents to the Omnibus survey who were currently employees and belonged to their employer's pension scheme were asked for permission for OPCS to approach their employer to gather technical information on the scheme. It was explained that their answers to questions in the Omnibus survey were strictly confidential, and that their name would not be given to their employer.

Of the 1,334 respondents who were employees and members of their employer's scheme, 81 per cent provided the name and address of their employer. Just under half of this group (44 per cent) worked for public sector employers, and descriptive data on pension schemes was collected on a scheme-by-scheme basis from an external source, the Government Actuary's
Department. 56 per cent of the employees who gave permission to approach their employer worked in the private sector. For almost all of these (95 per cent), information on schemes was obtained by telephone directly from their employers. Further detail on the technical aspects of the employers survey can be found in Appendix B.

The employer questionnaire consisted of a small number of factual questions on the employer’s pension scheme. Interviews were carried out with, as appropriate, the finance director, company accountant, personnel manager, pensions manager, director or chief executive.

1.4 EARLIER REPORTS

The Committee has been asked to report by the end of September 1993, and, if possible, to report any recommendations for urgent action earlier than this. Because of the Committee’s immediate need for quantitative, general population information, two preliminary reports were provided. The first report was based upon the findings of the Omnibus survey carried out in November 1992, and was supplied to the Committee in January 1993. The second, interim report compared the findings of the November and December surveys, and was supplied in March 1993.

This final report is based on the findings of all three Omnibus surveys combined. It also reports on analyses based on data from the follow-up survey of employers.

1.5 CONTENTS OF THE OPCS OMNIBUS QUESTIONNAIRE

The module of questions on pensions covered:
- the extent to which people have thought about income provision for retirement and the public’s perceptions of the advantages and disadvantages of the State pension scheme including the State Earnings-Related Pension Scheme (SERPS), and of occupational pensions;
- current availability and membership of occupational pension schemes; reasons for not joining an available scheme; knowledge of the type of scheme; expected benefits; satisfaction with scheme;
- past membership of schemes, including what has happened to pension rights built up in any previous employer’s scheme;
- worries, concerns and actual problems experienced by members of schemes: contributors, those with retained rights, and those already receiving the pension.
The Omnibus survey, in addition to the modules of questions on other topics, provides a good deal of general background demographic and classificatory data, including gender, age, marital status, and social class.

1.6 CONTENTS OF THE OPCS EMPLOYERS SURVEY QUESTIONNAIRE

The questionnaire administered by telephone to employers covered:
• the number of contributors, pensions in payment and people with retained rights in the scheme; length of time scheme established;
• the type of scheme run (final salary, money purchase, etc); the contributory status of the scheme; and whether it was contracted in or out of SERPS;
• the benefits offered by the scheme;
• who is informed when changes are being made to arrangements for the scheme.
EMPLOYMENT AND PENSION
SCHEME STATUS OF THE
SAMPLE
EMPLOYMENT AND PENSION
SCHEME STATUS OF THE
SAMPLE

2.1 GENDER AND AGE PROFILE

In total, 6,123 adults were interviewed for the module of questions on pensions in the November, December, and January Omnibus surveys. The profile of this combined sample in terms of gender and age is shown in table 2.1. The sample comprised 48 per cent men and 52 per cent women. Just under half of the respondents (47 per cent) were between the ages of 35 and 64. 33 per cent were under 35 years old; and 20 per cent were age 65 or older. The age distributions for men and women were very similar, and are similar to the distributions for the adult population of Great Britain reported in the 1991 Census. 2

<table>
<thead>
<tr>
<th>Age</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>64</td>
<td>56</td>
<td>60</td>
</tr>
<tr>
<td>16-24</td>
<td>15</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>25-34</td>
<td>18</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>35-44</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>45-54</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>55-59</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>60-64</td>
<td>7</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>65 and over</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Base = 100%

1 Weighted base. For all tables, the data have been weighted to ensure that all adults are equally represented (see Appendix A for details). Due to rounding, percentages and bases may not sum precisely.

1 It will be noted that whereas a total of 6,123 adults was interviewed, table 2.1 is based on only 6,083 respondents. This is because information on age was not collected for 40 respondents.

2.2 EMPLOYMENT STATUS AND LENGTH OF SERVICE

One-quarter (25 per cent) of the sample defined themselves as retired, and just under half (48 per cent) as currently being in employment. Three-quarters (75 per cent) of the employees had been with their present employer for 2 years or more; 32 per cent had been with the same employer for 10 years or more. Table 2.2 shows the length of time that employees in different age groups had been with their present employer. As would be expected, the length of time with present employer is related to the employee's age, with older employees having worked for their current employer for longer periods. Nevertheless around half of the employees aged 45 and over had been with their current employer for less than 10 years.

<table>
<thead>
<tr>
<th>Table 2.2 EMPLOYEES: LENGTH OF TIME WITH EMPLOYER: BY AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All employees</strong></td>
</tr>
<tr>
<td>Length of time with employer</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>Less than 2 years</td>
</tr>
<tr>
<td>2 years, less than 5</td>
</tr>
<tr>
<td>5 years, less than 10</td>
</tr>
<tr>
<td>10 years or more</td>
</tr>
<tr>
<td>Base = 100%</td>
</tr>
</tbody>
</table>

Based on all employees.

2.3 EMPLOYMENT AND PENSION STATUS

The profile of the sample in terms of their employment status and pension arrangements is summarised in table 2.3 according to the age of respondents, for men and women, and for all respondents. In total, around one in ten (11 per cent) were drawing an occupational pension; this corresponds closely to the finding from the 1990 General Household Survey that 10 per cent of the adult population were in receipt of an occupational pension. A Around one-fifth (21 per cent) of the sample were currently employed and members of an occupational scheme, 10 per cent were employees but not members of a scheme provided by their employer, and 13 per cent were employees who had no scheme available to them. One-quarter (26 per cent) had previously been an employee, but had never been a member of an occupational scheme.


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15
### Table 2.3 EMPLOYMENT AND OCCUPATIONAL PENSION STATUS: BY GENDER AND AGE

#### All persons

<table>
<thead>
<tr>
<th>Age</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-59</th>
<th>60-64</th>
<th>65+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drawing an occupational pension</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>7%</td>
<td>3%</td>
<td>5%</td>
<td>6%</td>
<td>17%</td>
</tr>
<tr>
<td>Employees:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in employee's scheme</td>
<td>10%</td>
<td>35%</td>
<td>49%</td>
<td>45%</td>
<td>27%</td>
<td>20%</td>
<td>59%</td>
<td>27%</td>
</tr>
<tr>
<td>not in scheme</td>
<td>17%</td>
<td>15%</td>
<td>10%</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>9%</td>
</tr>
<tr>
<td>no scheme available</td>
<td>21%</td>
<td>20%</td>
<td>11%</td>
<td>14%</td>
<td>10%</td>
<td>7%</td>
<td>2%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Previous employees:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>was scheme member, has retained rights</td>
<td>2%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>0%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>was scheme member, no rights</td>
<td>3%</td>
<td>4%</td>
<td>9%</td>
<td>10%</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>was not scheme member</td>
<td>28%</td>
<td>17%</td>
<td>10%</td>
<td>11%</td>
<td>17%</td>
<td>12%</td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Other:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>never worked</td>
<td>13%</td>
<td>4%</td>
<td>2%</td>
<td>3%</td>
<td>1%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>insufficient data</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>0%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Base = 100%</strong></td>
<td>44%</td>
<td>51%</td>
<td>48%</td>
<td>47%</td>
<td>16%</td>
<td>21%</td>
<td>57%</td>
<td>2897</td>
</tr>
</tbody>
</table>

#### WOMEN

<table>
<thead>
<tr>
<th>Age</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-59</th>
<th>60-64</th>
<th>65+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drawing an occupational pension</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Employees:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in employee's scheme</td>
<td>11%</td>
<td>25%</td>
<td>23%</td>
<td>16%</td>
<td>5%</td>
<td>6%</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>not in scheme</td>
<td>20%</td>
<td>14%</td>
<td>16%</td>
<td>13%</td>
<td>9%</td>
<td>6%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>no scheme available</td>
<td>17%</td>
<td>15%</td>
<td>18%</td>
<td>21%</td>
<td>16%</td>
<td>6%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Previous employees:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>was scheme member, has retained rights</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>was scheme member, no rights</td>
<td>3%</td>
<td>7%</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>was not scheme member</td>
<td>27%</td>
<td>26%</td>
<td>17%</td>
<td>22%</td>
<td>36%</td>
<td>45%</td>
<td>64%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Other:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>never worked</td>
<td>13%</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>insufficient data</td>
<td>8%</td>
<td>4%</td>
<td>6%</td>
<td>6%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Base = 100%</strong></td>
<td>417%</td>
<td>634%</td>
<td>558%</td>
<td>329%</td>
<td>221%</td>
<td>197%</td>
<td>639%</td>
<td>3185%</td>
</tr>
</tbody>
</table>

#### TOTAL

<table>
<thead>
<tr>
<th>Age</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-59</th>
<th>60-64</th>
<th>65+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drawing an occupational pension</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Employees:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in employee's scheme</td>
<td>10%</td>
<td>29%</td>
<td>37%</td>
<td>34%</td>
<td>21%</td>
<td>12%</td>
<td>59%</td>
<td>21%</td>
</tr>
<tr>
<td>not in scheme</td>
<td>18%</td>
<td>15%</td>
<td>13%</td>
<td>11%</td>
<td>6%</td>
<td>4%</td>
<td>1%</td>
<td>10%</td>
</tr>
<tr>
<td>no scheme available</td>
<td>19%</td>
<td>17%</td>
<td>14%</td>
<td>18%</td>
<td>13%</td>
<td>7%</td>
<td>2%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Previous employees:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>was scheme member, has retained rights</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>was scheme member, no rights</td>
<td>3%</td>
<td>6%</td>
<td>8%</td>
<td>7%</td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>was not scheme member</td>
<td>27%</td>
<td>22%</td>
<td>14%</td>
<td>11%</td>
<td>27%</td>
<td>28%</td>
<td>46%</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Other:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>never worked</td>
<td>13%</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>insufficient data</td>
<td>8%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Base = 100%</strong></td>
<td>861%</td>
<td>1145%</td>
<td>1043%</td>
<td>999%</td>
<td>414%</td>
<td>410%</td>
<td>1210%</td>
<td>6883%</td>
</tr>
</tbody>
</table>

*Less than 1%.*
6 per cent had previously worked and been a scheme member, but had not
egot occupational pension rights, while 3 per cent had been previously
ployed and did have retained rights to an occupational pension. Men were
more likely than women to be drawing an occupational pension (17 per cent
pared to 6 per cent).

2.4 PROVISION OF OCCUPATIONAL PENSION SCHEMES

Current employees were asked whether their employer ran a pension scheme
or any employees; two-thirds (68 per cent) said that their employer did.
Table 2.4.1 shows the extent to which scheme provision is different for men
and women, according to whether they work for a private sector or public
sector employer. More men than women (72 per cent compared to 63 per
cent) worked for an employer who ran a pension scheme; this corresponds
quite closely to the finding from the 1990 General Household Survey, that
76 per cent of men and 65 per cent of women worked for an employer who
ran an occupational scheme. The gender difference in membership was less
marked in the public sector (men 96 per cent, women 88 per cent) than in
the private sector (men 66 per cent, women 49 per cent). Public sector
employees were more likely than those in the private sector to work for an
employer who ran a scheme (91 per cent compared to 59 per cent).

| Table 2.4.1 | PROVISION OF OCCUPATIONAL SCHEME FOR ANY
| EMPLOYEES: BY PUBLIC/PRIVATE SECTOR\(^1\) AND GENDER |
|-------------|-------------------------------------------------|
| All employees | Public sector | Private sector | Total\(^2\) |
| MEN | | | |
| Scheme provided | 96 | 66 | 72 |
| Scheme not provided | 2 | 30 | 25 |
| Don't know | 2 | 4 | 3 |
| Base = 100% | 318 | 1112 | 1471 |
| WOMEN | | | |
| Scheme provided | 88 | 49 | 63 |
| Scheme not provided | 8 | 41 | 30 |
| Don't know | 3 | 9 | 7 |
| Base = 100% | 531 | 851 | 1467 |
| TOTAL | | | |
| Scheme provided | 91 | 59 | 68 |
| Scheme not provided | 6 | 35 | 27 |
| Don't know | 3 | 6 | 5 |
| Base = 100% | 848 | 1998 | 2937 |

\(^1\) Excluding 'other' employer types (3% of the total).
\(^2\) Based on all employees.
Table 2.4.2 shows the availability of employers’ pension schemes for any employees, by age. About half (53 per cent) of those in the youngest age group (16-24 years) said they worked for an employer who ran a scheme, and 13 per cent of this age group did not know. The proportion working for an employer who ran a scheme initially increases with increasing age to peak at 75 per cent for the 35-44 years age group, and then declines to 64 per cent for those aged 55 or more. (This trend is similar for both men and women of this age group.) It is perhaps unexpected that so many of the youngest employees (age 16-24) said they worked for an employer with no pension scheme available to any employees. However, the finding should perhaps be interpreted with some caution, given that many in this age group are likely to have a lower interest in retirement issues than the older respondents, and for this reason, may not be aware that their employer provides a scheme.

<table>
<thead>
<tr>
<th>Age</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme provided</td>
<td>53</td>
<td>69</td>
<td>75</td>
<td>69</td>
<td>64</td>
<td>68</td>
</tr>
<tr>
<td>Scheme not provided</td>
<td>34</td>
<td>27</td>
<td>21</td>
<td>27</td>
<td>33</td>
<td>27</td>
</tr>
<tr>
<td>Don’t know</td>
<td>13</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

**Base = 100%**

Table 2.4.2 PROVISION OF OCCUPATIONAL SCHEME FOR ANY EMPLOYEES: BY AGE

Three-quarters (75 per cent) of employees who worked full-time, compared to less than half (47 per cent) of those who worked part-time, said their employer ran a pension scheme. Part-time employees were more likely than full-time employees to say they did not know if their employer ran a scheme (12 per cent compared to 3 per cent).

Table 2.4.3 shows the proportions of men and women in each social class who worked for an employer who ran a pension scheme. There is a clear relationship between social class and whether an employer provides an occupational pension scheme to any employees. Overall, eight in ten (80 per cent) of employees in social classes I and II said their employer provided a scheme, falling to one-third (65 per cent) in social class IIIm, 62 per cent in class IIIm, and only 55 per cent for social classes IV and V.
It is interesting to note that differences between male and female employees are very small for the professional and intermediate group (social classes I and II), where 79 per cent of women and 81 per cent of men work for an employer who runs a scheme. In the other three groups, fewer employees overall have a scheme available to them, and gender differences are greater, particularly for semi-skilled and unskilled manual workers (men 69 per cent, women 46 per cent), although in the latter group, 13 per cent of women did not know if a scheme was available.

### Table 2.4.3 Provision of Occupational Scheme: By Social Class and Gender

<table>
<thead>
<tr>
<th></th>
<th>Social Class¹</th>
<th></th>
<th></th>
<th>IV &amp; V</th>
<th>Total²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 &amp; II</td>
<td>IIIa</td>
<td>IIIb</td>
<td>IV &amp; V</td>
<td></td>
</tr>
<tr>
<td>MEN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheme provided</td>
<td>81</td>
<td>73</td>
<td>63</td>
<td>69</td>
<td>72</td>
</tr>
<tr>
<td>Scheme not provided</td>
<td>19</td>
<td>21</td>
<td>32</td>
<td>28</td>
<td>25</td>
</tr>
<tr>
<td>Don’t know</td>
<td>*</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td><strong>Base = 100%</strong></td>
<td>547</td>
<td>184</td>
<td>462</td>
<td>254</td>
<td>1471</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Social Class¹</th>
<th></th>
<th></th>
<th>IV &amp; V</th>
<th>Total²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 &amp; II</td>
<td>IIIa</td>
<td>IIIb</td>
<td>IV &amp; V</td>
<td></td>
</tr>
<tr>
<td>WOMEN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheme provided</td>
<td>79</td>
<td>62</td>
<td>57</td>
<td>46</td>
<td>63</td>
</tr>
<tr>
<td>Scheme not provided</td>
<td>18</td>
<td>31</td>
<td>40</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td><strong>Base = 100%</strong></td>
<td>437</td>
<td>543</td>
<td>114</td>
<td>361</td>
<td>1467</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Social Class¹</th>
<th></th>
<th></th>
<th>IV &amp; V</th>
<th>Total²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 &amp; II</td>
<td>IIIa</td>
<td>IIIb</td>
<td>IV &amp; V</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheme provided</td>
<td>80</td>
<td>65</td>
<td>62</td>
<td>55</td>
<td>68</td>
</tr>
<tr>
<td>Scheme not provided</td>
<td>18</td>
<td>28</td>
<td>34</td>
<td>35</td>
<td>27</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
<td>6</td>
<td>4</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td><strong>Base = 100%</strong></td>
<td>984</td>
<td>727</td>
<td>576</td>
<td>615</td>
<td>2937</td>
</tr>
</tbody>
</table>

*Less than 1%.


² Based on all employees.

The findings on whether an employee worked for an employer who ran a pension scheme were also examined for six regions of Great Britain. No major differences were seen among these regions.
2.5 MEMBERSHIP OF OCCUPATIONAL PENSION SCHEMES

Employees who reported that their employer ran a pension scheme were asked if they belonged to the scheme. Table 2.5 shows the proportion of men and women who said they belonged to the scheme, according to: employer type (public or private sector), hours worked (whether employees are full-time or part-time), age, and social class.

Overall, two-thirds (67 per cent) of employees whose employers ran a pension scheme said they belonged to that scheme. This represents 45 per cent of all employees in the sample. This figure may be compared to the findings of the 1987 Government Actuary’s Department Survey of Occupational Pension Schemes, where 49 per cent of all employees were members of occupational pension schemes in respect of their current employment.4

<table>
<thead>
<tr>
<th>Table 2.5 MEMBERSHIP OF EMPLOYERS’ SCHEMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees whose employer runs a pension scheme</td>
</tr>
<tr>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>Employer type:</td>
</tr>
<tr>
<td>Private sector</td>
</tr>
<tr>
<td>Public sector</td>
</tr>
<tr>
<td>Hours worked:</td>
</tr>
<tr>
<td>Part-time</td>
</tr>
<tr>
<td>Age:</td>
</tr>
<tr>
<td>25-34</td>
</tr>
<tr>
<td>35-44</td>
</tr>
<tr>
<td>45-54</td>
</tr>
<tr>
<td>55+</td>
</tr>
<tr>
<td>Social class:</td>
</tr>
<tr>
<td>II*</td>
</tr>
<tr>
<td>III*</td>
</tr>
<tr>
<td>IV &amp; V</td>
</tr>
</tbody>
</table>

* Figures in parentheses indicate that the base for that group is too small to provide a reliable finding.

More men than women belonged to a scheme (74 per cent compared to 58 per cent), and this was the case in all sub-categories of employee save for part-time workers, where 34 per cent of women but only 20 per cent of men belonged to the scheme (but see footnote 1 to table 2.5). In all other cases, proportionately more men than women belonged.

Public sector employees were more likely to belong to their employer’s scheme than private sector employees (74 per cent compared to 62 per cent), as were, to a greater degree, full-time workers over part-time (74 per cent compared to 32 per cent).

The youngest group, those aged 16-24, were least likely to belong to a scheme (35 per cent). Membership then increases with age, peaking at 75 per cent for those aged 45-54 and then decreasing to 68 per cent for those aged 55 and over. Differences between men and women are least marked in the two youngest age groups. As the age of the employees increases, men are more likely than women to be scheme members.

Four out of five (81 per cent) men in the professional and intermediate social classes (I and II) were scheme members, compared to less than three-quarters of women (72 per cent). Fewer members of the other social class groups were scheme members, and the differential membership of men and women is greater than seen in social classes I and II. For semi-skilled and unskilled manual workers (classes IV and V), two-thirds of men (68 per cent) but only a little over one-third of women (38 per cent) belonged to their employer’s pension scheme.

2.6 REASONS FOR NOT BELONGING TO AN EMPLOYER’S SCHEME

Those who did not belong to their employer’s scheme were asked to choose, from a list of possible reasons, the two main reasons that they did not belong. Three reasons stood out: not being eligible for the scheme (34 per cent), satisfaction with other pension arrangements (30 per cent), and the possibility of changing jobs (27 per cent).

The reasons given by men and women differed (table 2.6). 41 per cent of men said they were happy with other pension arrangements, compared to 23 per cent of women. Men were also slightly more likely than women to say that the reason they had not joined the scheme was that they might not stay with their current employer (by 30 per cent to 25 per cent). More women than men
(23 per cent to 12 per cent) said they didn’t know enough about the scheme, or hadn’t thought about it. Twice as many women as men (19 per cent compared to 10 per cent) said they were covered by other financial arrangements, such as their spouse’s pension.

Table 2.6 REASONS FOR NOT BELONGING TO EMPLOYER’S PENSION SCHEME: BY GENDER

<table>
<thead>
<tr>
<th>Two main reasons chosen</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am happy with other pension arrangements</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>I have already</td>
<td>41</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>I may not stay with this employer</td>
<td>30</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>I am not eligible</td>
<td>31</td>
<td>36</td>
<td>34</td>
</tr>
<tr>
<td>Don’t know enough about it/haven’t really thought about it (yet)</td>
<td>12</td>
<td>23</td>
<td>18</td>
</tr>
<tr>
<td>It’s too expensive/can’t afford the contributions</td>
<td>11</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>I am covered by other financial arrangements</td>
<td>10</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>(e.g. spouse’s scheme; savings plan; inheritance)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The amount of the pension is not enough</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>I don’t like the way the pension scheme is managed</td>
<td>8</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Have applied to join</td>
<td>2</td>
<td>*</td>
<td>1</td>
</tr>
<tr>
<td>I am too old for it to be worthwhile</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other reason</td>
<td>12</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

| Base:*                                                          | 272 | 388   | 660   |

* Less than 1%.

† These categories have been created post-hoc from an examination of ‘other’ reasons.

‡ If everyone had chosen 2 reasons, percentages in each column would add to 200, but some people only gave one reason. Therefore, percentages add to less than 200.
DESCRIPTIONS OF OCCUPATIONAL PENSION SCHEMES
3.1 INTRODUCTION

It can be accepted a priori that, to the layperson, pensions are a complicated and difficult to understand area of financial provision. Qualitative research carried out by SCPR in 1991 highlighted the fact that there is widespread lack of understanding about the nature of pension schemes, even among contributors. In devising questions for this survey to elicit information about the nature of respondents’ own occupational pension schemes, we were able to use questions, and to build on experience, gained from the 1991/92 SCPR survey on Personal Pensions carried out for the DSS.

Key requirements were to word questions as shortly and simply as possible while at the same time providing enough explanation of terms to clarify the major distinctions between pension types. Employees were asked to describe their occupational scheme, in terms of the categories of eligible employees, whether the scheme was contracted out of the State Earnings-Related Pension Scheme (SERPS), the type of employee contributions (if any), and the method used to calculate the pension. For each of these questions, the employees were shown a list of possible options, and asked to choose the one that described their scheme.

It will be noted that the distribution of answers to some of the questions include a high proportion of ‘don’t knows’. We cannot totally rule out the possibility that some of these may be due to the question itself not being understood, as opposed to being due to lack of knowledge about the type of scheme. The results as presented in Section 3.2 should be interpreted as providing a profile of respondents’ perceptions of the nature of their schemes.

However, this research also provides an opportunity to check the responses of individual employees against information provided by their employers.

5 Finch, H. & Keegan, J. Regarding Pensions... Attitudes to Personal Pensions among People under the Age of 45. SCPR, 1991.
6 Field, J. & Williams, T. National Survey on Pensions. (Forthcoming.)
As described earlier (section 1.3), a follow-up survey of employers was carried out for those respondents to the OPCS Omnibus survey who were members of their employer’s scheme, to collect some basic data on occupational schemes. The comparison between the employees’ and the employers’ descriptions of pension schemes is presented in section 3.3.

3.2 Employees’ Descriptions of their Occupational Schemes

Table 3.2 shows the distribution of responses to four questions asked of employees about their pension scheme, according to whether the employee worked for a public sector or private sector employer. The majority of employees in a pension scheme (73 per cent) said theirs was a general scheme for all employees. 12 per cent were in a staff scheme for non-manual staff, 5 per cent in a works scheme for manual workers, and 4 per cent in a directors’ or senior management scheme. This spread of scheme types is generally similar for both the public and private sector.

Nearly four in ten (39 per cent) of the employees in an occupational pension scheme said that the scheme was contracted-out of SERPS; this was very different for public sector employees (25 per cent) compared to those in the private sector (51 per cent). One-quarter (25 per cent) of all employees did not know. The high proportion that said that they did not know is one of several findings that suggest that people are not well informed, even about fairly basic aspects of pension provision.

Overall, more than eight in ten employees (83 per cent) reported that their scheme was a contributory one; in the public sector the figure was 89 per cent, compared to 77 per cent in the private sector. 6 per cent of all employees said the scheme was non-contributory, and a further 12 per cent reported that their scheme was non-contributory, but they paid something to make additional provision for themselves or their dependants. Interestingly, but perhaps not surprisingly, fewer than 1 per cent of respondents said ‘don’t know’ to this question.

Almost three-quarters (73 per cent) reported that their pension would be based on their final year’s salary; 83 per cent of the public sector employees reported that their pension would be calculated in this way, compared to only 66 per cent in the private sector. 27 per cent of private sector employees reported that their pension ‘will depend on the value of contributions paid to the scheme and the rate of return achieved on their investment’ (that is a money purchase scheme), compared to only 9 per cent of public sector
employees. 5 per cent of all employees did not know how their pension would be calculated.

| Table 3.2 EMPLOYEES’ DESCRIPTION OF OCCUPATIONAL SCHEMES: BY PUBLIC OR PRIVATE SECTOR¹ |
|-----------------------------------------------|-----------------|-----------------|-----------------|
| Employees in occupational pension schemes     | Private sector  | Public sector   | Total           |
| Type of scheme:                               | %               | %               | %               |
| General scheme                               | 72              | 76              | 73              |
| Staff scheme                                 | 12              | 12              | 12              |
| Director/senior director scheme              | 7               | *               | 4               |
| Works scheme                                 | 5               | 4               | 5               |
| Other type of scheme                         | 1               | 2               | 2               |
| Don’t know                                   | 2               | 6               | 4               |
| Contracted-out of SERPS?                     | Yes             | 51              | 25              | 39              |
|                                              | No              | 28              | 46              | 36              |
|                                              | Don’t know      | 21              | 29              | 25              |
| Employee contributions:                      |                 |                 |                 |
| Weekly or monthly contributions              | 77              | 89              | 83              |
| Non-contributory                             | 7               | 4               | 6               |
| Non-contributory, extra payments             | 13              | 7               | 12              |
| How pension is calculated:                   |                 |                 |                 |
| Related to salary                            | 66              | 83              | 73              |
| Depends on amount of contributions           | 27              | 9               | 19              |
| Combination of the above                     | 3               | 3               | 3               |
| Don’t know                                   | 5               | 6               | 5               |
| Base = 100% (Approximate base for each)      | 753             | 573             | 1306            |

* Less than 1%.
† Excluding ‘other’ responses.

3.3 COMPARING EMPLOYEES’ DESCRIPTIONS OF THEIR OCCUPATIONAL PENSION SCHEMES WITH DATA FROM EMPLOYERS

In this section the descriptions of schemes provided by the employees are individually cross-checked against the employer’s data. This analysis links individual cases together, so that each employee’s description of their scheme is compared directly with their employer’s account. The assumption

² Other data collected in the employers survey is presented in Appendix D.
behind the analysis is that the data from employers will be reliable, and can be used as the benchmark by which employees’ responses are judged to be accurate or inaccurate. While this assumption would seem to be justified, it is possible that not every employer provided data that is 100 per cent accurate. It should be noted that employer data was collected for 78 per cent of the employees in occupational pension schemes.8

Three questions about schemes that were asked of employees corresponded closely to similar questions asked of employers. In summary, the questions are:

1. Is the scheme contracted-out of SERPS?
2. Is the scheme contributory, or non-contributory?
3. How is the amount of pension calculated?

Table 3.3.1 compares the employer’s description of these features of their pension scheme to the description provided by the employee.

**Is the scheme contracted-out of SERPS?**

Overall, 38 per cent of employees said the scheme was contracted-out, compared to 94 per cent of employers. The number of cases where, on an individual basis, both the employee and the employer said ‘Yes’ to this question represents 35 per cent of all cases; around one-third (35 per cent) of employees correctly said that their scheme was contracted-out. Similarly, the number of cases where both the employee and the employer said ‘No’, the scheme was not contracted-out, represents 2 per cent of all cases; 2 per cent of employees correctly identified their scheme as not contracted-out. In total, then, 37 per cent of employees (35 per cent ‘Yes’, and 2 per cent ‘No’) correctly identified their scheme in this respect. The remainder did not correctly identify their scheme; 26 per cent said they did not know if it was contracted-out, while 36 per cent mis-identified the scheme. The majority of the latter group, one-third (33 per cent) of all employees, said their scheme was not contracted-out, whereas it was, according to employers.

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8 It is on this basis that the comparison between employee and employer data is made. Due to the difference in bases, percentages in tables 3.2 and 3.3.1 may not correspond precisely.
### Table 3.3.1 COMPARISON OF EMPLOYERS’ AND EMPLOYEES’ DESCRIPTIONS OF OCCUPATIONAL SCHEMES: GLOBAL PERCENTAGES

<table>
<thead>
<tr>
<th>Employees in pension schemes, with employer data available</th>
<th>Employers (%)</th>
<th>Total</th>
<th>Base for all percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the scheme contracted-out of SRPS?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees (%)</td>
<td>Yes</td>
<td>No</td>
<td>%</td>
</tr>
<tr>
<td>Yes</td>
<td>35</td>
<td>3</td>
<td>38</td>
</tr>
<tr>
<td>No</td>
<td>33</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td>Don’t know</td>
<td>25</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td>Total %</td>
<td>94</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Base for all percentages</td>
<td>1038</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Is the scheme contributory or non-contributory?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees (%)</td>
<td>Contributory</td>
<td>Non-contributory</td>
<td>Total</td>
</tr>
<tr>
<td>Contributory</td>
<td>35</td>
<td>3</td>
<td>38</td>
</tr>
<tr>
<td>Non-contributory</td>
<td>33</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td>Total %</td>
<td>87</td>
<td>15</td>
<td>100%</td>
</tr>
<tr>
<td>Base for all percentages</td>
<td>1043</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. How is the amount of pension calculated?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees (%)</td>
<td>Final salary</td>
<td>Money purchase</td>
<td>Hybrid</td>
</tr>
<tr>
<td>Final salary</td>
<td>73</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Money purchase</td>
<td>12</td>
<td>3</td>
<td>*</td>
</tr>
<tr>
<td>Hybrid</td>
<td>2</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
<td>*</td>
<td>0</td>
</tr>
<tr>
<td>Total %</td>
<td>91</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Base for all percentages</td>
<td>1031</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Less than 1%.

**Is the scheme contributory or non-contributory?**

Overall 84 per cent of employees said that the scheme was contributory, as did 87 per cent of employers. Employees’ responses to this question were fairly accurate; perhaps not surprisingly, as contributions are deducted from wages and recorded on payslips. Four in five (80 per cent) correctly said their scheme was contributory, and a further 9 per cent knew the scheme was non-contributory. In total, therefore, 89 per cent of employees accurately identified their scheme.
How is the amount of pension calculated?

Nine in ten employers (91 per cent) said the employee’s pension was based on final salary, but only 77 per cent of the employees gave this response. 6 per cent of employers said the employee’s pension was a money purchase type whereas 15 per cent of employees thought they were in such a scheme. A small proportion thought they were in a hybrid scheme (a combination of money purchase and final salary pension). On an individual basis, nearly three-quarters (73 per cent) of the employees were correct in considering their pension to be based on final salary, while 2 per cent who thought this, were in fact in a money purchase scheme, and 2 per cent were in a hybrid scheme. Only 3 per cent of employees were correct in considering their pension to be a money purchase type; the remaining 12 per cent who thought this were in fact members of a final salary scheme. In total, in three-quarters (76 per cent) of cases, the employer’s account matched that of the employee.

The comparison between employees’ perceptions of their schemes, and what the employers said about their schemes, is continued in table 3.3.2, in more detail. Employees are considered in terms of various characteristics: gender, age, employer type (private or public sector) and social class. For each sub-group of employees, the table shows the total proportion of ‘correct’ responses from employees; that is, the proportion of cases where the employee’s description of their scheme corresponds to their employer’s account.

Gender

Men were more likely than women to correctly identify whether or not their scheme was contracted out (44 per cent compared to 28 per cent). There was little difference between men and women in the correct identification of schemes as contributory or non-contributory, or in terms of how the pension would be calculated.

Age

Generally the proportion who gave correct responses increased with increasing age, peaking for the age group 45-54 years and then falling slightly for the oldest age group (55 or more years). Overall the information provided by those aged 16-24 was less accurate than that provided by older employees. In particular, but not surprisingly, the youngest employees (aged 16-24) were considerably less likely to know correctly how their pension would be calculated; only 53 per cent of this age group’s answers corresponded to their employer’s description, compared to 72 per cent or more for older employees. (It must be noted, however, that there were only 68 employees aged 16-24 for whom employer information was available, and the figures should be treated with a degree of caution.)
### Table 3.3.2 Accuracy of Employees' Descriptions of Their Occupational Pension Scheme

<table>
<thead>
<tr>
<th>Description of scheme</th>
<th>Contracted-out or not contracted-out</th>
<th>Contributory or non-contributory</th>
<th>How pension is calculated</th>
<th>Base (approximate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>1038</td>
</tr>
<tr>
<td>Men</td>
<td>37</td>
<td>89</td>
<td>76</td>
<td>619</td>
</tr>
<tr>
<td>Women</td>
<td>28</td>
<td>91</td>
<td>75</td>
<td>421</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>34</td>
<td>85</td>
<td>53</td>
<td>68</td>
</tr>
<tr>
<td>24-34</td>
<td>36</td>
<td>87</td>
<td>72</td>
<td>271</td>
</tr>
<tr>
<td>35-44</td>
<td>35</td>
<td>91</td>
<td>78</td>
<td>315</td>
</tr>
<tr>
<td>45-54</td>
<td>43</td>
<td>91</td>
<td>84</td>
<td>253</td>
</tr>
<tr>
<td>55+</td>
<td>39</td>
<td>90</td>
<td>79</td>
<td>118</td>
</tr>
<tr>
<td>Employer type:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>51</td>
<td>89</td>
<td>69</td>
<td>531</td>
</tr>
<tr>
<td>Public sector</td>
<td>25</td>
<td>90</td>
<td>84</td>
<td>490</td>
</tr>
<tr>
<td>Social Class:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I &amp; II</td>
<td>41</td>
<td>91</td>
<td>81</td>
<td>487</td>
</tr>
<tr>
<td>III non</td>
<td>35</td>
<td>84</td>
<td>78</td>
<td>217</td>
</tr>
<tr>
<td>IIIm</td>
<td>43</td>
<td>95</td>
<td>74</td>
<td>164</td>
</tr>
<tr>
<td>IV &amp; V</td>
<td>26</td>
<td>87</td>
<td>66</td>
<td>153</td>
</tr>
</tbody>
</table>

**Employer type**

Private sector employees were considerably more likely than those in the public sector to know whether or not their scheme was contracted-out of SERPS (51 per cent compared to 25 per cent). This is an interesting finding, given that all public sector employer schemes are contracted-out of SERPS. More than eight in ten public sector employers (84 per cent) accurately stated how their pension would be calculated, compared to about seven in ten employees in the private sector (69 per cent).

**Social class**

There are no clear trends in knowledge and social class. The professional and intermediate group (classes I and II), and skilled manual employees (class IIIm) were the most accurate in knowing whether their scheme was
or was not contracted-out of SERPS, and in knowing whether it was a contributory or non-contributory scheme. The semi-skilled and unskilled manual employees (classes IV and V) stand out as being the least likely to correctly identify their scheme as contracted-out or not, with only 26 per cent of correct responses, compared to 35 per cent and over for the other groups. Members of social classes IV and V were also the least likely to know the basis on which their pension would be calculated (that is final salary or money purchase); 66 per cent, compared to 74 per cent and over for the other social classes.

3.4 BENEFITS EXPECTED BY EMPLOYEES

Employees in pension schemes were shown a list of potential benefits from such schemes and asked whether or not they expected to get each one (table 3.4). Almost everybody expected a pension on retirement. Around three-quarters expected a regular pension for their dependants if they died before retirement (75 per cent), a guaranteed pension if forced to retire early through accident or sickness (78 per cent), and a lump sum for their dependants if they died before reaching retirement age (73 per cent). About two-thirds (68 per cent) expected a tax-free lump sum for themselves on retirement, while just over half (56 per cent) expected to have the choice of taking some of their pension as a tax-free lump sum. Just under six in ten (58 per cent) expected a widow’s, or widower’s pension if they died after retirement.

Comparing responses for men and women, two consistent patterns emerge. First, in general, men expect more benefits from their scheme than do women. Second, women were more likely than men to say that they don’t know whether or not they expect the benefits listed. In all but one case (for the benefit ‘A pension when you retire’), the level of ‘don’t know’ replies from women ranged from 19 per cent to 36 per cent – around double the levels for men.
Table 3.4 BENEFITS EXPECTED FROM OCCUPATIONAL SCHEMES: BY GENDER

<table>
<thead>
<tr>
<th>Expected Benefit</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A pension when you retire</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Don’t know</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>A guaranteed pension if you are forced to retire early due to an accident or sickness</td>
<td>82</td>
<td>72</td>
<td>78</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Don’t know</td>
<td>12</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>A regular pension payable to your dependants should you die before you retire</td>
<td>84</td>
<td>62</td>
<td>75</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Don’t know</td>
<td>9</td>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>A lump sum payable to your dependants should you die before you retire</td>
<td>81</td>
<td>60</td>
<td>73</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Don’t know</td>
<td>12</td>
<td>28</td>
<td>18</td>
</tr>
<tr>
<td>A tax-free lump sum on retirement</td>
<td>74</td>
<td>58</td>
<td>68</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td>Don’t know</td>
<td>10</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>The choice of taking some of your pension as a tax-free lump sum</td>
<td>66</td>
<td>41</td>
<td>56</td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>29</td>
<td>23</td>
</tr>
<tr>
<td>Don’t know</td>
<td>16</td>
<td>29</td>
<td>21</td>
</tr>
<tr>
<td>Provision of a widow’s/ widower’s pension if you die after you retire</td>
<td>70</td>
<td>41</td>
<td>58</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>23</td>
<td>15</td>
</tr>
<tr>
<td>Don’t know</td>
<td>20</td>
<td>36</td>
<td>26</td>
</tr>
</tbody>
</table>

Base = 100% (Approximate base for each question) 794 536 1329

3.5 COMPARING EMPLOYEES' EXPECTATIONS OF BENEFITS WITH DATA FROM EMPLOYERS

As well as data on the type of scheme, information was also collected from employers on the benefits provided by their occupational pension schemes. Table 3.5.1 compares the employees’ and employers’ accounts. As with the comparison regarding types of scheme, the assumption is made that where accounts differ, the employer’s is the accurate one.
In general, employees' pension schemes provided more benefits than the employees were aware of. 99 per cent of employees were correct in saying that they would receive a pension on retirement. According to the employer, almost all (96 per cent) would get a regular pension for dependants in the case of death before retirement, although only three-quarters of employees (77 per cent) had thought their scheme provided this benefit. More than nine in ten (92 per cent) were entitled to a pension if they retired early through accident or sickness; and only 76 per cent were aware of this (5 per cent who thought they were entitled were mistaken). For 97 per cent, their dependants would receive a lump sum in the case of death before retirement, although only 74 per cent of employees thought this would be provided.

Two-thirds of employees (68 per cent) thought they would receive a tax-free lump sum on retirement, but only one-third (35 per cent) were correct. Similarly, 56 per cent of employees thought they had the choice of taking some of their pension as a tax-free lump sum; and 40 per cent were correct. 16 per cent who thought they had this choice were incorrect. 17 per cent accurately stated that this benefit was not provided. Almost all schemes (98 per cent) provided a widow’s or widower’s pension; yet only 58 per cent of employees were aware of this.

The comparison between employees’ perceptions of the benefits available to them, and the employers’ account, is continued in table 3.5.2, considering the employees in terms of gender and age. The table shows the proportions of ‘correct’ responses; that is, where the employee’s description of their scheme corresponds to their employer’s account. In general, men were more likely than women to give a correct response. This is most marked for the following benefits: a regular pension for dependants (men 83 per cent, women 62 per cent), a lump sum for dependants (men 81 per cent, women 58 per cent), a widow’s or widower’s pension (men 70 per cent, women 40 per cent), and the choice of taking some of the pension as a tax-free lump sum (men 62 per cent, women 51 per cent). The difference is largely due to the fact that women were more likely than men to give a ‘don't know’ response to the questions on benefits.
### Table 3.5.1 COMPARISON OF EMPLOYEES' DESCRIPTION OF BENEFITS EXPECTED FROM OCCUPATIONAL SCHEMES: GLOBAL PERCENTAGES

Employees in pension schemes, with employer data available

<table>
<thead>
<tr>
<th>EMPLOYERS (%)</th>
<th>Provided</th>
<th>Not provided</th>
<th>Total %</th>
<th>Rate for all percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EMPLOYEES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A pension when you retire</td>
<td>Yes 99</td>
<td>*</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No •</td>
<td>0</td>
<td>•</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Don’t know •</td>
<td>0</td>
<td>•</td>
<td></td>
</tr>
<tr>
<td>Total %</td>
<td>100</td>
<td>*</td>
<td>100</td>
<td>1050</td>
</tr>
<tr>
<td>A regular pension payable to your dependents should you die before you retire</td>
<td>Yes 74</td>
<td>2</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 10</td>
<td>1</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Don’t know 13</td>
<td>*</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Total %</td>
<td>96</td>
<td>4</td>
<td>100</td>
<td>1040</td>
</tr>
<tr>
<td>A guaranteed pension if you are forced to retire early due to an accident or sickness</td>
<td>Yes 76</td>
<td>5</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 5</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Don’t know 11</td>
<td>2</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Total %</td>
<td>92</td>
<td>8</td>
<td>100</td>
<td>1012</td>
</tr>
<tr>
<td>A lump sum payable to your dependents should you die before you retire</td>
<td>Yes 72</td>
<td>2</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 8</td>
<td>•</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Don’t know 17</td>
<td>•</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Total %</td>
<td>97</td>
<td>3</td>
<td>100</td>
<td>1043</td>
</tr>
<tr>
<td>A tax-free lump sum on retirement</td>
<td>Yes 35</td>
<td>33</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 8</td>
<td>10</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Don’t know 7</td>
<td>6</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Total %</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>1049</td>
</tr>
<tr>
<td>The choice of taking some of your pension as a tax-free lump sum</td>
<td>Yes 40</td>
<td>16</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 6</td>
<td>17</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Don’t know 8</td>
<td>12</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Total %</td>
<td>55</td>
<td>45</td>
<td>100</td>
<td>1047</td>
</tr>
<tr>
<td>Provision of a widow’s/widower’s pension if you die after you retire</td>
<td>Yes 58</td>
<td>1</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 14</td>
<td>•</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Don’t know 26</td>
<td>1</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Total %</td>
<td>98</td>
<td>2</td>
<td>100</td>
<td>1039</td>
</tr>
</tbody>
</table>

* Less than 1%.
There is no very marked trend by age. The oldest age group (over 55 years) were more likely than other age groups to give a correct response concerning whether their pension scheme offered a tax-free lump sum on retirement (52 per cent, compared to around four in ten for the other age groups); and two-thirds (65 per cent) of those aged 45 and over were correct in knowing whether or not they had the choice of taking some of their pension as a tax-free lump sum, compared to 55 per cent or less for other age groups. Two-thirds (65 per cent) of those aged 55 and over were accurate as regards their entitlement to a widow's or widower's pension, compared to 58 per cent overall accuracy on this point.

It is not surprising that in many cases, knowledge about benefits increases with increasing age; presumably this reflects an increased concern with retirement issues. As an exception to this trend, only two-thirds (66 per cent) of those aged 55 and over, compared to around 78 per cent of the other age groups, were correct in knowing whether they were entitled to a pension if forced to retire early due to accident or sickness.

Table 3.5.2 ACCURACY OF EMPLOYEES' EXPECTATIONS OF BENEFITS FROM OCCUPATIONAL PENSION: BY GENDER, AND AGE

Employees in pension schemes, for whom employer data is available

<table>
<thead>
<tr>
<th>Expected Benefit</th>
<th>Percentage of correct responses:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age</td>
</tr>
<tr>
<td></td>
<td>Men</td>
</tr>
<tr>
<td>A pension on retirement</td>
<td>%</td>
</tr>
<tr>
<td>Regular pension for dependants</td>
<td>99</td>
</tr>
<tr>
<td>Pension if forced to retire early</td>
<td>83</td>
</tr>
<tr>
<td>Lump sum for dependants</td>
<td>78</td>
</tr>
<tr>
<td>Tax-free lump sum on retirement</td>
<td>81</td>
</tr>
<tr>
<td>Choice of taking some pension as tax-free lump sum</td>
<td>43</td>
</tr>
<tr>
<td>Widow's/widower's pension</td>
<td>62</td>
</tr>
<tr>
<td>Approximate base for each</td>
<td>70</td>
</tr>
</tbody>
</table>

Total: 1050
ATTITUDES
TO PENSION SCHEMES
ATTITUDES TO PENSION SCHEMES

4.1 THOUGHT GIVEN TO PENSIONS

Of the three-quarters of respondents who were not retired, 63 per cent said they ‘had thought about pensions and plans for retirement income’. All who said they had thought about pensions, and those already retired, were asked at what age they first started to think about the subject. Table 4.1 shows the proportions who had thought about pensions before the age of 25, at age 25 or older, who didn’t know or couldn’t remember at what age they had first thought about pensions, or who said they had not thought about the subject, according to various personal characteristics: gender; age; and social class.

In total, around two in ten (19 per cent) respondents had thought about pensions before the age of 25; over four in ten (44 per cent) had done so at some other, later age, while one in ten (9 per cent) said they didn’t know or couldn’t remember at what age they had started to think about pensions. Nearly three in ten (28 per cent) said they had not given the matter any thought. Men were more likely than women to say that they had thought about pensions before the age of 25 (24 per cent compared to 15 per cent). Women were also more likely not to have thought about pensions at all (35 per cent compared to 20 per cent of men).

There appears to be a clear generational trend as regards starting to think about pensions before the age of 25; the proportion starting to think about pensions before the age of 25 steadily decreases with increasing age. Of the respondents currently aged under 25, 41 per cent had already started thinking about pensions. The proportion was similar (36 per cent) for the next age group, those aged 25-34 years, but it then falls to only 14 per cent of those aged 35-44, 11 per cent of those aged 45-54 years, and 9 per cent, 8 per cent, and 6 per cent of those aged 55-59 years, 60-64, and 65 and over, respectively.

However, the table contains a ‘memory effect’. Older people were more likely to say they did not know at what age they first started thinking about pensions: one-third (34 per cent) of those aged 65 and over, 18 per cent of the 60-64 age group, and 7 per cent of those aged 55-59, compared to 2 per cent and less of those aged under 55 years. It is possible that at least some
of these older people *had* thought about the subject before the age of 25, but, when asked, could not recall this. Strictly speaking, therefore, the observed trend by age in terms of thinking about pensions before the age of 25 can only be regarded as reliable for those aged under 55 years. Even this shortened trend line is worthy of comment, however, as it suggests that people are now starting to think about pensions at a considerably earlier age than was the case for respondents who are now aged 35-54.

<table>
<thead>
<tr>
<th>Table 4.1 THOUGHT GIVEN TO PENSIONS AND PLANS FOR RETIREMENT INCOME: BY GENDER, AGE, AND SOCIAL CLASS</th>
</tr>
</thead>
<tbody>
<tr>
<td>All persons</td>
</tr>
<tr>
<td>Age at which respondents first started to think about pensions and plans for retirement income:</td>
</tr>
<tr>
<td>Under 25</td>
</tr>
<tr>
<td>All</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Age:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Social class:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

*Less than 1%.

There is, as one would expect, an obvious relationship between age and having not thought about pensions at all – 59 per cent of the youngest group had not thought at all about the matter, compared to only 4 per cent of those aged 65 and over.

There is a clear association between social class and thought given to pensions before the age of 25. About three in ten people in social classes I and II (31 per cent and 27 per cent respectively) had given some thought to
pensions before the age of 25, compared to only two in ten of social class III, and only about one in ten of classes IV and V (12 per cent and 8 per cent respectively). However, more people in class V (and to a lesser extent in classes IIIm and IV) could not remember how old they were when they first started to think about pensions. This 'memory effect' makes this social class trend a little less reliable, although the major explanation for class differences in thinking about pensions before the age of 25 is seen in the proportions who had not thought at all about pensions: only 5 per cent of class I said they had given the subject no thought, compared to 42 per cent of classes IV and V. One possible explanation for this difference is the differing availability of an occupational scheme among the social class groups, as shown earlier (table 2.4.3). Members of social classes I and II were more likely to work for an employer who provided a scheme than were members of other classes; and it seems probable that thought given to pensions will be affected by the availability of an employer's scheme.

4.2 ADVANTAGES OF THE STATE SCHEME AND OCCUPATIONAL SCHEMES

All the respondents – employees, retired, and others – were asked about the advantages and disadvantages of the state pension scheme (including SERPS), and of schemes run by employers for their employees. From a list of advantages presented to them, respondents chose the two main ones that they felt applied to state schemes, and then the two that applied to occupational schemes. (They could of course choose the same advantages for both types of scheme.)

Table 4.2 presents the results for all respondents. There are clear differences in the public perceptions of the advantages of the two types of scheme. Around two-fifths of respondents saw the state pension as secure (41 per cent), and as very easy (38 per cent). 29 per cent cited 'You don't lose out if you change jobs' as an advantage. The most frequently chosen advantages of an occupational scheme were that employers pay contributions too (40 per cent), that it provides an adequate retirement income (23 per cent), and it enables employees to retire early (also 23 per cent). (8 per cent of respondents cited this latter advantage as also applying to SERPS, which is not in fact the case.)

The difference in the proportion of 'Don't know' responses should also be noted: 20 per cent for occupational schemes, and 14 per cent for state schemes. Analysis showed that women were more likely to say 'don't know' than men in considering both types of scheme, by a ratio of approximately
2 to 1 (18 per cent to 9 per cent for state schemes, and 25 per cent to 14 per cent for occupational schemes). Further, a consistent age-related pattern emerged: the younger and older groups (age 16-24, and 55 and over) were more likely to say ‘don’t know’ to either question on advantages than were respondents of other ages; this pattern was the same for men and women.

### Table 4.2 COMPARISON OF THE ADVANTAGES OF THE STATE PENSION SCHEME (INCLUDING SERPS), AND OF OCCUPATIONAL SCHEMES

<table>
<thead>
<tr>
<th>All persons</th>
<th>State pension (incl. SERPS)</th>
<th>Occupational pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two main advantages</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>It's all very easy – it’s taken care of for you</td>
<td>38</td>
<td>20</td>
</tr>
<tr>
<td>You can decide to retire early and take your pension</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>You can decide to retire later than usual and delay your pension</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>It provides an adequate income for retirement</td>
<td>14</td>
<td>23</td>
</tr>
<tr>
<td>Employers make contributions to it too</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>You can choose how much or how little to pay into it</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Your pension is secure because the scheme won’t go bankrupt</td>
<td>41</td>
<td>8</td>
</tr>
<tr>
<td>You don’t lose out if you change jobs</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>Other advantages</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>There are no advantages</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Base 1</td>
<td>6079</td>
<td>6072</td>
</tr>
</tbody>
</table>

*Because respondents could choose two advantages, percentages add to more than 100.*

### 4.2.1 MAIN ADVANTAGES OF THE STATE PENSION SCHEME

The three most frequently chosen advantages of each type of scheme were analysed by respondent’s gender, age, by their ‘scheme membership status’ – whether they had ever been a scheme member (either currently, or in a previous job), or had never been a member – and by social class. Table 4.2.1 presents the results for the three main advantages of the state pension scheme, including SERPS.
Gender

Men were a little more likely than women to see security as an advantage ("Your pension is secure because the scheme won't go bankrupt"), chosen by 48 per cent of men and 44 per cent of women. Women, more than men, saw the state pension as being 'very easy' (46 per cent compared to 40 per cent). About one-third of men and of women chose 'You don't lose out if you change jobs'.

Age

The security of the state scheme is increasingly seen as an advantage with increasing age; chosen by around four in ten respondents aged 16-34, and thereafter increasing with each age group, to reach 54 per cent of those aged 60 and over. For those who described the state scheme as 'easy', no clear pattern emerges among the different age groups. The proportion who chose 'You don't lose out if you change jobs' falls steadily with increasing age, from around four in ten (39 per cent) of the 16-24-year-olds, down to only two in ten (19 per cent) of those aged 65 and over.

<p>| Table 4.2.1 MAIN ADVANTAGES OF THE STATE PENSION SCHEME (INCLUDING SERPS) |</p>
<table>
<thead>
<tr>
<th>All persons</th>
<th>ADVANTAGES OF THE STATE SCHEME ¹</th>
<th>You don't lose out if you change jobs</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Men</td>
<td>46</td>
<td>43</td>
<td>32</td>
</tr>
<tr>
<td>Women</td>
<td>48</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>Age: 16-24</td>
<td>39</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>25-34</td>
<td>40</td>
<td>48</td>
<td>38</td>
</tr>
<tr>
<td>35-44</td>
<td>43</td>
<td>45</td>
<td>37</td>
</tr>
<tr>
<td>45-54</td>
<td>46</td>
<td>41</td>
<td>35</td>
</tr>
<tr>
<td>55-59</td>
<td>51</td>
<td>39</td>
<td>31</td>
</tr>
<tr>
<td>60-64</td>
<td>54</td>
<td>38</td>
<td>26</td>
</tr>
<tr>
<td>65+</td>
<td>54</td>
<td>41</td>
<td>19</td>
</tr>
</tbody>
</table>

Occupational Scheme membership:

| Member (current or previous) | 48 | 43 | 35 | 2850 |
| Never a member               | 44 | 43 | 29 | 2540 |

Social class:

| I | 53 | 43 | 39 | 213 |
| II| 50 | 44 | 36 | 1328 |
| IIIa | 45 | 45 | 34 | 1282 |
| IIIb | 45 | 40 | 31 | 1173 |
| IV| 41 | 44 | 29 | 862 |
| V | 44 | 36 | 28 | 343 |

¹ 'Don't know' responses are not included in the bases.
Scheme membership status
Respondents who had experience of occupational pension schemes (those who were currently scheme members, or had previously belonged) were a little more likely than those who had never been members to choose the advantage of security of the state pension (48 per cent compared to 44 per cent) and to cite the advantage of not losing out when changing jobs (35 per cent to 29 per cent).

Social class
About half of social class I and class II (53 per cent and 50 per cent respectively) chose security as an advantage of state pensions, compared to 45 per cent or less for respondents in the other classes. Class V were less likely to say that the state pension is ‘easy’ than all other classes (36 per cent, compared to a range from 40 per cent to 45 per cent for the other classes). Nearly four in ten (39 per cent) of class I chose ‘You don’t lose out if you change jobs’; rather more so than for the other classes, where the proportion falls from 36 per cent for class II, to 28 per cent for class V.

4.2.2 MAIN ADVANTAGES OF OCCUPATIONAL PENSION SCHEMES

A similar analysis was then carried out for the three advantages of occupational pension schemes that were most frequently chosen overall. The findings are presented in table 4.2.2.

Gender
A slightly higher proportion of men than women (50 per cent compared to 46 per cent of the women) cited ‘Employers make contributions to it too’ as an advantage of occupational schemes. Men were also a little more likely to choose as an advantage the fact that it is possible to retire early with the pension (men 30 per cent, women 26 per cent).

Age
There is no obvious trend by age; respondents aged between 25 and 44 were a little more likely than other age groups to cite the employers’ contributions as an advantage, but the differences are not large. It is interesting to note that fewer among the younger age groups (age 16-24, 25-34) and the oldest group (65 and over) chose early retirement as an advantage (27 per cent, 25 per cent, and 24 per cent respectively), compared to around one-third of those aged 35 to 64 years.
### Table 4.2.2 MAIN ADVANTAGES OF OCCUPATIONAL SCHEMES

<table>
<thead>
<tr>
<th>All persons</th>
<th>Employers contribute too</th>
<th>Can retire early with pension</th>
<th>Provides adequate income</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>48</td>
<td>28</td>
<td>28</td>
<td>5000</td>
</tr>
<tr>
<td>Men</td>
<td>50</td>
<td>30</td>
<td>29</td>
<td>2531</td>
</tr>
<tr>
<td>Women</td>
<td>46</td>
<td>26</td>
<td>27</td>
<td>2467</td>
</tr>
<tr>
<td>Age: 16-24</td>
<td>46</td>
<td>27</td>
<td>31</td>
<td>693</td>
</tr>
<tr>
<td>25-34</td>
<td>54</td>
<td>25</td>
<td>24</td>
<td>1000</td>
</tr>
<tr>
<td>35-44</td>
<td>51</td>
<td>29</td>
<td>28</td>
<td>909</td>
</tr>
<tr>
<td>45-54</td>
<td>45</td>
<td>30</td>
<td>29</td>
<td>864</td>
</tr>
<tr>
<td>55-59</td>
<td>42</td>
<td>35</td>
<td>25</td>
<td>333</td>
</tr>
<tr>
<td>60-64</td>
<td>46</td>
<td>34</td>
<td>30</td>
<td>342</td>
</tr>
<tr>
<td>65+</td>
<td>44</td>
<td>24</td>
<td>30</td>
<td>827</td>
</tr>
</tbody>
</table>

**Occupational Scheme membership:**

- Member (current or previous) 51 30 28 2815
- Never a member 44 26 29 2185

**Social class:**

<table>
<thead>
<tr>
<th>Social class</th>
<th>Employers contribute too</th>
<th>Can retire early with pension</th>
<th>Provides adequate income</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>60</td>
<td>25</td>
<td>39</td>
<td>213</td>
</tr>
<tr>
<td>II</td>
<td>52</td>
<td>31</td>
<td>30</td>
<td>1274</td>
</tr>
<tr>
<td>IIIa</td>
<td>45</td>
<td>27</td>
<td>28</td>
<td>1218</td>
</tr>
<tr>
<td>IIIb</td>
<td>48</td>
<td>24</td>
<td>25</td>
<td>1062</td>
</tr>
<tr>
<td>IV</td>
<td>46</td>
<td>31</td>
<td>26</td>
<td>764</td>
</tr>
<tr>
<td>V</td>
<td>42</td>
<td>30</td>
<td>24</td>
<td>299</td>
</tr>
</tbody>
</table>

1 "Don't know" responses are not included in the bases.

Further analysis, by age within gender, suggests that the sharp drop in those choosing 'early retirement' in the older age groups is related to the respondent having reached retirement age. The sub-table over the page shows the proportions of men and women of different ages who chose the 'early retirement' option:
These figures suggest that early retirement is seen as an advantage of an occupational pension increasingly with age, up until retirement age is reached. After this age, the proportion choosing this advantage falls quite sharply. For men, the fall is from 40 per cent for those aged 60-64, to 26 per cent for those over retirement age. For women, it is from 33 per cent of those aged 55-59, to 25 per cent of the 60-64 group, and 22 per cent of those aged 65 and over. It is interesting that respondents who have reached retirement age were less likely to see early retirement as an advantage than were those still approaching retirement age.

**Scheme membership status**

Respondents who had direct experience of an occupational pension scheme were more likely than those who had never belonged to a scheme to choose employers' contributions as an advantage (51 per cent compared to 44 per cent), and to cite early retirement (30 per cent compared to 26 per cent).

**Social class**

There is a relationship between social class and the proportion choosing ‘Employers pay contributions too’ as an advantage of occupational schemes, falling from 60 per cent of class I to 42 per cent of class V. No obvious pattern is seen in terms of social class for choosing the ‘early retirement’ advantage. As regards choosing ‘It provides an adequate income for retirement’, a trend is seen, with 39 per cent of class I selecting this advantage, compared to only 30 per cent in class II, and falling to 24 per cent for class V.

### 4.3 DISADVANTAGES OF THE STATE SCHEME AND OCCUPATIONAL SCHEMES

Respondents were also asked to choose, from a list of options, the two main disadvantages of both types of scheme (table 4.3). The disadvantage of the
state pension scheme reported most frequently by respondents is that the amount of pension is not enough to live on (64 per cent). This was followed, at some distance, by being unable to decide to retire early with a pension (27 per cent), and not being able to choose how much or how little to pay in (24 per cent). In contrast, the main disadvantages of occupational schemes are the possibility of losing out when changing jobs (44 per cent), and the perceived riskiness of this type of scheme (22 per cent).

There are some striking contrasts between the disadvantages chosen for the state scheme and for occupational schemes, particularly for the amount of pension not being enough to live on (state scheme 64 per cent, occupational 6 per cent), losing out when changing jobs (state 6 per cent, occupational 44 per cent), and being 'risky' (state 2 per cent, occupational 22 per cent).

As was the case in choosing advantages, respondents were more likely to say 'don't know' in considering occupational schemes (22 per cent) than state schemes (13 per cent). Similarly, more women than men said 'don't know' in respect of both types of scheme (by 16 per cent to 9 per cent for state schemes, and by 28 per cent to 16 per cent for occupational schemes). 'Don't know' responses were also related to age, with the younger (age 16-24) and older (age 55 and over) being rather more likely to say 'don't know' than those of other ages.
Table 4.3 COMPARISON OF THE DISADVANTAGES OF THE STATE PENSION SCHEME (INCLUDING SERPS), AND OF OCCUPATIONAL SCHEMES

<table>
<thead>
<tr>
<th>Two main advantages</th>
<th>State pension (incl. SERPS)</th>
<th>Occupational pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>It’s difficult to understand</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>You can’t choose how much or how little to pay in</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>It’s expensive</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Employers don’t contribute anything</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>It’s risky</td>
<td>2%</td>
<td>22%</td>
</tr>
<tr>
<td>The amount of pension is not enough to live on</td>
<td>64%</td>
<td>6%</td>
</tr>
<tr>
<td>You cannot decide to retire early and take your pension then</td>
<td>27%</td>
<td>9%</td>
</tr>
<tr>
<td>You cannot decide to retire late and take your pension then</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>You might lose out if you change jobs</td>
<td>6%</td>
<td>44%</td>
</tr>
<tr>
<td>The amount of pension can’t be worked out in advance</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Other advantages</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>There are no disadvantages</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6067</td>
<td>6067</td>
</tr>
</tbody>
</table>

1 Because respondents could choose two advantages, percentages add to more than 100.

4.3.1 MAIN DISADVANTAGES OF THE STATE PENSION SCHEME

Table 4.3.1 presents the results from the further analysis of the three main disadvantages of the state pension scheme, including SERPS.

**Gender**

More women than men (73 per cent to 69 per cent) said that the state pension is not enough to live on. Men were a little more likely than women to cite ‘You cannot decide to retire early and take your pension then’ as a disadvantage (men 32 per cent, women 29 per cent).
Age
Whereas only 59 per cent of the youngest group (age 16-24) said the state pension is not enough to live on, around three-quarters (between 70 per cent and 75 per cent) of the other age groups chose this disadvantage. Both the youngest group (28 per cent), and those age 65 and over (22 per cent) were least likely to say that being unable to retire early was a disadvantage of the state pension. This can be compared to the finding regarding the advantages of occupational schemes, reported above (pages 37-38) that prior to reaching retirement age people see the 'early retirement' option as advantageous, whereas once retirement age is reached, the proportion drops considerably.

Scheme membership status
One-third (32 per cent) of current or previous members of occupational pension schemes said that being unable to retire early was a disadvantage, compared to 28 per cent of those who had never been a member. 28 per cent of members chose 'You can’t choose how much or how little to pay in', compared to 24 per cent of non-members.

Social class
A little over one-quarter of the ‘manual’ classes (IIIm, IV, and V) cited being unable to retire early as a disadvantage, compared to 31 per cent of class IIIm, 35 per cent of class II, and 40 per cent of class I. Members of classes IIIm, IV and V were a little less likely than the ‘non-manual’ classes (I, II, and IIIInm) to say that being unable to choose how much to pay was a disadvantage of the state scheme.
### Table 4.3.1 MAIN DISADVANTAGES OF THE STATE PENSION SCHEME (INCLUDING SERPS)

<table>
<thead>
<tr>
<th>DISADVANTAGES OF THE STATE SCHEME</th>
<th>All</th>
<th>Men</th>
<th>Women</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can't retire early with pension</td>
<td>9%</td>
<td>10%</td>
<td>29%</td>
<td>5449</td>
</tr>
<tr>
<td>Can't choose how much to pay</td>
<td>9%</td>
<td>10%</td>
<td>29%</td>
<td>5449</td>
</tr>
<tr>
<td>Pension is not enough to live on</td>
<td>71%</td>
<td>69%</td>
<td>73%</td>
<td>2057</td>
</tr>
</tbody>
</table>

#### Occupational Scheme membership:

<table>
<thead>
<tr>
<th>Scheme membership</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member (current or previous)</td>
<td>72%</td>
</tr>
<tr>
<td>Never a member</td>
<td>70%</td>
</tr>
</tbody>
</table>

#### Social class:

<table>
<thead>
<tr>
<th>Class</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>76%</td>
</tr>
<tr>
<td>II</td>
<td>74%</td>
</tr>
<tr>
<td>IIIm</td>
<td>72%</td>
</tr>
<tr>
<td>IIIm</td>
<td>72%</td>
</tr>
<tr>
<td>IV</td>
<td>65%</td>
</tr>
<tr>
<td>V</td>
<td>67%</td>
</tr>
</tbody>
</table>

*“Don’t know” responses are not included in the bases.

### 4.3.2 MAIN DISADVANTAGES OF OCCUPATIONAL PENSION SCHEMES

A similar analysis was then carried out for the most frequently chosen disadvantages of occupational pension schemes. Here, however, only two disadvantages stood out among the various choices: ‘You might lose out if you change jobs’, at 44 per cent, and ‘It’s risky’, at 22 per cent. From table 4.3, it can be seen that there are three candidates for third place: ‘It’s difficult to understand’, ‘You can’t choose how much or how little to pay in’, and ‘The amount of pension can’t be worked out in advance’, each of which was chosen by 12 per cent of the respondents. Given this situation, two options (rather than the three presented in earlier tables) are shown in table 4.3.2.

* Including ‘don’t know’ responses (these are excluded from table 4.3.2).
**Gender**  
There are minor differences between men and women in their choice of the two main disadvantages of occupational schemes.

**Age**  
With increasing age, so the proportion declines for those concerned about losing out if changing jobs, from two-thirds (67 per cent) of the 16-24 year-olds, to 52 per cent of those aged 60-64, and then falling to 39 per cent of the over-65s. There is no clear age-related pattern in the proportion saying that occupational schemes are risky.

<table>
<thead>
<tr>
<th>Table 4.3.2 MAIN DISADVANTAGES OF OCCUPATIONAL SCHEMES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All persons</strong></td>
</tr>
<tr>
<td>DISADVANTAGES OF OCCUPATIONAL SCHEMES (1)</td>
</tr>
<tr>
<td>You might lose out if you change jobs</td>
</tr>
<tr>
<td>------------------------------------------</td>
</tr>
<tr>
<td>All</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td><strong>Age:</strong> 16-24</td>
</tr>
<tr>
<td>25-34</td>
</tr>
<tr>
<td>35-44</td>
</tr>
<tr>
<td>45-54</td>
</tr>
<tr>
<td>55-59</td>
</tr>
<tr>
<td>60-64</td>
</tr>
<tr>
<td>65+</td>
</tr>
<tr>
<td><strong>Scheme membership:</strong></td>
</tr>
<tr>
<td>Member (current or previous)</td>
</tr>
<tr>
<td>Never a member</td>
</tr>
<tr>
<td><strong>Social class:</strong></td>
</tr>
<tr>
<td>I</td>
</tr>
<tr>
<td>II</td>
</tr>
<tr>
<td>IIIm</td>
</tr>
<tr>
<td>IIIm</td>
</tr>
<tr>
<td>IV</td>
</tr>
<tr>
<td>V</td>
</tr>
</tbody>
</table>

1. "Don't know" responses are not included in the bases.
Scheme membership status
Less than one-quarter (23 per cent) of current or past scheme members thought of occupational schemes as 'risky', compared to one-third (33 per cent) of non-members. It is a point of interest that those with personal experience of occupational schemes were less likely to regard them as risky than those who had no such experience.

Social class
About two-thirds (64 per cent) of those in social class I saw the possibility of losing out when changing jobs as a disadvantage, compared to just under 60 per cent of classes II and IIIInm, and around half of classes IIIm, IV and V. Only one-quarter of class I (23 per cent) considered occupational schemes to be risky, compared to just under 30 per cent of all other classes.

4.4 Comparing advantages and disadvantages of the state scheme and occupational schemes

Tables 4.2 and 4.3 showed, respectively, the advantages and the disadvantages chosen by respondents in respect of the state pension scheme and of occupational schemes. These findings can be put together, to give an indication of the comparative advantages and disadvantages of each type of scheme; for example, whether more people think a scheme is 'secure' than think it is 'risky', or whether more people think it provides a retirement income that is 'adequate' than think the income is 'not enough to live on'. There are seven such comparisons that can be made, between the proportion who chose a specific advantage, and the proportion who chose the corresponding disadvantage. The choices are:

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Disadvantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>'Your pension is secure'</td>
<td>'It's risky'</td>
</tr>
<tr>
<td>'Provides an adequate income for retirement'</td>
<td>'The amount of income is not enough to live on'</td>
</tr>
<tr>
<td>'You don't lose out if you change jobs'</td>
<td>'You might lose out if you change jobs'</td>
</tr>
<tr>
<td>'You can decide to retire early and take your pension'</td>
<td>'You cannot decide to retire early and take your pension then'</td>
</tr>
<tr>
<td>'Employers make contributions too'</td>
<td>'Employers don't contribute anything'</td>
</tr>
<tr>
<td>'You can choose how much or how little to pay in'</td>
<td>'You can't choose how much or how little to pay in'</td>
</tr>
<tr>
<td>'You can decide to retire later than usual and delay your pension'</td>
<td>'You cannot decide to retire late and take your pension then'</td>
</tr>
</tbody>
</table>
The proportion who chose each advantage can be compared directly with the proportion who chose the corresponding disadvantage. For example, 46 per cent of respondents said the state scheme was secure, and 2 per cent said it was risky. Subtracting the ‘disadvantage’ proportion (2 per cent) from the ‘advantage’ proportion (46 per cent), the gap between the two is +44 percentage-points. For occupational schemes, by contrast, 10 per cent saw these as secure, and 27 per cent as risky; a gap of -17 percentage-points. Calculated in this way, the percentage-point gap is positive (+) if more people chose a particular advantage of a scheme than chose the corresponding disadvantage. But if the position is reversed, and the people choosing an advantage are outweighed by those choosing the corresponding disadvantage, the gap will be a negative (-) number.

Table 4.4 presents the results of such a calculation for each paired advantage and disadvantage. Overall, the advantages of the state scheme outweigh the disadvantages most notably in terms of security (+44, compared to -17 for occupational schemes), and in not losing out when changing jobs (+25, compared to -40 for occupational schemes). The advantages of occupational schemes outweigh disadvantages in providing an adequate retirement income (+20 points, compared to -55 for the state scheme), in facilitating early retirement (+17, compared to -21 for the state scheme), and in the fact that employers also make contributions (+43, compared to +8 for the state scheme).

The table also shows differences between those with experience of occupational schemes (as current or previous scheme members) and those who had never belonged to an occupational scheme. Members (current or previous) of occupational schemes saw the state scheme as more advantageous because ‘you don’t lose out if you change jobs’ (+30) than did non-members (+21). In terms of whether occupational schemes are seen as ‘secure’ or ‘risky’, those with experience of occupational schemes cited the disadvantage more than the advantage, but to a lesser degree than did non-members (-11, compared to -25 for non-members). More occupational scheme members saw the state scheme as disadvantageous because it is not possible to take early retirement (-25) than did non-members (-17). In terms of regarding employers’ contributions as an advantage, members were more likely to see both the state scheme as having this advantage (+11, compared to +4 for non-members), and also occupational schemes (+48 for members, compared to +36 for non-members).

10 Excluding ‘don’t know’ responses.
In terms of being able to choose the amount to contribute, the state scheme was seen as disadvantageous more by those with experience of occupational schemes (-24) than non-members (-13). Strikingly, occupational schemes were seen as advantageous in this respect by those who had no experience of such schemes (+14), but the advantages and disadvantages cancelled out (0) for current or previous members of occupational schemes.

### Table 4.4 COMPARATIVE ADVANTAGES AND DISADVANTAGES OF STATE AND OCCUPATIONAL SCHEMES, BY WHETHER EVER A MEMBER OF AN OCCUPATIONAL SCHEME

<table>
<thead>
<tr>
<th>Scheme type</th>
<th>Occupational Scheme: (Ever) Member</th>
<th>Never been a member</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides adequate income for retirement</td>
<td>- State</td>
<td>-59</td>
<td>-52</td>
</tr>
<tr>
<td>- Occupational</td>
<td>+19</td>
<td>+22</td>
<td>+20</td>
</tr>
<tr>
<td>You don’t lose out if you change jobs</td>
<td>- State</td>
<td>+30</td>
<td>+21</td>
</tr>
<tr>
<td>- Occupational</td>
<td>-41</td>
<td>-38</td>
<td>-40</td>
</tr>
<tr>
<td>Pension is secure</td>
<td>- State</td>
<td>+46</td>
<td>+41</td>
</tr>
<tr>
<td>- Occupational</td>
<td>-11</td>
<td>-25</td>
<td>-17</td>
</tr>
<tr>
<td>You can retire early</td>
<td>- State</td>
<td>-25</td>
<td>-17</td>
</tr>
<tr>
<td>- Occupational</td>
<td>+19</td>
<td>+15</td>
<td>+17</td>
</tr>
<tr>
<td>Employers make contributions too</td>
<td>- State</td>
<td>+11</td>
<td>+4</td>
</tr>
<tr>
<td>- Occupational</td>
<td>+48</td>
<td>+36</td>
<td>+43</td>
</tr>
<tr>
<td>You can choose how much to pay in</td>
<td>- State</td>
<td>-24</td>
<td>-13</td>
</tr>
<tr>
<td>- Occupational</td>
<td>0</td>
<td>+14</td>
<td>+6</td>
</tr>
<tr>
<td>You can decide to retire late</td>
<td>- State</td>
<td>+2</td>
<td>+2</td>
</tr>
<tr>
<td>- Occupational</td>
<td>0</td>
<td>+1</td>
<td>+1</td>
</tr>
</tbody>
</table>

Approximate base for each: 2670 2031 4701

3 'Don't know' responses are not included in the bases.

### 4.5 SATISFACTION WITH OCCUPATIONAL SCHEMES

Employees in occupational schemes were asked ‘How satisfied are you with this scheme overall?’ Table 4.5 presents the findings for all members and also in terms of whether the scheme is contributory or non-contributory, and whether it is a ‘defined benefit’ (final salary) scheme or a ‘defined
contribution' (money purchase) scheme. Earlier (Section 3.3) it was seen that the employees' accounts of the type of scheme they belonged to did not in all cases correspond to the description given by their employer. It is important to note that here, it is the employee's perception of the scheme that provides the basis for the analysis.

It is clear that the majority of scheme members were satisfied with their scheme, either 'very satisfied' (35 per cent) or 'fairly satisfied' (47 per cent). Overall, more than four in five (82 per cent) said they were satisfied with their scheme. 15 per cent were neither satisfied nor dissatisfied. Only 2 per cent said they were 'fairly dissatisfied', and fewer than 1 per cent were very dissatisfied.

Members of non-contributory schemes were more likely to say that they were 'very satisfied' than were members of contributory schemes (40 per cent compared to 34 per cent); but adding together the 'very' and 'fairly' satisfied groups shows that 81 per cent of the contributors and a similar proportion (83 per cent) of the non-contributors expressed themselves satisfied with their scheme. For those whose pension was calculated on final salary, 38 per cent said they were very satisfied, compared to only 30 per cent of those with a money purchase pension. Adding together the 'very' and 'fairly' satisfied groups, 85 per cent of those with a final salary pension said they were satisfied, as against 77 per cent of those with a money purchase pension.
Table 4.5 Employees Satisfaction with Occupational Scheme: By Type of Scheme

<table>
<thead>
<tr>
<th>How satisfied with scheme</th>
<th>Type of scheme</th>
<th>Type of pension</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contributory</td>
<td>Contributory</td>
<td>Final salary</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>34</td>
<td>40</td>
<td>38</td>
</tr>
<tr>
<td>Fairly satisfied</td>
<td>47</td>
<td>43</td>
<td>47</td>
</tr>
<tr>
<td>Neither satisfied nor</td>
<td>15</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>dissatisfied</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>*</td>
<td>1</td>
<td>*</td>
</tr>
</tbody>
</table>

Base = 100%

1073 224 963 244 1306

1 Less than 1%.
2 A 'don't know' response was given in less than 2% of cases. These are not included in the bases.
3 'Don't know' responses are not included.
4 Pensions described as combination of final salary and money purchase (1% of the total) are not included;
   neither are 'don't know' responses (5% of the total).
4 Based on all respondents to the question on 'Satisfaction'.

4.6 Likelihood of Joining an Occupational Scheme

Another measure of attitudes towards occupational pensions was gauged by a question, put to all non-retired respondents, about the likelihood of their joining an employer's pension scheme if they were to change jobs or start a new job.

Table 4.6 compares the findings by age within gender, and by whether the respondent currently belongs to an occupational scheme, or has previously belonged to such a scheme, or has never belonged. Overall, more than two-thirds (69 per cent) said they would be 'very' or 'fairly' likely to join an employer's scheme. For men, the likelihood of joining a scheme increases with increasing age, from around two-thirds of those aged 16-24 and 24-34 (67 per cent and 69 per cent respectively), to three-quarters (74 per cent) of those aged 35-44 or 45-54, and falls to around half (52 per cent) of those aged 55 and over. Around two-thirds (68 per cent) of younger women (aged 16-24) were likely to join a scheme, compared to around three-quarters of those aged 25-34 and 35-44 (77 per cent and 75 per cent respectively), and falling to 69 per cent of women aged 45-54, and only 43 per cent of women aged 55 and over.
## Table 4.6 LIKELIHOOD OF JOINING AN OCCUPATIONAL SCHEME

<table>
<thead>
<tr>
<th>All non-retired persons</th>
<th>If changing jobs or starting a new job, percentage ‘very’ or ‘fairly’ likely to join employers scheme[^1]</th>
<th>Base = 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>69</td>
<td>4344</td>
</tr>
<tr>
<td>MEN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>69</td>
<td>411</td>
</tr>
<tr>
<td>25-34</td>
<td>69</td>
<td>484</td>
</tr>
<tr>
<td>35-44</td>
<td>74</td>
<td>456</td>
</tr>
<tr>
<td>45-54</td>
<td>74</td>
<td>437</td>
</tr>
<tr>
<td>55+</td>
<td>52</td>
<td>308</td>
</tr>
<tr>
<td>WOMEN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>68</td>
<td>379</td>
</tr>
<tr>
<td>25-34</td>
<td>72</td>
<td>598</td>
</tr>
<tr>
<td>35-44</td>
<td>75</td>
<td>522</td>
</tr>
<tr>
<td>45-54</td>
<td>69</td>
<td>476</td>
</tr>
<tr>
<td>55+</td>
<td>43</td>
<td>236</td>
</tr>
<tr>
<td><strong>SCHEME MEMBERSHIP:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current member[^2]</td>
<td>86</td>
<td>1276</td>
</tr>
<tr>
<td>Previous member</td>
<td>62</td>
<td>924</td>
</tr>
<tr>
<td>Never a member</td>
<td>62</td>
<td>2144</td>
</tr>
</tbody>
</table>

[^1] 'Don’t know' responses are not included in the base.
[^2] 'Current member' includes current members who also previously belonged to a scheme with an earlier employer.

The great majority of those who were currently members of their employers' pension scheme (86 per cent) said they would be likely to join a scheme if they changed jobs, compared to only 62 per cent of non-members – either non-members who had previously belonged to a scheme, or those who had never belonged.
EXPERIENCE OF OCCUPATIONAL PENSION SCHEMES
EXPERIENCE OF OCCUPATIONAL PENSION SCHEMES

5.1 PREVIOUS CONTRIBUTIONS TO OCCUPATIONAL PENSION SCHEMES

35 per cent of the sample had belonged to a previous employer’s occupational scheme. (This includes any current members who also belonged to a previous scheme.) This group were asked to say what had happened to their pension rights built up in that scheme. (If they had belonged to more than one previous scheme, they were asked to say what had happened with regard to contributions paid in to the most recent scheme.) Their responses are shown in table 5.1. They are also shown according to the respondent’s current employment and occupational pension scheme status: as an employee belonging to their current employer’s scheme; an employee who does not belong to a scheme; or not currently an employee. (Those currently drawing an occupational pension are not included in table 5.1.)

In total, over one-third (36 per cent) had had some or all of their previous contributions returned in cash. Three in ten (30 per cent) left all or part of their pension with a previous employer, to be paid on retirement. Around one in ten had transferred previous rights to another scheme (12 per cent); had got nothing back from their previous contributions (11 per cent); or had all or part transferred to their current employer’s scheme (10 per cent). 4 per cent did not know or couldn’t remember what had happened with their previous contributions.

More than four in ten (42 per cent) of those who were not currently employees had received their previous contributions in cash, compared to one-third (33 per cent) for both categories of employee. One-third (34 per cent) of current employees who did not belong to their employer’s scheme had left their pension with a previous employer to be paid on retirement (‘frozen rights’), compared to a little over one-quarter (26 per cent) of employees who were currently scheme members, and three in ten (29 per cent) of those who were not employees. Rights were transferred to a different scheme more often for employees not in a scheme (17 per cent) than for employees in a scheme (8 per cent) or for non-employees (13 per cent). 5 per
cent of current scheme members said they ‘got nothing’ from their previous pension rights, compared to 13 per cent of employees not in a scheme, and 15 per cent of those who were not currently employees. As might be expected, nearly three in ten (28 per cent) of current scheme members had transferred previous pension rights to their current scheme, compared to only 1 per cent of the other two groups.\textsuperscript{11}

\begin{table}
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
\textbf{Employment and scheme membership} & \textbf{Scheme member} & \textbf{Not a scheme member} & \textbf{Not an employee} & \textbf{Total} \\
\hline
All (or some) of my contributions were returned to me in cash & 33 & 33 & 42 & 36 \\
All (or part) of my pension was left with a previous employer, to be paid when I retire & 26 & 34 & 29 & 30 \\
All (or some) of my rights were transferred to some other scheme (or to a Personal Pension) & 8 & 17 & 13 & 12 \\
I got nothing & 5 & 13 & 15 & 11 \\
All or part of my rights were transferred to my current employer’s scheme & 28 & 1 & 1 & 10 \\
Don’t know/can’t remember & 4 & 4 & 5 & 4 \\
\textbf{Base}\textsuperscript{1} & 472 & 414 & 560 & 1446 \\
\hline
\end{tabular}
\caption{WHAT HAPPENED TO THE CONTRIBUTIONS MADE TO A PREVIOUS EMPLOYER’S PENSION SCHEME?}
\textit{All with rights in previous employer’s scheme(s) (excluding those already drawing on occupational pension).}
\end{table}

\begin{itemize}
\item\textsuperscript{1} Because respondents could choose more than one option, if applicable, percentages sum to more than 100.
\end{itemize}

5.2 \textbf{WORRIES AND CONCERNS OF OCCUPATIONAL SCHEME MEMBERS AND THOSE WITH RETAINED RIGHTS}

Excluding those who were already drawing an occupational pension, more than one-quarter (27 per cent) of the sample said they were either currently members of an occupational scheme, or had retained rights in a scheme to

\textsuperscript{11} It must be assumed that the 1 per cent of employees not in a pension scheme, and the 1 per cent of non-employees, are mistaken on this point.
which they had previously belonged (some current members may also have had rights in previous schemes). This group were asked whether they had been worried or concerned about different aspects of their scheme(s). Table 5.2.1 shows the result.

Overall, about one-third (32 per cent) had worries or concerns about the amount of pension they would receive, and whether the scheme would still exist to pay their pension when they retired (30 per cent). More than one-quarter (26 per cent) had concerns over transferring pension rights between jobs. 15 per cent had worries or concerns regarding the way the pension fund was managed or invested, and around one in ten had worries about the way the employer ran the scheme (9 per cent), and other worries (10 per cent). In total, 55 per cent of current members and those with retained rights expressed at least one worry or concern about their pension arrangements. The most common worry was over the amount of pension. If worries about the amount of pension are excluded from the analysis, the overall level of worries falls slightly, to 47 per cent.

<table>
<thead>
<tr>
<th>Table 5.2.1 WORRIES AND CONCERNS ABOUT OCCUPATIONAL SCHEMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current occupational scheme members and previous members with retained rights</td>
</tr>
<tr>
<td>(excluding those drawing an occupational pension)</td>
</tr>
<tr>
<td>Worries</td>
</tr>
<tr>
<td>The amount of pension you will receive</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
</tr>
<tr>
<td>Other worries or concerns</td>
</tr>
<tr>
<td>ANY WORRIES</td>
</tr>
<tr>
<td>(Approximate base for each)</td>
</tr>
</tbody>
</table>

*Don’t know* responses excluded from the bases.
In table 5.2.2, the worries and concerns of current and previous members are compared for men and women, and for different age groups. Overall, men were more concerned than women, particularly about transferring pension rights (29 per cent to 22 per cent).

Perhaps not surprisingly, concerns about the amount of pension increases steadily with increasing age; one-quarter (26 per cent) of the youngest group (16-24 years) expressed this concern, increasing to over one-third (35 per cent) of those aged 55 and over. As might be expected, concerns about transferring pension rights decreased as age increased, from one-third (34 per cent) of those aged 16-34, to one-quarter (24 per cent) of those aged 35-54, falling to only 13 per cent of those aged 55 and over. A broadly similar pattern is seen for the level of worries about whether the scheme would still exist on retirement; one-third (35 per cent) of the youngest group (aged 16-24) expressed concern over this, falling to around 30 per cent of those aged 25-54, and only 19 per cent of the 55 and over age group.

### Table 5.2.2 WORRIES AND CONCERNS ABOUT OCCUPATIONAL SCHEMES: BY GENDER; AND BY AGE

<table>
<thead>
<tr>
<th>Worries</th>
<th>Percentage who had been worried or concerned</th>
<th>Age</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Men</td>
<td>Women</td>
<td>16-24</td>
<td>25-34</td>
<td>35-44</td>
<td>45-54</td>
</tr>
<tr>
<td>The amount of pension you will receive</td>
<td></td>
<td>34</td>
<td>30</td>
<td>26</td>
<td>28</td>
<td>32</td>
<td>38</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
<td></td>
<td>16</td>
<td>12</td>
<td>15</td>
<td>14</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td></td>
<td>11</td>
<td>7</td>
<td>11</td>
<td>8</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
<td></td>
<td>29</td>
<td>22</td>
<td>34</td>
<td>35</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
<td></td>
<td>29</td>
<td>30</td>
<td>35</td>
<td>30</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Other worries or concerns</td>
<td></td>
<td>11</td>
<td>8</td>
<td>3</td>
<td>7</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>ANY WORRIES</td>
<td></td>
<td>57</td>
<td>52</td>
<td>52</td>
<td>56</td>
<td>54</td>
<td>58</td>
</tr>
<tr>
<td>(Approximate base for each)</td>
<td></td>
<td>918</td>
<td>678</td>
<td>95</td>
<td>404</td>
<td>491</td>
<td>410</td>
</tr>
</tbody>
</table>

* 'Don't know' responses are not included in the bases.
Table 5.2.3 presents further analysis of worries and concerns, by whether the respondent was currently a member of their employer’s scheme, or had retained rights in a previous employer’s scheme. In general, those with rights in previous schemes were a little more concerned about each aspect of their pension arrangements than were current scheme members. Two in ten (20 per cent) of previous members but only 13 per cent of current members were concerned about the way the money in the scheme is managed or invested. Similarly 15 per cent of previous members, compared to 8 per cent of current members, were concerned about the way the employer runs the scheme. One-third (34 per cent) of previous members, compared to 29 per cent of current members, were concerned about whether the scheme would exist when they retired.

<table>
<thead>
<tr>
<th>Worries</th>
<th>Percentage who had been worried or concerned¹</th>
<th>Occupational scheme membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current scheme members</td>
<td>Previous scheme members with retained rights</td>
</tr>
<tr>
<td>The amount of pension you will receive</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Other worries or concerns</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>ANY WORRIES</td>
<td>55</td>
<td>54</td>
</tr>
</tbody>
</table>

(Approximate base for each) Closed End Study 1294, Open End Study 301, Total 1595

¹ "Don’t know" responses are not included in the bases.
Further analysis was carried out on a smaller sub-group: those who were currently employees and belonged to their employer’s scheme (these constituted 82 per cent of the total of current and previous members). The analysis compared the worries of this sub-group according to whether they were employed in the private sector or the public sector (table 5.2.4). Public sector and private sector employees show a fairly similar level of worries about their pension arrangements, although private sector employees were more likely than public sector employees to say that they were concerned about transferring their pension if they changed jobs (29 per cent of private compared to 22 per cent of public sector employees).

Within the public sector, however, there were considerable variations among the different types of employer. Employees of the civil service and central government (this includes a small proportion of members of the armed forces) are, in general, less likely than the other public sector employees to express worries and concerns. By contrast, health service employees in particular, and to a lesser extent, employees in nationalised industries, show an overall higher level of concern about their pension arrangements. 63 per cent of health service employees, 60 per cent of employees in nationalised industries, and 56 per cent of Local Authority/LEA employees had at least one worry about their pension, compared to less than half (44 per cent) of civil service and central government employees.

Further analysis was carried out on the worries and concerns of current scheme members according to two factors: whether or not their current scheme required contributions from members, and whether the amount of pension would be based on their final salary, or on the investment value of their pension rights (‘money purchase’). Overall, those who said their scheme was contributory expressed a slightly higher level of worry and concern than those saying they belonged to non-contributory schemes, but most differences between the two groups were minor (of the order of 2 per cent), with the exception of concern over transferring pension rights (27 per cent of contributors were concerned, compared to 19 per cent of non-contributors).

Those who said they were in final salary schemes were, in general, a little less worried about their pension arrangements than were members of money purchase schemes. This was especially the case with regard to the way the

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12 Most of this sub-group were members of their current employer’s scheme, and did not have rights in previous schemes. Therefore, the majority of their worries and concerns relate to their current employer’s scheme.

13 The information was collected from employees and also from employers; this analysis is based on employees’ perceptions of the scheme.
money in the pension fund was managed, with only 12 per cent of final salary scheme members expressing concern, compared to two in ten (20 per cent) of members of money purchase schemes. Other differences between the two groups were small (around 2 per cent or less).

<table>
<thead>
<tr>
<th>Worries</th>
<th>Percentage who had been worried or concerned1</th>
<th>Health Service</th>
<th>Nationalised Industry</th>
<th>LA/LEA</th>
<th>Civil Service</th>
<th>All Public Sector</th>
<th>All Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of pension you will receive</td>
<td></td>
<td>42</td>
<td>35</td>
<td>35</td>
<td>23</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
<td></td>
<td>12</td>
<td>9</td>
<td>12</td>
<td>10</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td></td>
<td>10</td>
<td>12</td>
<td>6</td>
<td>3</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
<td></td>
<td>29</td>
<td>27</td>
<td>21</td>
<td>16</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
<td></td>
<td>39</td>
<td>33</td>
<td>28</td>
<td>25</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td>Other worries or concerns</td>
<td></td>
<td>10</td>
<td>19</td>
<td>11</td>
<td>5</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>ANY WORRIES</td>
<td></td>
<td>63</td>
<td>60</td>
<td>56</td>
<td>44</td>
<td>56</td>
<td>54</td>
</tr>
</tbody>
</table>

1 'Don't know' responses are not included in the bases.

2 'Public Sector' employers are categorised as follows: Health service (including Hospital Trusts); Nationalised industry and public corporation; Local Authority and Local Education Authority (LA/LEA); Civil Service; Central government; and armed forces.

3 'Private Sector' includes all private employers, and charities. A small proportion of employers were categorized as being 'other' than public sector or private sector. These have been excluded from the base.

5.3 PROBLEMS EXPERIENCED BY CURRENT SCHEME MEMBERS AND THOSE WITH RETAINED RIGHTS

Having asked current and previous scheme members about their worries and concerns over their rights in occupational schemes, a further set of questions was put to this group, asking whether they had 'actually experienced any problems' with their employer pension scheme(s).
Overall, few current scheme members and previous members with retained rights reported a problem with their pension arrangements (table 5.3.1). The most frequently mentioned problem was with transferring pension rights, but this applied to only around one in twenty (6 per cent). Altogether, 14 per cent said they had experienced at least one problem.

<table>
<thead>
<tr>
<th>Problems</th>
<th>Percentage who had experienced a problem¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of pension you will receive</td>
<td>4</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
<td>3</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td>3</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
<td>6</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
<td>4</td>
</tr>
<tr>
<td>Other problems</td>
<td>4</td>
</tr>
<tr>
<td>ANY PROBLEMS</td>
<td>14</td>
</tr>
</tbody>
</table>

(Approximate base for each: 1600)

¹ ‘Don’t know’ responses are not included in the bases.

In table 5.3.2 the problems of current scheme members and those with retained pension rights are analysed by gender, and by age. As was seen in reporting worries and concerns, men were more likely than women to report having experienced a problem, on average by a ratio of around 2 to 1. (However, it is important to note that the actual proportion of problems is small, for both men and women.) In general, slightly fewer problems were reported by both the young (16-24 years, and to a lesser extent the 25-34 age group) and by the oldest group, aged 55 and over.
Table 5.3.2 PROBLEMS EXPERIENCED WITH OCCUPATIONAL PENSIONS: BY GENDER; AND BY AGE

<table>
<thead>
<tr>
<th>Problems</th>
<th>Percentage who had experienced problems!</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
</tr>
<tr>
<td>The amount of pension you will receive</td>
<td>4</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
<td>4</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td>4</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
<td>8</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
<td>5</td>
</tr>
<tr>
<td>Other problems</td>
<td>4</td>
</tr>
<tr>
<td>ANY PROBLEMS</td>
<td>17</td>
</tr>
</tbody>
</table>

(Approximate base for each) 928 678

* Less than 1%
1 'Don't know' responses are not included in the bases.

A higher proportion of those who were previously scheme members reported having experienced each of the problems asked about than current members (table 5.3.3). Overall, 20 per cent of previous scheme members, compared to only 12 per cent of current members, said they had experienced at least one of the problems.
Table 5.3.3 PROBLEMS EXPERIENCED WITH OCCUPATIONAL SCHEMES:
BY WHETHER CURRENT SCHEME MEMBERS OR PREVIOUS MEMBERS
(Current occupational scheme members and previous members with retained rights (excluding those drawing a pension))

<table>
<thead>
<tr>
<th>Problems</th>
<th>Currently scheme members</th>
<th>Previously scheme members</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of pension you will receive</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
<td>5</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
<td>3</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Other problems</td>
<td>3</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td><strong>ANY PROBLEMS</strong></td>
<td><strong>12</strong></td>
<td><strong>20</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

(Approximate base for each) 1300 306 1606

1 'Don't know' responses excluded from the bases.

Overall, a higher proportion of private than public sector employees reported having experience of each of the problems, but the difference between the two groups is not large (table 5.3.4). The largest difference is with problems over transferring pension rights, where 7 per cent of private sector employees, but 3 per cent of public sector employees said they had experienced such a problem. As was seen in reported worries and concerns about occupational pensions, there was a degree of variability in the level of problems within the public sector. Further analysis found that members of non-contributory pension schemes were a little more likely to report problems over whether the scheme will exist when they retire (5 per cent) than were those in non-contributory schemes (3 per cent), but differences between employees in contributory and non-contributory schemes were not large.

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14 Like table 5.2.4, table 5.3.4 is based on those who are currently members of their employer's scheme. This sub-group constitutes 82 per cent of all those with current or retained rights in occupational schemes.
### Table 5.3.4 Problems Experienced with Occupational Pensions: By Public/ Private Sector

<table>
<thead>
<tr>
<th>Problems</th>
<th>Percentage who had experienced a problem!</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public Sector</td>
</tr>
<tr>
<td>The amount of pension you will receive</td>
<td>2</td>
</tr>
<tr>
<td>The way the money in the pension fund is managed or invested</td>
<td>2</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td>1</td>
</tr>
<tr>
<td>Transferring your pension rights if you change jobs</td>
<td>3</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension when you retire</td>
<td>3</td>
</tr>
<tr>
<td>Other problems</td>
<td>2</td>
</tr>
</tbody>
</table>

**ANY PROBLEMS**

10 14

*(Approximate base for each)*

562 715

*Don’t know* responses excluded from the bases.

For each problem asked about, members of money purchase schemes were a little more likely to report having experienced the problem than were members of final salary schemes (by an average 1-2 per cent). This conforms to the general pattern described earlier regarding the worries and concerns of these two groups.

### 5.4 Worries and Concerns of Those Drawing an Occupational Pension

In total, 11 per cent of the sample was currently drawing an occupational pension. This group is relatively small, and therefore the possibilities for analysis are restricted. Altogether, over one-quarter (27 per cent) of respondents currently drawing an occupational pension expressed at least one worry or concern with their occupational scheme. The most common worry was over the amount of pension (16 per cent). If worries about the amount of pension are excluded from the analysis, the overall level of worries falls to 17 per cent.
Table 5.4 shows the level of worries and concerns reported by this group, according to gender and marital status. In most cases, men expressed a higher level of concern than women. However, married women expressed a similar level of concern to that for men; single women, on the other hand, expressed a considerably lower level of concern over each aspect of their pension arrangements. Overall, only two in ten (21 per cent) single women said they had at least one worry or concern, compared to three in ten (31 per cent) married women, and 28 per cent of men.

<table>
<thead>
<tr>
<th>Table 5.4 WORRIES AND CONCERNS ABOUT OCCUPATIONAL PENSIONS FOR THOSE CURRENTLY DRAWING AN OCCUPATIONAL PENSION: BY GENDER AND MARITAL STATUS¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currently drawing on occupational pension</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Percentage who had been worried or concerned¹</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Worries</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>The amount of pension you receive</td>
</tr>
<tr>
<td>The way the money in the pension fund has been managed or invested</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension in the future</td>
</tr>
<tr>
<td>Not getting your pension on time</td>
</tr>
<tr>
<td>Other worries or concerns</td>
</tr>
<tr>
<td>ANY WORRIES</td>
</tr>
<tr>
<td>(Approximate base for each)</td>
</tr>
</tbody>
</table>
5.5 PROBLEMS EXPERIENCED BY THOSE DRAWING AN OCCUPATIONAL PENSION

Overall, very few of those currently drawing an occupational pension reported a problem with their pension arrangements. The most frequently mentioned problem was with the amount of pension received, but this applied to only 3 per cent. Altogether, 7 per cent reported having experienced at least one problem. Table 5.5 shows the reported worries of those drawing an occupational pension, by gender and marital status. Given the overall low level of problems, and the relatively small bases in table 5.5, differences in terms of marital status and gender should be interpreted with caution. In general, as with expressing worries and concerns, single women reported slightly fewer problems than did married women, or men.

### Table 5.5 PROBLEMS EXPERIENCED WITH OCCUPATIONAL PENSIONS, BY THOSE DRAWING AN OCCUPATIONAL PENSION; BY GENDER AND MARITAL STATUS

<table>
<thead>
<tr>
<th>Problems</th>
<th>Percentage who had experienced a problem¹</th>
<th>All</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men Marital status</td>
<td>Women Marital status</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married Single All men</td>
<td>Married Single All women Total</td>
<td></td>
</tr>
<tr>
<td>The amount of pension you receive</td>
<td>3 2 3</td>
<td>4 4 3</td>
<td>3 3</td>
</tr>
<tr>
<td>The way the money in the pension fund has been managed or invested</td>
<td>2 ± 2</td>
<td>2 2 1</td>
<td>1 1</td>
</tr>
<tr>
<td>The way the employer runs the scheme</td>
<td>2 2 2</td>
<td>1 0 ±</td>
<td>2</td>
</tr>
<tr>
<td>Transferring your pension when you changed jobs</td>
<td>2 1 1</td>
<td>0 1 ±</td>
<td>1</td>
</tr>
<tr>
<td>Whether the scheme will still exist to pay your pension in the future</td>
<td>2 0 2</td>
<td>1 1 1</td>
<td>1 1</td>
</tr>
<tr>
<td>Not getting your pension on time</td>
<td>1 ± 1</td>
<td>0 1 ±</td>
<td>1</td>
</tr>
<tr>
<td>Other problems</td>
<td>2 3 2</td>
<td>1 2 1</td>
<td>2</td>
</tr>
<tr>
<td><strong>ANY WORRIES</strong></td>
<td><strong>9 6 8</strong></td>
<td><strong>7 4 5</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

*Approximate base for each* 404 94 494 102 93 196 689

* Less than 1 per cent.

¹ 'Don't know' responses excluded from the bases.
APPENDICES
APPENDIX A


The report is based upon data collected in three individual Omnibus surveys. This appendix provides a summary description of the (combined) sample, fieldwork, and response. Full details can be found in the OPCS Omnibus Technical Reports for November 1992, December 1992, and January 1993.

A.1 Sample design and weighting
For each monthly OPCS Omnibus survey, a new sample of 3,000 addresses is selected, taken from 100 postal sectors across Great Britain. The postal sectors are selected with probability proportionate to size and, within each sector, 30 addresses are selected at random. If an address contains more than one household, the interviewer uses a standard procedure to select just one household randomly. Within households with more than one adult member, just one person age 16 or over is selected for interview with the use of random tables. The interviewer endeavours to interview that person and no proxies are taken. The interviews are carried out face-to-face by OPCS survey interviewers.

The survey sample is based on a selection of households, and the findings are based on the responses of an individual adult within each household. Because only one adult is interviewed at each household, people in households containing few adults have a better chance of selection than those in households with many adult members. Therefore a weighting factor is applied to the data, to correct for this unequal selection probability. Responses are first weighted by the number of adults in the household, and then adjusted to give a total sample size equal to the total number of informants actually interviewed. No further weighting is used.

A.2 Response
For the three Omnibus surveys, 9,000 addresses were selected, and 1,076 were found to be ineligible for the survey (new and empty properties, business premises, and other non-residential addresses). Of the 7,924 addresses which were eligible for the surveys, interviews were carried out at 6,126. Table A.2, overleaf, shows in detail the response outcomes for the combined samples. Overall, a response rate of 77 per cent was achieved for
the pensions module. It should be noted that, in presenting tables, the small numbers of people who did not answer individual questions have in general been excluded from individual tables.

<table>
<thead>
<tr>
<th>Table A.2: RESPONSE SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
</tr>
<tr>
<td>Selected addresses</td>
</tr>
<tr>
<td>Ineligible addresses</td>
</tr>
<tr>
<td>Eligible addresses</td>
</tr>
<tr>
<td>Refusals</td>
</tr>
<tr>
<td>Informant incapable of interview</td>
</tr>
<tr>
<td>No contact at address</td>
</tr>
<tr>
<td>Not in pensions module/gender not recorded</td>
</tr>
<tr>
<td>Viable interviews achieved</td>
</tr>
</tbody>
</table>
APPENDIX B

TECHNICAL DETAILS OF THE OPCS SURVEY OF EMPLOYERS

Of the respondents to the Omnibus surveys, employees who reported being currently members of their employer's pension scheme were asked for permission for OPCS to approach their employer, to collect data on the technical aspects of the scheme. The response summary is shown below (unweighted figures).

<table>
<thead>
<tr>
<th>EMPLOYER DATA I: OVERALL BREAKDOWN</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees in occupational schemes</td>
<td>1322</td>
</tr>
<tr>
<td>Permission granted to approach employer</td>
<td>1071</td>
</tr>
<tr>
<td>Public sector employers:</td>
<td></td>
</tr>
<tr>
<td>Data collected from Government Actuary</td>
<td>468</td>
</tr>
<tr>
<td>Private sector employers:¹</td>
<td></td>
</tr>
<tr>
<td>Interviewed</td>
<td>566</td>
</tr>
<tr>
<td>Total cases where employer data was collected</td>
<td>1034</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMPLOYER DATA II: BREAKDOWN OF RESPONSE FROM PRIVATE SECTOR EMPLOYERS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permission granted to approach employer</td>
<td>603</td>
</tr>
<tr>
<td>Ineligible (no scheme provided)</td>
<td>6</td>
</tr>
<tr>
<td>Eligible for telephone survey</td>
<td>597</td>
</tr>
<tr>
<td>Unable to contact</td>
<td>5</td>
</tr>
<tr>
<td>Refusal</td>
<td>26</td>
</tr>
<tr>
<td>Interview achieved</td>
<td>566</td>
</tr>
</tbody>
</table>

¹ Includes some public sector employers for whom information could not be collected from the Government Actuary.

The fieldwork for the telephone survey was carried out by the OPCS Telephone Unit between 25 January and 19 February 1993.
WEIGHTED AND UNWEIGHTED BASES OF ANALYSIS VARIABLES

This appendix presents the weighted and unweighted sample distributions for key variables used in analysis. As described in Appendix A, the data were weighted in order to produce an equal probability sample; the weighting counteracts the fact that adults who are members of smaller households have a greater probability of selection than those in larger households.

In all the tables in the report, weighted bases are presented. These are used for calculating all percentages and are therefore essential for working back to raw numbers from percentages, or for re-working percentages. However, the size of an unweighted base is more important as an indicator of the reliability of any percentage result.

It can be seen from table C.1 that the effect of weighting is not great, in that the size of the weighted and unweighted bases of most subgroups is fairly similar. The biggest differences occur for variables strongly associated with household size: age, and marital status. Nevertheless there is no group for which the difference between the weighted and unweighted base would, by itself, make a major difference to the reliability of the results for a group if weighted figures were used as a guide to reliability.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Weighted number</th>
<th>Unweighted number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>2913</td>
<td>2777</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>3211</td>
<td>3349</td>
</tr>
<tr>
<td></td>
<td>(Missing)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6123</td>
<td>6126</td>
</tr>
<tr>
<td>Age</td>
<td>16-24</td>
<td>861</td>
<td>619</td>
</tr>
<tr>
<td></td>
<td>25-34</td>
<td>1145</td>
<td>1195</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>1043</td>
<td>998</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>999</td>
<td>909</td>
</tr>
<tr>
<td></td>
<td>55-59</td>
<td>414</td>
<td>395</td>
</tr>
<tr>
<td></td>
<td>60-64</td>
<td>410</td>
<td>444</td>
</tr>
<tr>
<td></td>
<td>65 and over</td>
<td>1210</td>
<td>1539</td>
</tr>
<tr>
<td></td>
<td>(Missing)</td>
<td>40</td>
<td>36</td>
</tr>
<tr>
<td>Social Class</td>
<td>I: Professional</td>
<td>226</td>
<td>230</td>
</tr>
<tr>
<td></td>
<td>II: Intermediate</td>
<td>1416</td>
<td>1438</td>
</tr>
<tr>
<td></td>
<td>IIIm: Skilled non-manual</td>
<td>1423</td>
<td>1399</td>
</tr>
<tr>
<td></td>
<td>IIIm: Skilled manual</td>
<td>1306</td>
<td>1304</td>
</tr>
<tr>
<td></td>
<td>IV: Semi-skilled manual</td>
<td>1040</td>
<td>1040</td>
</tr>
<tr>
<td></td>
<td>V: Unskilled manual</td>
<td>434</td>
<td>464</td>
</tr>
<tr>
<td></td>
<td>(Missing)</td>
<td>278</td>
<td>251</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Married or living as married</td>
<td>4103</td>
<td>3615</td>
</tr>
<tr>
<td></td>
<td>Single (widowed, divorced, etc)</td>
<td>2018</td>
<td>2509</td>
</tr>
<tr>
<td></td>
<td>(Missing)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Employer type</td>
<td>Private sector</td>
<td>2017</td>
<td>1816</td>
</tr>
<tr>
<td></td>
<td>Public sector</td>
<td>856</td>
<td>821</td>
</tr>
<tr>
<td></td>
<td>(Not applicable)</td>
<td>3250</td>
<td>3489</td>
</tr>
<tr>
<td></td>
<td>Public sector groups:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Health authority</td>
<td>178</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>- Nationalised industry</td>
<td>120</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td>- Local Authority/LEA</td>
<td>422</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>- Civil service</td>
<td>135</td>
<td>133</td>
</tr>
<tr>
<td>Pension Status</td>
<td>Drawing occupational pension</td>
<td>699</td>
<td>810</td>
</tr>
<tr>
<td></td>
<td>Employee, scheme member</td>
<td>1315</td>
<td>1261</td>
</tr>
<tr>
<td></td>
<td>Employee, not member</td>
<td>631</td>
<td>557</td>
</tr>
<tr>
<td></td>
<td>Employee, no scheme available</td>
<td>800</td>
<td>713</td>
</tr>
<tr>
<td></td>
<td>Previous member, retained rights</td>
<td>161</td>
<td>163</td>
</tr>
<tr>
<td></td>
<td>Previous member, no rights</td>
<td>398</td>
<td>412</td>
</tr>
<tr>
<td></td>
<td>Not previous member</td>
<td>1582</td>
<td>1725</td>
</tr>
<tr>
<td></td>
<td>Never worked</td>
<td>302</td>
<td>277</td>
</tr>
<tr>
<td></td>
<td>Insufficient data</td>
<td>236</td>
<td>208</td>
</tr>
<tr>
<td>Occupational scheme status (II)</td>
<td>Member (current or previous)</td>
<td>3026</td>
<td>3061</td>
</tr>
<tr>
<td></td>
<td>Never a member</td>
<td>3098</td>
<td>3065</td>
</tr>
</tbody>
</table>
APPENDIX D

EMPLOYER DATA

In addition to the data from employers on type of scheme, and benefits provided (as presented in the main body of the part 2 quantitative report), the following information was collected: When the scheme was established; the numbers of contributors, early leavers with retained rights, and pensions in payment; and who is informed when making changes to the scheme arrangements.

It should be noted that this information is only available in respect of employees who belonged to an employer's scheme, and for whom employer data was available. This group constituted 78 per cent of employees who belonged to an employer scheme. It should also be noted that the results must be interpreted as representing schemes to which employees belong, and not as being representative of the employers. This is because a small number of large employers will account for a relatively high proportion of all employees, and it is employees, not employers, that are represented by the sample.

D.1 When the scheme was established
Two-thirds (68 per cent) of the employees belonged to employer schemes that had been established for 20 years or longer, and for a further 13 per cent, the scheme had been established for at least 10 years (table D.1).
Table D.1: Employers’ Schemes: Length of Time the Scheme Has Been Established

<table>
<thead>
<tr>
<th>Length of time established</th>
<th>Percentage of schemes in each category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>1</td>
</tr>
<tr>
<td>1 year, less than 2 years</td>
<td>3</td>
</tr>
<tr>
<td>2 years, less than 5 years</td>
<td>7</td>
</tr>
<tr>
<td>5 years, less than 10</td>
<td>8</td>
</tr>
<tr>
<td>10 years, less than 20</td>
<td>13</td>
</tr>
<tr>
<td>20 years or more</td>
<td>68</td>
</tr>
<tr>
<td>Base = 100% (schemes)</td>
<td>1076</td>
</tr>
</tbody>
</table>

1. *Table D.1 refers to the ‘percentage of schemes’, while the text describes the ‘percentage of employees’. The terms ‘schemes’ and ‘employees’ are in effect synonymous, because information on schemes was collected (from employers) on a one-to-one basis for each individual employee.*

**D.2 Numbers of Contributors; Early leavers with retained rights; and Pensions in payment**

Table D.2.1 shows the size distributions of schemes, in terms of the numbers of current contributors. Nearly half (44 per cent) were in the largest category, with 100,000 or more contributors. A further 19 per cent of schemes fell into the next size category, 10,000 to 99,999 contributors. Only one in ten employees belonged to a scheme with fewer than 100 contributors. It is clear that most employees belong to large schemes; 80 per cent have more than 1,000 contributors. This is also reflected in the numbers of early leavers with retained rights (table D.2.2); and the number of pensions in payment (table D.2.3). 5 per cent of schemes have no early leavers; in other respects the distribution of schemes is similar to that seen in table D.2.1; around half (44 per cent) of employees work for a scheme which has 100,000 or more early leavers. Three-quarters (75 per cent) of schemes have 1,000 or more early leavers. A very similar distribution is seen in terms of the numbers of pensions in payment (table D.2.3).
### Table D.2.1 EMPLOYERS' SCHEMES: NUMBERS OF CONTRIBUTORS

<table>
<thead>
<tr>
<th>Number of current contributors</th>
<th>Percentage of schemes in each category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 99</td>
<td>9</td>
</tr>
<tr>
<td>100 to 499</td>
<td>8</td>
</tr>
<tr>
<td>500 to 999</td>
<td>4</td>
</tr>
<tr>
<td>1,000 to 4,999</td>
<td>10</td>
</tr>
<tr>
<td>5,000 to 9,999</td>
<td>6</td>
</tr>
<tr>
<td>10,000 to 99,999</td>
<td>19</td>
</tr>
<tr>
<td>100,000 and over</td>
<td>44</td>
</tr>
</tbody>
</table>

*Base = 100% (schemes)*

### Table D.2.2 EMPLOYERS' SCHEMES: NUMBERS OF EARLY LEAVERS WITH RETAINED RIGHTS

<table>
<thead>
<tr>
<th>Number of early leavers with retained rights</th>
<th>Percentage of schemes in each category</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>5</td>
</tr>
<tr>
<td>1 to 99</td>
<td>10</td>
</tr>
<tr>
<td>100 to 499</td>
<td>7</td>
</tr>
<tr>
<td>500 to 999</td>
<td>2</td>
</tr>
<tr>
<td>1,000 to 4,999</td>
<td>10</td>
</tr>
<tr>
<td>5,000 to 9,999</td>
<td>6</td>
</tr>
<tr>
<td>10,000 to 99,999</td>
<td>15</td>
</tr>
<tr>
<td>100,000 and over</td>
<td>44</td>
</tr>
</tbody>
</table>

*Base = 100% (schemes)*

### Table D.2.3 EMPLOYERS' SCHEMES: NUMBERS OF PENSIONS IN PAYMENT

<table>
<thead>
<tr>
<th>Number of pensions in payment</th>
<th>Percentage of schemes in each category</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>8</td>
</tr>
<tr>
<td>1 to 99</td>
<td>9</td>
</tr>
<tr>
<td>100 to 499</td>
<td>6</td>
</tr>
<tr>
<td>500 to 999</td>
<td>3</td>
</tr>
<tr>
<td>1,000 to 4,999</td>
<td>10</td>
</tr>
<tr>
<td>5,000 to 9,999</td>
<td>4</td>
</tr>
<tr>
<td>10,000 to 99,999</td>
<td>16</td>
</tr>
<tr>
<td>100,000 and over</td>
<td>44</td>
</tr>
</tbody>
</table>

*Base = 100% (schemes)*
It is not surprising that the distributions of schemes are very similar in tables D.2.1, D.2.2 and D.2.3; the number of early leavers, and the number of pensions in payment, will both be closely related to the overall size of the scheme.

**D.3 Who is informed about changes to the scheme arrangements**

For all the schemes, current contributors are informed about changes to the scheme arrangements (table D.3). In most schemes (93 per cent), those receiving a pension are informed. In around eight out of ten schemes, those with retained rights are informed (83 per cent), and so are other groups (78 per cent). Analysis of the 'other' groups showed that with most schemes, trade unions were also informed of changes.

<table>
<thead>
<tr>
<th>Group</th>
<th>Percentage of schemes where the group is informed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current contributors</td>
<td>100</td>
</tr>
<tr>
<td>All those in receipt of a pension</td>
<td>93</td>
</tr>
<tr>
<td>Those with retained rights</td>
<td>83</td>
</tr>
<tr>
<td>Other</td>
<td>78</td>
</tr>
<tr>
<td>Base for each (schemes)</td>
<td>1076</td>
</tr>
</tbody>
</table>
OMNIBUS SURVEY
To All

Now I would like to ask you some questions about pensions, for the Pension Law Review Committee

1 Interviewer ask or code

May I just check are you retired?

   Yes ..................... 1 → 3
   No ..................... 2 → 2

2 Have you thought about pensions and plans for your retirement income?

   Yes ..................... 1 → 3
   No ..................... 2 → 5

3 At about what age did you first start to think about pensions and plans for your retirement income in general?

   Under 25 ..................... 1
   25-30 ..................... 2
   31-40 ..................... 3
   41-50 ..................... 4
   51-60 ..................... 5
   Over 60 ..................... 6
   DK ..................... 7
4. How much thought have you given . . . did you give/to making arrangements for an income for your retirement?
Would you say you have given it (you gave it) . . .

<table>
<thead>
<tr>
<th>Running prompt</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a lot of thought</td>
<td>1</td>
</tr>
<tr>
<td>some thought</td>
<td>2</td>
</tr>
<tr>
<td>or very little thought?</td>
<td>3</td>
</tr>
</tbody>
</table>

Spontaneous only - not thought about it all | 4 |

5. Do you feel . . . that you have thought(that you thought) . . . about pensions and plans for your retirement income:

<table>
<thead>
<tr>
<th>Running prompt</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>. . . as much as you need(ed) to</td>
<td>1</td>
</tr>
<tr>
<td>or not as much as you should have done?</td>
<td>2</td>
</tr>
</tbody>
</table>
Don’t know | 3 |

6. You may be aware that there are many types of pension arrangements.
The main ones are the state pension scheme, employers’ or company schemes and private personal pensions. In this interview we want to ask about employers’ and State schemes not private personal pensions.
Firstly I’d like to ask about State pensions of which there are two kinds - the basic state retirement pension, and also SERPS or the State Earnings Related Pension Scheme which is related to earnings, and is added to the basic state pension.

On this card (C56.6) are printed some of the advantages that pension schemes can have. Please study the card carefully and then tell me which two items you think are the main advantages of the state pension scheme (including SERPS).

**Show card C56.6**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Its all very easy - it’s taken care of for you</td>
</tr>
<tr>
<td>You can decide to retire early and take your pension then</td>
</tr>
</tbody>
</table>

**Code two only**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>You can decide to retire later than usual and delay your pension</td>
</tr>
<tr>
<td>It provides an adequate income for retirement</td>
</tr>
<tr>
<td>Employers make contributions to it too</td>
</tr>
<tr>
<td>You can choose how much or how little to pay into it</td>
</tr>
<tr>
<td>Your pension is secure because the scheme won’t go bankrupt</td>
</tr>
<tr>
<td>You don’t lose out if you change jobs</td>
</tr>
<tr>
<td>Other advantages - specify</td>
</tr>
<tr>
<td>There are no advantages</td>
</tr>
<tr>
<td>Don’t know</td>
</tr>
</tbody>
</table>
7. There are also employer or company pension schemes, which are run by employers for their employees. Please study this card (C56.6) and then tell me which two items you think are the main advantages of employer pension schemes.

- Show card C56.6
  - It's all very easy - it's taken care of for you
  - You can decide to retire early and take your pension
  - You can decide to retire later than usual and delay your pension
  - It provides an adequate income for retirement
  - Employers make contributions to it too
  - You can choose how much or how little to pay into it
  - Your pension is secure because the scheme won't go bankrupt
  - You don't lose out if you change jobs
  - Other advantages - specify
  - There are no advantages
  - Don't know

8. On this card (C56.8) are printed some of the disadvantages that pension schemes can have. Please look at this card and then tell me which two items you think are the main disadvantages of the state pension scheme (including SERPS).

- Show card C56.8
  - It's difficult to understand
  - You can't choose how much or how little to pay in
  - It's expensive
  - Employers don't contribute anything
  - It's risky
  - The amount of pension is not enough to live on
  - You cannot decide to retire early and take your pension then
  - You cannot decide to retire late and take your pension then
  - You might lose out if you change jobs
  - The amount of pension can't be worked out in advance
  - Other disadvantages - specify
  - There are no disadvantages
  - Don't know
9 Now study the card carefully and then tell me which two items you think are the main disadvantages of employer pension schemes.

**Show card C56.8**
- It's difficult to understand ............................................. 1
- You can't choose how much or how little to pay in ........ 2
- It's expensive ................................................................ 3
- Employers don't contribute anything .............................. 4

**Code two only**
- It's risky ........................................................................ 5
- The amount of pension is not enough to live on ............. 6
- You cannot decide to retire early and take your pension then .......................................................... 7
- You cannot decide to retire late and take your pension then ................................................................. 8
- You might lose out if you change jobs ............................ 9
- The amount of pension can't be worked out in advance ......................................................................... 10
- Other disadvantages - specify ........................................ 11
- There are no disadvantages ............................................ 12
- Don't know ..................................................................... 13

10 Interviewer check
Did respondent have a full-time/part-time job last week as an employee?

Yes ........................................ 1  → Q12
No ......................................... 2  → Q11

11 Have you ever had a job as an employee, either full-time or part-time?

Yes ........................................ 1  → Q26
No ......................................... 2  → Q38

Page 8

Page 12
12 Please look at this card (CS6.12A) and tell me which type of organisation you work for?

- Private firm or company ........................................ 1
- Charity ............................................................. 2
- Nationalised industry/public corporation .................. 3
- Local authority/local education authority .................. 4
- Health authority/NHS hospital/hospital Trust .............. 5
- Central government/Civil Service ............................ 6
- Armed forces ....................................................... 7
- Other ........................................................................ 8

13 For how long have you worked for (this). . . . .
(organisation recorded at Q12).

- less than 6 months ........................................ 1
- 6 mths, but less than 1 yr .............................. 2
- 1 yr, but less than 2yrs ................................. 3
- 2 yrs, but less than 5yrs .............................. 4
- 5 yrs, but less than 10 yrs .......................... 5
- 10 years or more ........................................ 6

14 Some people will receive a pension from their employer when they retire as well as the state pension. Does your present employer run a pension scheme for any employees?

- Yes ...................................................... 1
- No ..................................................... 2
- Dk ...................................................... 3

15 Do you belong to a pension scheme run by your present employer?

- Yes ...................................................... 1
- No ..................................................... 2
- Dk ...................................................... 3
16 Please tell me the two main reasons why you do not belong to the pension scheme run by your employer?

Show card 56.16

I am happy with other pension arrangements
I have already ................................................................. 1

I am covered by other financial arrangements
(eg spouse's scheme; savings plan; inheritance) ................... 2

I am not eligible yet .......................................................... 3

It's too expensive /can't afford the contributions .............. 4

The amount of pension would not be enough .................... 5

I do not like the way the scheme is run ............................. 6

I may not stay with this employer .................................... 7

Don't know enough about it/haven't really thought about it (yet) ................................................................. 8

Other reason (specify) ...................................................... 9

To all those in present employer's scheme (coded 1 at Q15)

17 Would you say this scheme is . . . .

* Running prompt

an occupational pension scheme ......................... 1

or a group personal pension scheme? .................. 2

don't know (do not read out - code only) ............ 3

18 How long have you been a member of the pension scheme run by your present employer?

Interviewer Note

Where your respondent has stayed in the same scheme but changed workplace record total time in scheme eg. Teachers, health authority employees, civil servants.

less than 6 months .............................................. 1

6 mths, but less than 1 yr .................................... 2

1 yr, but less than 2 yrs ....................................... 3

2 yrs, but less than 5 yrs .................................... 4

5 yrs, but less than 10 yrs .................................. 5

10 years or more .............................................. 6

Interviewer note: This is the length of time in scheme, do not include extra years bought by respondent or transferred rights.
19 Some employers run more than one type of scheme. Which of these types of schemes would you say you are in?

<table>
<thead>
<tr>
<th>Option</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Works scheme - for manual workers</td>
<td>1</td>
</tr>
<tr>
<td>A Staff scheme - for non-manual staff</td>
<td>2</td>
</tr>
<tr>
<td>A Director’s or senior management scheme</td>
<td>3</td>
</tr>
<tr>
<td>A General scheme - for all employees</td>
<td>4</td>
</tr>
<tr>
<td>or another type of scheme?</td>
<td>5</td>
</tr>
<tr>
<td>DK</td>
<td>6</td>
</tr>
</tbody>
</table>

20 Many pension schemes run by employers have **contracted out** of, or left the state scheme, SERPS. One thing this means is that members pay reduced rate National Insurance contributions. Is the scheme to which you currently belong contracted out of the state scheme?

<table>
<thead>
<tr>
<th>Option</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>1</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Dk</td>
<td>3</td>
</tr>
</tbody>
</table>

21 Which of the statements on this card (C56.21) **best** describes the contributions made by you to your employer’s scheme?

<table>
<thead>
<tr>
<th>Option</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>The scheme is contributory. That is, the contribution is taken off your pay each week or month.</td>
<td>1</td>
</tr>
<tr>
<td>The scheme is called non-contributory, but you do pay something to make additional provisions for yourself or your dependents.</td>
<td>2</td>
</tr>
<tr>
<td>The scheme is non-contributory. No-one takes money off your pay each week or month.</td>
<td>3</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>4</td>
</tr>
</tbody>
</table>

22 There are two main ways in which your pension entitlement can be worked out in an employer’s pension scheme. Which of the statements on this card (C56.22) **best** describes how your pension will be calculated?

<table>
<thead>
<tr>
<th>Option</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>My pension will be related to my salary in my final year (or years) and the number of years I have been in the scheme</td>
<td>1</td>
</tr>
<tr>
<td>My pension will depend on the value of contributions paid to the scheme and the rate of return achieved on their investment</td>
<td>2</td>
</tr>
<tr>
<td>Combination of the two statements/Other</td>
<td>3</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
</tr>
</tbody>
</table>
23 Which of these benefits do you expect to get from this scheme . . .

<table>
<thead>
<tr>
<th>Individual prompt</th>
<th>Yes</th>
<th>No</th>
<th>DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) a pension when you retire?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b) a tax free lump sum on retirement?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>c) the choice of taking some of your pension as a tax free lump sum?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>d) a guaranteed pension if you are forced to retire early due to an accident or sickness?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e) a regular pension payable to your dependents should you die before you retire?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>f) a lump sum payable to your dependents should you die before you retire?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>g) provision of a widow’s/widower’s pension if you die after you retire?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

24 How satisfied are you with this scheme overall?

<table>
<thead>
<tr>
<th>Show card C56.24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied................................. 1</td>
</tr>
<tr>
<td>Fairly satisfied ............................... 2</td>
</tr>
<tr>
<td>Neither satisfied/nor dissatisfied ......... 3</td>
</tr>
<tr>
<td>Fairly dissatisfied ............................ 4</td>
</tr>
<tr>
<td>Very dissatisfied .............................. 5</td>
</tr>
<tr>
<td>Don’t know ...................................... 6</td>
</tr>
</tbody>
</table>

25 Apart from the job you were in last week, have you had any previous full-time or part-time jobs as an employee?

<table>
<thead>
<tr>
<th>Q26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes .............................. 1</td>
</tr>
<tr>
<td>No .................................. 2</td>
</tr>
</tbody>
</table>

26 Have you ever belonged to a pension scheme run by a previous employer?

<table>
<thead>
<tr>
<th>Q27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes .................. 1</td>
</tr>
<tr>
<td>No .................. 2</td>
</tr>
<tr>
<td>Dk .................. 3</td>
</tr>
</tbody>
</table>
27 Which of the following statements best describes what happened to the pension rights you built up in that previous employer’s scheme? (C56.27)

**Interviewer note: If respondent has been in many employer schemes ask about most recent scheme prior to current scheme.**

<table>
<thead>
<tr>
<th>Code all that apply</th>
<th>1</th>
<th>MC = 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am now drawing that pension</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All (or part) of my pension was left with a previous employer to be paid when I retire</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>All (or part) of my rights were transferred to my current employer's scheme</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>All (or some) of my rights were transferred to some other scheme (or to a Personal Pension)</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>All (or some) of my contributions were returned to me in cash</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>I got nothing</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Don’t know/Can’t remember</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

28 **Interviewer Check - priority signpost**

| Code 1 ringed at Q27 (now drawing)                                               | 1  | Q34    |
| Code 2 ringed Q27 but NOT Code 1 (has frozen rights)                             | 2  | Q30    |
| Codes 3, 4, 5, 6 or 7 ringed but NOT codes 1 or 2 at Q27                         | 3  | Q29    |

29 **Interviewer check**

| Is respondent currently in an employer’s pension scheme? (Q15 code 1)             |  | Q30 |
| Yes                                                                               | 1  |     |
| No/Dk                                                                            | 2  | Q38 |

**Those with rights in schemes (frozen, being built up)**

30 Thinking of (all) your employer pension scheme(s), have you been worried or concerned about . . . .

<table>
<thead>
<tr>
<th>Individual prompt</th>
<th>Yes</th>
<th>No</th>
<th>DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) the amount of pension you will receive?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b) the way the money in the pension fund is managed or invested</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>c) the way the employer runs the scheme?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>d) transferring your pension rights if you change jobs?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e) whether the scheme(s) will still exist to pay your pension when you retire?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>f) any other worries or concerns (if Yes specify below)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
31. Have you actually experienced any problems with (any of) your employer pension schemes to do with . . . .

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) the amount of pension you will receive?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b) the way the money in the pension fund is managed or invested?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>c) the way the employer runs the scheme?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>d) transferring your pension rights if you change jobs?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e) whether the scheme(s) will still exist to pay your pension when you retire?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Interviewer: There is no Q56.32 this month

33. Have you had any other problems with your employer pension schemes that have not already been mentioned?

   Yes (specify) ........................................ 1
   No .................................................. 2

   ........................................................................................................

   ........................................................................................................

   ........................................................................................................

   ........................................................................................................

   ........................................................................................................
### To Those already drawing a pension (Code 1 Q28)

34 Thinking about the pension scheme(s) from which you receive your pension(s), do you have any worries or concerns about . . . .

<table>
<thead>
<tr>
<th>Individual prompt</th>
<th>Yes</th>
<th>No</th>
<th>DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) the amount of pension you receive?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b) not getting your pension on time?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>c) the way the money in the pension fund has been managed or invested?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>d) the way the employer runs the scheme?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e) whether the scheme(s) will still exist to pay your pension in the future?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>f) any other worries or concerns? (Specify below).</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

35 Have you actually experienced any problems with (any of) your employer pension schemes to do with . . . .

<table>
<thead>
<tr>
<th>Individual prompt</th>
<th>Yes</th>
<th>No</th>
<th>DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) the amount of pension you receive?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b) not getting your pension on time?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>c) the way the money in the pension fund has been managed or invested?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>d) the way the employer runs the scheme?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e) transferring your pension when you changed jobs?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>f) whether the scheme(s) will still be able to provide you with a pension in the future?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
37 Have you had any other problems with your employer pension schemes which we have not already covered?

- Yes .................. 1
- No .................. 2
- Dk .................. 3

If Yes specify below

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

38 Interviewer check

Is your respondent retired?

- Yes .................. 1 → Q40
- No .................. 2 → Q39
39 If you were to change jobs or to start a new job, and your new employer had a company pension scheme you could join, how likely is it that you would join it? Would it be.

| Running prompt | Very likely | 1 |
|               | Fairly likely | 2 |
|               | Not very likely | 3 |
| or Not at all likely? | 4 |
| Don’t know | 5 |

There are no Qs 40, 41 this month

42 Interviewer check

Informant is an employee in a current pension scheme (Q15 Code 1) .................................................... 1

ALL others .................................................... 2

43 Some technical information about pension schemes is generally only known by the employer who runs the scheme, so as part of our research into pensions we, OPCS, are also talking to employers. It would be helpful if we could include your employer in our sample. Would you be willing to let us have the name and address of your employer so that we could approach them for technical information about the pension scheme. The information you gave me in this interview is, of course, strictly confidential and your name will not be given to your employer.

Respondent agrees ..................... 1

Does not agree ..................... 2

→ Q43
→ Q44
→ Return to Q7.15

→ Return to Q7.15
44 Can you please tell me the name of the pension scheme that you belong to?

Enter name of scheme, in box below or ring Don’t know.

Dk 9

45 Interviewer check

Does your respondent work in the private or public sector?

Private sector (Coded 1 or 2 at Q12) ................. 1 → 47
Public sector (Coded 3 - 7 at Q12) .................. 2 → 46
Not sure which sector (incl. Code 8 at Q12) ....... 3 → 47

46 It may not be necessary to contact your employer because a lot is known already about public sector schemes but, just in case, may I make a note of which public sector employer you work for?

Enter name of employer in box below- use a box/s for each letter

If nationalised industry/public corporation give full name

Return to Q7.15

47 Can you please tell me the name of the person or department who would (might) know the details of the pension scheme that your firm/organisation has for employees?

Enter name/title of person and department if possible

Name

Title

Department
48 And what is the full name of the firm or organisation and its full postal address?

Please enter a complete, correctly spelt name and full postal address, using your local knowledge if necessary.
No abbreviations please.

**Full name of firm/organisation (not just initials)**

<table>
<thead>
<tr>
<th>296 - 336</th>
</tr>
</thead>
</table>

**Address**

<table>
<thead>
<tr>
<th>No. or name</th>
<th>337 - 372</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Street</th>
<th>373 - 408</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Town</th>
<th>409 - 439</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>County</th>
<th>440 - 474</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Postcode</th>
<th>475 - 482</th>
</tr>
</thead>
</table>

49 We will be contacting employers by telephone wherever possible.
Could you please tell me the full telephone number for Person/Dept (and for the firm) at Q48.

<table>
<thead>
<tr>
<th>Full Tel. No.</th>
<th>483 - 512</th>
</tr>
</thead>
</table>

Interviewer note: RETURN TO Q7.15
Research Report Two

Perspectives on Occupational Pension Schemes:

A Qualitative Research Study

Helen Finch,
Sally Taylor,
Andrew Thomas
with: Jill Keegan and Wendy Duldig

Social and Community Planning Research
# RESEARCH REPORT TWO:
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<th></th>
</tr>
</thead>
<tbody>
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<td>240</td>
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<td>11.2</td>
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<td>242</td>
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<td>11.3</td>
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</tr>
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</tr>
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<td>Chapter 12</td>
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<td></td>
</tr>
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<td>12.1</td>
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<td>253</td>
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<td>12.2</td>
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<td>259</td>
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<td>12.4</td>
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<td>260</td>
</tr>
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<td>Chapter 13</td>
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<td></td>
</tr>
<tr>
<td>13.1</td>
<td>Ownership of the pension fund</td>
<td>262</td>
</tr>
<tr>
<td>13.2</td>
<td>Surpluses</td>
<td>263</td>
</tr>
<tr>
<td>Chapter 14</td>
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<td></td>
</tr>
<tr>
<td>14.1</td>
<td>Views about pension fund security</td>
<td>270</td>
</tr>
<tr>
<td>14.2</td>
<td>Action taken</td>
<td>271</td>
</tr>
<tr>
<td>Chapter 15</td>
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<td></td>
</tr>
<tr>
<td>15.1</td>
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<td>276</td>
</tr>
<tr>
<td>15.2</td>
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<td>280</td>
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<td>Chapter 16</td>
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<td></td>
</tr>
<tr>
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<td>286</td>
</tr>
<tr>
<td>16.2</td>
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<td>286</td>
</tr>
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<td>16.3</td>
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</tr>
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<td>16.4</td>
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</tr>
<tr>
<td>Appendix</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topic guides used in the in-depth interviews</td>
<td>289</td>
<td></td>
</tr>
</tbody>
</table>
SUMMARY OVERVIEW
Conducted for the Pension Law Review Committee by Social & Community Planning Research, this qualitative research was in two parts focusing on employee and employer perceptions of occupational pensions. It followed a large-scale sample survey of the adult general population on the same subject, and was based on in-depth interviews with 50 employees (mostly scheme members, but including small groups of pensioners, and some employee non-members of occupational schemes) and 30 employers who operated schemes.

PART 1: THE EMPLOYEES’ PERSPECTIVE

Underlying most people’s views was a reluctance to think of pensions: an apathy and lack of interest in the subject. First thoughts on pension provision often came with the chance to join an occupational pension scheme though other factors too triggered awareness of the need to think of this: as people acquired family responsibilities, for example, became older or more conscious of ageing, or came to realise that the State pension may be insufficient.

Many employees in this study had joined the scheme when membership was compulsory. For most others, where membership had been voluntary, the decision to join had been a passive decision. Little thought was involved, minimal assertive action necessary, and other people were members ‘so you went with the crowd’. Features of the scheme itself were just occasionally considered in the decision to join: generally people trusted their employer without delving into detail of the scheme. Active informed decision making was confined to a small group with a particular interest in financial matters.

Two key reasons were given to explain the decision not to join: either other spending priorities/necessities precluded making the financial commitment, or alternative pension provision was preferred.

Occupational schemes were regarded by scheme members as a perk, a necessity, or both. People almost invariably felt that their’s was ‘a good scheme’, but with no firm basis to this view, other than trust in their employer, and hearsay from other scheme members. It was perceived to provide ‘something for nothing’ (employer contributions); and part of the recruitment package. Other, particularly older, scheme members regarded
it more as a necessity, emphasising the importance of pension provision additional to the State’s, and therefore regarded this as a duty on the part of the employer, certainly the mark of a reputable employer.

Compared with personal pensions, the advantages of occupational schemes were perceived to offer: financial benefits (in terms of additional contributions, made by the employer) greater security (less risk than personal pensions, and somehow clearer where your money was); and an easier route to additional pension provision, avoiding the need for salespeople or ‘advisors’. But there were disadvantages: potential problems over job mobility, less flexibility (for example over varying contributions), and a feeling of less ownership/accountability (‘was the company benefiting perhaps?’). When compared with the State Earnings-Related Pension Scheme (SERPS), there were divided views on whether occupational schemes were more or less risky.

Information provided on the occupational pension schemes was likely to be glanced through, but little understood. There were complaints of jargon, complexity of language, and difficulty in deciphering the key issues (‘what you pay in and what you get out’). Some note was made however of a recent improvement: more accessible, more user-friendly information. Many people however bestowed an implicit trust on the employer to provide ‘a good scheme’ and filed their information booklets away unread. Hearsay was therefore perhaps the most common informing source. There was however a small minority who read all information in detail and wanted more.

If in need of advice or further information, employees said they would contact representatives within the firm (pensions/personnel department), the trade union, personal contacts, or the Citizens Advice Bureau. Very few suggested the Pensions Ombudsman; and Occupational Pensions Advisory Service (OPAS) was virtually unheard of.

There was widespread ignorance about details of pension schemes except amongst a small minority. Knowledge was least likely to be gained from booklets and more from practical experience or from hearsay of family/friends/colleagues. The points of greatest awareness were: whether the person paid contributions or not, and the cost; and whether they were in line to receive a tax-free lump sum on retirement.

The key worry expressed about pensions in general concerned uncertainty over the overall level of the pension that would be obtained: would it be enough? The key concerns/problems specific to occupational pension
schemes related to transfer problems (a significant issue in about ten of the fifty cases). Other issues, mentioned less, included deferred pensions; fears of the effects of redundancy or privatisation/take over/bankruptcy of the company; and annoyance in connection with a contributions holiday. Security of the pension scheme was not a substantive worry for most people. All knew and spoke of the Maxwell case — but most thought that their own scheme was ‘a good scheme’ — and that it would not happen again. For example, they had not bothered to seek personal reassurances, though any employees who did receive reassuring letters/circulars sent by employers in the wake of the affair appreciated them. The Maxwell case had increased awareness, but only at a superficial level: employees had rarely grasped core issues. The complexity of the field was such that people felt it would still be possible to be duped.

Suggestions made by employees related mainly to the need for simple accessible information, in plain English, and access to impartial advice. Also: more say for members in decision making, greater accountability and regulations on management, increased flexibility over transfers, and the highlighting of administration charges. Other suggestions made by a small number of well-informed scheme members included the removal of the maximum limits on pension contributions and benefits, and the removal of tax on pensions.

PART 2: THE EMPLOYERS’ PERSPECTIVE

How employers regard occupational pension schemes
Occupational pension schemes were of considerable importance to employers, fulfilling four major functions: helping the employer attract and retain the right calibre staff; maintaining employees’ standard of living during their retirement; providing a mechanism for reducing the workforce through voluntary early retirement; and assisting generally with employer-employee relations.

Overall, employers were pleased with their pension schemes, basing their views primarily on the range and level of benefits offered, the quality of the scheme’s management and its investment performance. They had relatively little information about how employees, pensioners and trade unions regarded the scheme.

Employers continued to be committed to operating a pension scheme, pointing towards their drive to attract new members in the face of the increasing costs and the administrative complexity of running pension schemes.
**Information**

To cope with the increasing complexity of pension issues employers were focusing on the content and design of their written communications and developing a range of information-disseminating strategies. Cost was often a constraining factor.

There were mixed views about the disclosure regulations, some finding them a useful checklist, others considering they were excessive. A small number of employers were not aware of the regulations. Major concerns were raised about the logistics and the cost of providing information to people with deferred pensions.

**Employers’ concerns about occupational pension schemes**

**Complexity of the legislation** and its continued growth were common concerns, often raised spontaneously by employers. GMPs, Inland Revenue limits and variable commutation rates were of particular concern. This was said to result in greater administrative costs, processing delays, greater scope for error, and increasing difficulties in communicating essential information to employees. Further increases in legislation and regulations could discourage some employers from setting up pension schemes; some might consider terminating their schemes.

The **transfer of pension rights** posed difficulties, particularly for private sector companies. In part this was felt to be due to the transfer mechanism itself – an ‘uneven playing-field’, little consensus over the factors included in a transfer value, and a lack of consistent actuarial assumptions – and in part due to the misunderstanding that employees had about the nature of their accrued rights and the way in which transfers worked. Employers also felt restricted in the financial advice they could give about transfers.

Views about the **ownership of the pension fund** were fairly clear cut with the ‘members’ and the ‘trust’ being mentioned. By contrast, views about the **ownership of the surplus** were mixed: the company, the members, and ownership by both parties in proportion to their contributions. The **use of surpluses** was a controversial issue: a reduction in contributions and/or the improvement of scheme benefits were the favoured options – there was some concern about committing the company to permanently increased costs on the basis of a one-off surplus. Some favoured the use of surpluses for non-pension purposes – redundancy augmentation and ‘helping the company in troubled times’. An alternative view held that surpluses should be ignored as they simply reflected the good times in an investment cycle.
The security of the assets of the pension fund was of prime importance, employers taking the view that they had sufficient controls and total trust in the key operators of the fund for fraud to be minimised. Recent reviews of the security of the pension funds, in the light of the Maxwell affair, had generally resulted in relatively small changes in procedures.

Employers considered trustee boards as being critical to the security and successful operation of pension funds. With movement, sometimes reluctantly, towards greater member representation, employers were considering more democratic methods of selection. Greater independence from the company was provided by newly appointed independent trustees, although views about independence varied. Pensioner trustees were generally resisted, primarily on the grounds of being unrepresentative and ‘potential trouble-makers’. With growing trustee responsibilities there was felt to be a need for clarification of their duties and powers, enhancement of trustees’ expertise through training, and consideration of payment for their services.

The Barber Judgement had relatively little effect on employers: some had equalised pension ages long ago; others had used their surpluses to pay for equalisation. In complying with the judgement employers were careful to preserve employee benefits whilst retaining flexibility over retirement ages. Lack of awareness of the ruling and refusal to comply were also evident. The Coloroll decision was of some concern, companies fearing the amount of administration and cost that might be involved in complying with retrospective decisions.
INTRODUCTION
INTRODUCTION

1.1 BACKGROUND

The research documented in this report is part of a wider investigative study designed to provide information for the Pension Law Review Committee. Set up by the Secretary of State for Social Security in the summer of 1992, the Committee’s terms of reference were:

To review the framework of law and regulation within which occupational pension schemes operate, taking account of the rights and interests of scheme members, pensioners and employers; to consider in particular the status and ownership of occupational pension funds and the accountability and roles of trustees, fund managers, auditors and pension scheme advisors; and to make recommendations.

A linked programme of quantitative and qualitative research was commissioned to provide background data for the Committee to review alongside other evidence collected. The research was commissioned by the Department of Social Security on behalf of the Pension Law Review Committee and undertaken by Social & Community Planning Research (SCPR) between October 1992 and April 1993.

1.2 THE OVERALL RESEARCH PROGRAMME AND ITS AIMS

The key focus of the research was to investigate perceptions of occupational pension schemes. This report is concerned solely with the qualitative research but the overall research programme is summarised below, in the order in which it took place, to show how the different methods were related and to provide a context to the qualitative results.

Quantitative research:
1) A personal interview survey amongst a random sample of the adult population: A module of questions relating to pensions was incorporated onto the Omnibus survey run by the Office of Population Censuses and Surveys (OPCS). The pensions questions were included on three monthly waves of the Omnibus from November 1992 to January 1993. They aimed to provide a measure of people’s awareness and knowledge of
occupational schemes, reasons for joining or not, perceived benefits and disadvantages, expectations, worries and problems; and to analyse this across different sections of the population.

ii) A telephone follow-up survey of employers of some respondents checked technical details regarding the type of pension scheme.

**Qualitative research:**
i) **In-depth interviews with employees and pensioners.** Respondents were selected from among those who had taken part in the Omnibus survey. All had expressed concerns (often rather vague and general) in relation to their occupational pension. This was the PLRC’s required focus of the research study, the aim being to explore perceptions of occupational pension schemes in greater depth and detail and to look at specific issues such as: knowledge and misconceptions, problems, concerns, and suggestions.

ii) **In-depth interviews with employers.** These were employers of employees who had been interviewed in depth. They included private sector companies and public sector organisations, all of whom operated occupational pension schemes. The focus of the interviews was on how the schemes were regarded, and any related issues, concerns, or suggestions.

**1.3 DESIGN AND CONDUCT OF THE QUALITATIVE RESEARCH**

*A qualitative research approach*

The methodology of this component of the research programme complemented that of the survey. The use of qualitative techniques enabled a more detailed understanding of perceptions to be obtained, and an understanding of awareness and misconceptions. The qualitative approach alone however is not able to measure the extent to which any one view is held across the population overall. In particular it should be noted that no back-up survey of employers’ views was undertaken.

**Part I: Interviews with employees and pensioners**

A total of 50 in-depth interviews were undertaken with selected respondents who had taken part in the November and December Omnibus survey. The sub-sample selected from the survey to be respondents in the qualitative research focused mainly on:

- employees currently contributing to an occupational pension.
The selection was made to ensure a range in terms of age, gender, type of pension scheme, private/public sector, and full-time/part-time employment. It was also spread over different geographical areas and types of locality. All the respondents had expressed concerns about pensions in the survey interview (overall, 55 per cent of scheme members interviewed in the survey had expressed concerns).

Two other small groups of respondents were selected from the survey sample to take part in the qualitative research:
• employees eligible to participate in their employers’ pension scheme though not currently members;
• pensioners currently drawing an occupational pension.

The interviews were based on broad topic guides which outlined the key areas for discussion (see Appendix). All interviews were tape recorded so that there was a verbatim record for analysis. A content analysis of each interview was then drawn up on a system of charts so that themes to emerge across the research could be identified and examined in detail.

**Part 2: Interviews with employers operating occupational pension schemes**

Thirty employers operating occupational pension schemes were interviewed in depth in the second part of the qualitative research. Names of the employers were obtained from employees interviewed in Part I: they were (or had been) either their current or past employers. They were selected as far as possible to cover a range of size and type of company, private/public sector, and type of pension scheme. The sample excluded those employers who refused to participate in the research, and the ex-employers of some pensioners.

Interviews were conducted at the workplace with pensions managers/administrators, company directors, company actuaries, or personnel managers (some were also trustees). The topic guide used in the employer interviews appears in the Appendix. Interviewing and analysis procedures were conducted as in Part I.

**1.4 STRUCTURE AND COVERAGE OF THE REPORT**

This report focuses solely on the results of the qualitative research; the survey results are reported separately elsewhere.¹

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A summary, at the start of the report, provides a brief overview of both the employee and employer data. The issues to emerge from the analysis are then detailed in two sections corresponding to the two parts of the qualitative study:

**Part I The employees' perspective** (which also includes the views of the small number of pensioners interviewed) covers: thoughts on pensions in general, of occupational pension schemes and decisions to join them, information provision on the pension schemes, knowledge and misconceptions, problems and concerns, and suggestions.

**Part II The employers' perspective** covers: perceptions of the schemes, information issues, problems of legislative complexity, and issues surrounding the transfer of pension rights, the ownership and use of surpluses, the security of the pension fund assets, trustees, and the effects of the Barber Judgement.

Several quotations from the interviews are reproduced in the report as illustrative material. Participants in the research (employees and employers) remain anonymous throughout, but any quotations are labelled with a brief description of respondent type. A sample profile appears at the start of Part I and Part II.

Throughout the chapters, summaries of the key points are presented in diagrammatic 'figures'. In these figures, key issues are distinguished from outlying issues, where possible, by a number of bulleted points.

The following abbreviations are used throughout the report:
- **AVCs** - Additional Voluntary Contributions
- **FS** - Final Salary pension scheme
- **GMP** - Guaranteed Minimum Pension
- **GPP** - Group Personal Pension
- **IR** - Inland Revenue
- **MP** - Money Purchase pension scheme
- **OP** - Occupational Pension
- **OPAS** - The Occupational Pensions Advisory Service
- **OPS** - Occupational pension scheme
- **PPs** - Personal pension schemes
- **PLRC** - Pension Law Review Committee
- **RPI** - Retail Price Index
- **SERPS** - State Earnings-Related Pension Scheme

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2 Unless otherwise stated, the respondent is a member of an occupational pension scheme.
PART 1
THE EMPLOYEE PERSPECTIVE

THOUGHTS ON PENSIONS IN GENERAL
THOUGHTS ON PENSIONS IN GENERAL

As background to employee perceptions of occupational pension schemes, this chapter looks at how the subject of pensions in general is regarded and the reasons why pensions are not initially deemed important. It then describes the type of factors that trigger people, from an initial position of reluctance to think of the future, into considering pension provision. Figure 2.0 gives details of the employees interviewed.

2.1 ON NOT THINKING OF PENSIONS: THE INITIAL RELUCTANCE TO THINK OF THE FUTURE

'The last thing on your mind'
The research focused more on older than younger age groups, and most respondents had been members of occupational pension schemes for quite some time. Yet views on the subject of pensions tended, for many people, to carry on from the views of youth: apathy and disinterest still prevailed. These attitudes were observably greater amongst the younger people interviewed; and older people, looking back, recalled their own reluctance to think of the subject of pensions. For many however it continued to a greater or lesser extent.

The range of factors behind this reluctance, which described people's initial thoughts or which continued to deter people from thinking of their own pension provision, are summarised in Figure 2.1 and are discussed further below. They stem from apathy and lack of interest in the subject, and ran as strong undercurrents throughout the research. It is important to describe them at the outset because they underlie people's views on many aspects of occupational pensions — including for example the decision to join, attitudes towards information provision and use of information materials, and ignorance of surrounding pension schemes — described later.

Perhaps the root cause of widespread apathy and disinterest regarding pensions lies in its association with old age and infirmity, and the disbelief that this will ever actually come about. Pensions 'remind people of their mortality'. With such a powerful negative association, no wonder that: 'You don't want to worry about it.' And no wonder that the subject of pensions was perceived as boring. People repeatedly told of a reluctance to find out details of pension provision. There were more pressing uses for one's time, and money.
### FIGURE 2.0 THE EMPLOYEES INTERVIEWED

<table>
<thead>
<tr>
<th>TOTAL IN-DEPTH INTERVIEWS:</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex:</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>32</td>
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<tr>
<td>Female</td>
<td>18</td>
</tr>
<tr>
<td>Age:</td>
<td></td>
</tr>
<tr>
<td>20s</td>
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</tr>
<tr>
<td>30s</td>
<td>12</td>
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<tr>
<td>40s</td>
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<td>50s</td>
<td>11</td>
</tr>
<tr>
<td>60s</td>
<td>3</td>
</tr>
<tr>
<td>70+</td>
<td>2</td>
</tr>
<tr>
<td>Household:</td>
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</tr>
<tr>
<td>Couple</td>
<td>21</td>
</tr>
<tr>
<td>Couple + dependent child(ren)</td>
<td>17</td>
</tr>
<tr>
<td>Single person household</td>
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<tr>
<td>Single + dependent child(ren)</td>
<td>2</td>
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<tr>
<td>Other</td>
<td>3</td>
</tr>
<tr>
<td>Employment status:</td>
<td></td>
</tr>
<tr>
<td>Full-time employment</td>
<td>35</td>
</tr>
<tr>
<td>Part-time employment</td>
<td>6</td>
</tr>
<tr>
<td>Working age but not in employment</td>
<td>2</td>
</tr>
<tr>
<td>Pensioner</td>
<td>7</td>
</tr>
<tr>
<td>Social class based on current/fast job:</td>
<td></td>
</tr>
<tr>
<td>AB</td>
<td>10</td>
</tr>
<tr>
<td>C1</td>
<td>23</td>
</tr>
<tr>
<td>C2</td>
<td>11</td>
</tr>
<tr>
<td>DE</td>
<td>6</td>
</tr>
<tr>
<td>Sample 'type':</td>
<td></td>
</tr>
<tr>
<td>Currently contributing to an OPS</td>
<td>33</td>
</tr>
<tr>
<td>Not currently contributing to an OPS</td>
<td>11</td>
</tr>
<tr>
<td>Currently in receipt of a pension</td>
<td>7</td>
</tr>
<tr>
<td>Type of OPS to which currently contributing:</td>
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</tr>
<tr>
<td>Final salary scheme – total</td>
<td>28</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
</tr>
<tr>
<td>Contributory</td>
<td>23</td>
</tr>
<tr>
<td>Non-contributory</td>
<td>5</td>
</tr>
<tr>
<td>Money purchase scheme/other</td>
<td>5</td>
</tr>
<tr>
<td>Other pension details (overlapping categories):</td>
<td></td>
</tr>
<tr>
<td>Has a deferred OP</td>
<td>16</td>
</tr>
<tr>
<td>Cashed in a deferred OP</td>
<td>8</td>
</tr>
<tr>
<td>AVCs (including Free-Standing AVCs)</td>
<td>12</td>
</tr>
<tr>
<td>Contributing to a Personal Pension or Approved Personal Pension – currently</td>
<td>6</td>
</tr>
<tr>
<td>– in past</td>
<td>4</td>
</tr>
<tr>
<td>Experience of transferring an OP - to other OP</td>
<td>10</td>
</tr>
<tr>
<td>– to Personal Pension</td>
<td>2</td>
</tr>
</tbody>
</table>

1 Includes one on long term sick leave.
2 Includes one also in employment, hence an overlapping category.
3 Two of these cases were deferred GMP only (the rest of the OP was cashed in).
'Pensions are the last thing on your mind.'
(Woman, aged 30, no OPS)

'Not a thought at all... When you're 22 it's that far away that you're not really bothered 'cos you probably think you're not going to be here that long.'
(Man, aged 44)

**FIGURE 2.1 FACTORS WHICH DETER THOUGHTS OF PENSIONS**

***APATHY / DISINTEREST
- 'It's just something that's always in the future...'
- Associated with old age: 'You don't want to worry about it'
- Perceived as a boring and complicated subject

**IGNORANCE OF PENSIONS AND THE NEED FOR THEM
- Disinclination to learn / look into
  - 'The State will provide'
  [And, for a small minority:]
  - Dependence on key wage-earner
    Eg: 'I've got a husband to look after me in my old age'
  [But ignorance perceived to be changing; increased awareness nowadays]

* RELUCTANCE TO MAKE A FINANCIAL COMMITMENT
  Related to apathy or ignorance above:
  - Other more pressing spending priorities: enjoying your money now

Related to CIRCUMSTANCE:
- Inability to afford an OPS / Genuine lack of disposable income available
- Unstable job situation / Unemployment

[LATER: SOME REGRET ALL THIS: 'WHY DIDN'T I TAKE IT SERIOUSLY EARLIER?']

'I think it's just something that's always in the future, isn't it. You always put those sorts of things to the back of your mind. And there's always something else you can buy with the money, or there's something you can save for... and you always think of retirement as Old Age... It's always put on a back burner really.'
(Woman, aged 33)
These attitudes of course fed ignorance. Apathy was a strong deterrent to investigating the subject further. Some people, looking back on their reasons for not initially joining a pension scheme, felt that their ignorance of pensions had prevented earlier action. Later chapters also describe information booklets on pension schemes unread, filed carefully away in drawers; apathy continued to underlie later ignorance.

The view that 'The State will provide' (and therefore 'I need not worry about pensions') had also been a way by which older people, remembering back, had explained their apathy in the past, and rationalised spending money on more pressing items instead.

'I might be old fashioned, but I thought my money [NI contributions] was in my pot and that was it. But it's not, it's in everybody's pot ...
I never realised that I'd have to do this [join an OPS].'
(Woman, aged 55, who joined an OPS aged 53)

Or, if not 'the State', 'my husband' might provide. One or two (middle aged/older) women had regarded their husbands' pension schemes, or the fact that he 'dealt with that kind of thing', as a form of security which discouraged their own consideration of the subject.

'Because I've got a husband to look after me in my old age... that's rather held me back from investing too highly in pension schemes.'
(Woman, 55, deferred OPS)

Other research\(^1\), conducted among younger age groups, has described in detail all these feelings behind the reluctance to think about pensions. Similar views were reiterated in the current study – by younger respondents, by others remembering back, and by some in older age groups.

Yet these were not the only deterrents: circumstances could prove pertinent too. In some cases they were reinforced by the general apathy on the subject, leading to a reluctance to make a financial commitment; in other cases the circumstances appeared to present the sole barrier preventing serious consideration of pension provision. Lack of surplus income available was the key such issue, particularly amongst young people, lone parents, and families with young children: 'with three small children we need the money now...'. This had forced a few respondents to discontinue their payments into occupational and personal pensions. For some, the inability to afford an occupational pension was a grave concern.

\(^1\) Regarding Pensions... Attitudes to Personal Pensions amongst people under the age of 45. SCPR, 1991.
‘It worries me to death that if I’m still around to receive a State pension, I don’t know how I’ll manage... So yes, I do think it’s important, but at the end of the day in my situation, I have to live for today and not think fourteen or so years ahead.’
(Woman, 46, a lone parent, with two part-time jobs, no OPS)

Fear of unemployment was another such circumstance, particularly amongst those who had experienced repeat spells of it: their principal concern was to keep their job; pensions were low on their list of priorities.

Exceptions: a minority of people very interested in the subject
There were exceptions to this widespread apathy and disinterest: about a quarter of respondents were better informed about pensions and had thought long and hard about financial provision for their old age. Of these, a small nucleus appeared to be extremely well informed. Overall, these people spanned age and social class groups but all tended to take a general interest in all aspects of personal finances and as part of this, had developed an interest in pension provision. Some were older people who had been in more than one OPS; some were younger people becoming more aware of the need for securing pension plans; and some were people who worked in the financial sector.

Recent changes – increased awareness/interest nowadays
Public awareness of pension provision was observed by respondents to have grown in recent years. Several middle aged respondents for example were impressed by their children’s knowledge of pension schemes and relative eagerness to join.

‘I think this generation now take in the importance of joining a pension scheme.’
(Woman, aged 57, 28 year old daughter has a pension)

Later regrets at not taking the subject seriously
The fact that they had not acted earlier was a source of bitter regret for some people now in middle age. They worried that their pension would be inadequate and reproached themselves on lacking the foresight to start payments at a younger age:

‘I wish I’d been in something like that right from the off.’
(Man, aged 62, who joined OPS aged 52)
Some were indignant that they had not been better informed, particularly in view of what they perceived as a deterioration of the value of the State pension:

‘If there was more information given, it would make people aware sooner than I was aware, of the importance of it [OPSs] ... I don’t think my age group were made aware of it strongly enough. And it is important.’

(Woman, aged 51)

2.2 TRIGGERS TO THINKING ABOUT PENSIONS IN GENERAL

A variety of factors acted to cut through people’s indifference to the subject of pensions. The offer of joining an occupational pension scheme for example could make people think seriously for the first time about their own pension provision. But this was likely to depend on age, or more specifically on consciousness of ageing, or consciousness of a need to provide for the future. It was heightened for some by a dawning realisation that the State pension alone may be insufficient.

Figure 2.2 summarises these ‘triggers’ to thinking about pensions in general which are then described more fully. (The decision making process in connection with joining an occupational pension scheme is discussed in Chapter 3.)

**FIGURE 2.2 TRIGGERS TO THINKING ABOUT PENSIONS IN GENERAL**

- CONSCIOUSNESS OF AGEING
- ACCESS TO A PENSION SCHEME: (OPS OR PP)
- PERSONAL CIRCUMSTANCES
  - mortgage/marriage/parenthood (‘responsibilities’)
  - disposable income available
- STATE PENSION PERCEIVED AS INADEQUATE
  - under threat, ‘won’t have enough funds’
  - observation of present day pensioners’ financial struggles

**Consciousness of ageing**
The trigger which sparked detailed and careful consideration of pensions was consciousness of ageing, in any of its various guises, when the approach of retirement became more of a reality. Even among people who had been
members of an occupational (or personal) pension scheme from a fairly early age, it was often not until their forties that a deeper interest in pensions emerged. Many spoke of tangible, physical signs of ageing that acted as triggers: ‘It was the grey hairs’ for example; or, birthdays and actual age: ‘I suppose when I was about 40, I suddenly thought, my God, 40 sounds old’ (woman, 46, no OPS). The countdown to the age of 60 or 65 had begun (‘Only 18 years to go now’), pensionable age was on the horizon.

Access to a pension scheme (OPS or PP)
The first occasion on which many people gave thought to financial provision in their old age however, was when offered the chance to join a pension scheme. For most people in this study this had been through access to an occupational pension scheme; for one or two it followed approaches in connection with personal pensions. In contrast to the trigger described above, access to a pension scheme tended to lead to thought on whether or not to join (it was after all an easy option, little assertive action was required) rather than leading to serious consideration of pension provision in general. But that depended on age (or on how distant pensionable age was perceived to be), and also on personal circumstances.

Change in personal circumstances – acquiring greater responsibilities
Circumstances such as marriage, having a family, and/or acquiring a mortgage were described as further triggers. For some, the assumption of these responsibilities could be the most important stimulus to more considered thought, having the effect of making people think more carefully about their ‘responsibilities’ and ‘the future’ – including a more serious look at pensions. When these coincided with the chance to join a pension scheme they were all the more powerful. It was not just the provision of a pension, but noting for example specific features of the scheme, such as life insurance, that might have the effect.

‘...thinking of getting married and so on, so you begin to think about the future a bit more and pensions is part of that planning process.’
(Man, 49)

Changed financial circumstances
Alternatively, perhaps later in life, the additional financial commitment necessary for an OPS or PP might be more easily affordable and this too could trigger thoughts on pensions: ‘You seem to be on your feet a wee bit better... not struggling so much.’ This tended to be more in the sense of removing a barrier however than triggering first thought.
State pension perceived as inadequate
Contact with current day pensioners, such as elderly relatives, and observation of their struggles to make ends meet, acted to intensify these fears for the future and trigger thoughts of pensions. The worry was further heightened by fears that the State pension was 'threatened anyway', and that it 'won't have enough funds ... that's the message I'm getting through the media.'

- 'I don't know how anyone can exist on it'
- 'It's quite pathetic'
- 'Ridiculous... ludicrous...'

By far the most important reason why people felt it important to invest in a private pension scheme (of any type) was because of the perceived inadequacy of the State pension (chapter 3). This fear and the perceived uncertain future of the State pension was a recurrent theme throughout the study.
THE EMPLOYEE PERSPECTIVE

JOINING OR NOT JOINING AN OCCUPATIONAL PENSION SCHEME
JOINING OR NOT JOINING AN OCCUPATIONAL PENSION SCHEME

3.1 JOINING AN OCCUPATIONAL PENSION SCHEME

A passive rather than an active decision for many

For many people interviewed, there had been no need to make a decision on whether or not to join an OPS. There had been no opportunity to opt out: at the time of joining the firm, membership was compulsory.¹

Even amongst those joining schemes more recently, after the 1988 legislation, the decision to join an OPS was likely to be a passive process. It tended to be a case of going with the crowd, reacting to hearsay, or an easy option as a way of allaying fears about the inadequacy of the State pension. This applied all the more if the offer of an OPS coincided with any of the ‘triggers’ to thinking about pensions in general described in the previous chapter – changes in personal circumstances for example, or consciousness of ageing. These personal triggers were often a more important spur to the decision to join than the characteristics of the actual OPS on offer. Active, informed decision making on whether to opt for the firm’s scheme, or not, was rare. There was little interest in pensions or analysis of the pros and cons of different types of pension schemes. This was especially the case amongst young people and those joining an OPS for the first time.

There were exceptions to this typical pattern (which equated to the exceptions described in 2.1). Amongst older people and those joining their second or third scheme for example, the decision making process was usually more active, considered, and mindful of specifics of the scheme. It was generally amongst this group that comparisons were made with previous schemes and with alternative provision.

The range of all these factors leading to employees joining an OPS are summarised in Figure 3.1, and each is then described in more detail.

¹ Before 6 April 1988 employers could make membership of an occupational pension scheme a condition of employment, but from that date the Social Security Act 1986 prohibited this requirement. The Act prevents pension scheme membership being a condition of employment, ensuring that employee membership is voluntary.
Compulsory membership
The research focused mainly on employees in the older age groups so it is perhaps not surprising to find that most of those who had joined schemes before 1988 had done so simply because membership had been compulsory. Many of these people were now glad that it had been compulsory. If given a choice at that time, the majority would not have joined, they thought, but would have spent the money instead on other items which then seemed more pressing.
'Probably at the time when we were struggling on low money I wouldn't have joined if it had been given the choice. But at the time, it was just part and parcel. It was just a tax – so much insurance, so much pension.'

(Man, 54 years, joined OPS when he was 23)

'Otherwise I'd have said no. I would have liked to have that extra money then.'

(Man, 49 years, joined when he was 31)

Just a few felt that they would still have joined the OPS had membership been optional.

'**It was there so I took it up** / 'Not in my interest not to join'

Amongst employees who had been offered optional membership, the decision to join was typically quite casual and indifferent. For most, it did not involve a lot of thought. Instead there might be a general feeling that it was a good thing to do; that it involved minimal assertive action; that colleagues were members; that joining was 'the done thing'; or any mix of these factors.

'I didn't think too much of it at the time...'

(Man, 50 years, joined OPS in his 20s)

'It was there so I took it up.... Because it was offered, no other reason.'

(Man, 45, joined OPS in his 20s)

'I just remember thinking, briefly, that it was not in my interests not to join. If you can do it and it's not painful then go ahead. Not missing anything. Just a procedure that you went through. But I probably didn't give it much thought. It's like National Insurance, I pay that, no choice. Don't know what happens to it, that's it.'

(Woman, 45, talking about her 20s)

Young people especially, when joining their first scheme, tended to give the matter very little consideration. Others had the vague notion that it was a 'good idea', a 'good thing', 'sensible' but did not understand it, nor give it much thought:

'It was a new thing to me anyway. So when the pension scheme came up, I just went straight for it then. I didn't really think about it. I thought yeah, it's a good idea. But I didn't really think about it until then.'

(Woman, 44 years, joined in her early 20s)
'You think it's beneficial to you, whether you understand at the time I don't know, you think it's going to do you good in the end.'

(Man, 74 years)

or the easiest option, involving minimal assertive action or effort on their part: the company sorted it all out and the money was 'deducted at source'.

'I don't begrudge the one that I'm paying now with the work because I don't see that money, but if I had to think, right, I've got £100 in my hand and £10 of that has to go to my pension, well I can find a lot more important things at the moment that £10 can do... I don't see my pension, it's just taken out and I get the net at the end. It's alright. It doesn't matter.'

(Woman, 36 years)

'Couldn't be bothered looking into any other pension scheme.'

(Man, 42, joined in his late teens)

'They provided the facilities for you. It was one of the options. I think it was the easiest thing to do. I wouldn't have known where to start investigating or who to go to, to do a private one. I'd never really had much information anyway, so I just went straight for the company one.'

(Woman, 44, joined in her early 20s)

Many of these same people were influenced by the fact that other staff they knew joined the scheme, or alternatively that so many people were already members that it had to be a good idea. Lacking confidence when it came to pensions, they were afraid to ask questions and expose their ignorance.

'It was the done thing like... Well, everyone else has joined and it's been going on for years, who am I to just come along. I accepted that it was a good thing. It was there for the benefit of the staff and it had been going on for years.'

(Male pensioner, 65 years, joined when in his late 30s)

'I think it's a good plan because the other reps say so. You tend to trust what your other colleagues say. They're more informed. A lot of them are men – they tend to think and talk more about money.'

(Woman, 45, joined when she was 40)
The role of information in the decision to join the scheme

For these people, the actual provision of information about an OPS could on occasion be instrumental in stirring them to join: for many, this was the first time they had ever given any real thought at all to pensions. Sometimes the information which started the ball rolling was fairly dense and factual, often difficult to understand – ‘... just the conditions of the pension scheme, basically’ – but it still served the purpose of making the employee aware of the OPS.

In one case it seemed that alarmist stories from the insurance company responsible for the company’s OPS had persuaded the employee to join:

‘Until it was explained to us about the state of the government, y’know, and the pot is gradually emptying ... and it’s just opened your eyes to it, ’cos it was the last thing that I’d ever think about doing...’
(Woman, 55, joined OPS 2 years ago)

Inadequacy of State pension

For many of these ‘passive’ decision makers, fears about the inadequacy of the State pension were a strong contributory factor in their decision to join an OPS.

Personal circumstances

The decision to join an OPS was reinforced for some by a change of personal circumstances. These were the kind of factors described in Chapter 2 as triggers to thinking of pensions in general – having the effect of making people think more carefully about their ‘responsibilities’ or ‘the future’. When they coincided with the chance to join an OPS they could serve as the most important stimulus to more considered thought about the decision to join. Examples included:

- marriage and parenthood, ‘settling down’:

  ‘I’m thinking further on a bit than I was before ... I’m thinking about my lads as well, that’s why really.’
  (Woman, 36 years)

- awareness of ageing / looming retirement age, and the desire for security:

  ‘Purely to put something away for when you get to retiring age.’
  (Man, 42 years)
apparent security of employment and surplus income:

'I felt like a millionaire [in a new and better paid job, following promotion].'  
(Woman, 57 years)

and

the use of a pension 'for security for the mortgage'.

The influence of characteristic(s) of the scheme

On the whole, people were unlikely to be influenced by specific characteristics of the OPS in their decision to join. The principal motivation was usually more general or personal, as described in this section so far. But for a minority, certain features of a scheme (life insurance, employer contributions for example) were considered in the decision and did act as an incentive. Usually, the people who considered more specific factors, and made comparisons with other OPSs, PP(s) and SERPS, were joining their second or third scheme; they are particularly interested in the financial gains to be made from the various options available to them. They tended therefore to be older people; the handful of younger people who undertook this sort of analysis tended to work in the financial services sector or other commercially-orientated professions.

However, the general point that the employer contributed to the scheme was the key specific characteristic of an OPS mentioned as a motivation to join. For example: 'It seemed too good to be true' – the particular scheme was seen as a perk and a benefit of the job.

'It wasn't something I was buying; it was something that was being offered to me, it was part of the deal [on promotion].'  
(Male pensioner, aged 65, contributory FS scheme)

Where a scheme was non-contributory, or employees' salaries were increased to cover their pension contributions, this was always mentioned as a stimulus to joining the scheme, and for some younger people was the prime motivation:

'Well in short, it cost me nothing. And I strongly suspect when I was 18, that if someone had said to me, we want to take £10 a week, or whatever it was at the time, from you, I would have said no. But because it wasn't costing me anything ... you just went along with it. [If it had been contributory:] It wouldn't have been an important thing at that time – I was single, no dependants. As I said, in the early
years, the really important thing is are you covering the sort of dependents and wife and whatever, and I didn't have either; wouldn't have been important to me. I certainly wouldn't have been thinking, you know, is there something to keep me going beyond the State pension when I'm 65.'
(Male 32, discussing a previous non-contributory FS scheme)

'It was a non-contributory scheme so there was no disadvantage to not joining it...'  
(Male, 42, discussing a non-contributory scheme he had joined at 25 years, which he thought was MP)

'Well why not. If someone's going to give you 20 per cent of your salary every month, you're not going to say no.'
(Woman, 30, joined the scheme in her 20s)

It was generally when people joined a second or third OPS that they started to make detailed comparison between different forms of pension provision and particularly, what they would get by placing their accrued OP rights in another sort of scheme. By this stage, they were generally older and had more responsibilities – but even then, this sort of assessment tended to be restricted to the more financially minded. The following type of detailed decision making was rare:

'I felt that a company pension was going to be more secure than a PP – on the grounds that it was invested with a large group of people and it's obviously not in the best interests of [the company] to allow anything to go wrong with the pension scheme. I considered SERPS ... I felt that SERPS would probably be more stable in that it was guaranteed by a slightly bigger organisation, but I didn't feel that what I would get out at the end of it would necessarily be as good. I was kind of balancing risks.' Regarding a PP: 'I didn't really think that the amount of money I would have to invest in it to get the same benefits, made it worthwhile. I didn't look into it in any great detail.'
(Man, 32 years)
More common was a \textbf{general perception that} 'this was a good scheme' – an assumption not rooted in substantive evidence but due to general \textbf{trust in the employer}:

'... in general I had the impression that they looked after their existing employees and gave then an adequate pension.'
(Man, 48, joined his third OPS when he was 40)

or:

'\textbf{[Because it was a local authority pension scheme:]} – so I just assumed that it was a good one.'
(Woman, 36)

\subsection*{3.2 THE DECISION NOT TO JOIN AN OCCUPATIONAL PENSION SCHEME}

This section is based on the evidence of the small group of employees included in the study who had decided against membership of their occupational pension scheme (just 11 in all). Half of these had previously had an OPS, others had never had one. It also includes the recall of a few scheme members who, in the past, had initially decided not to join their scheme or previous schemes on offer to them. \textbf{Because of the small numbers involved it can serve only to provide a flavour of the type of issues behind decisions not to join and is not able to provide a complete picture.}

The main reasons why respondents chose not to join an OPS are summarised in Figure 3.2.

The non-scheme members split into two distinct groups. Some people said that they lacked the necessary disposable income to contribute to an OPS; others had made alternative financial provision for old age – principally a personal pension, or reliance on their partner’s pension. Some of the latter group had been influenced by what they regarded as the disadvantages of an OPS.

The decision not to join the OPS had been fairly well considered. It was not based on apathy towards pensions in general (reflecting perhaps in part the older age profile of this study: apathy being strongest among the young).
figure 3.2 the decision not to join an ops

• financial reasons
  • lack of disposable income
  • alternative spending priorities

• alternative pension/saving arrangements
  • respondent has a personal pension
  • partner has a pension
  • savings plans, life insurance, endowment mortgage
    (usually for those who cannot afford a pension)

negative opinions about ops

  • 'i want to be mobile and in control of my own destiny'
  • awareness of transfer problems
  • 'company pensions are for management'

but: decision rarely affected by:

  • lack of information about ops
  • disinterested/apathetic attitude to pensions

lack of disposable income available

instances in this study included lone parents, or women whose partners had irregular employment (and no pension arrangements). their reported inability to afford a pension was a serious worry.

'if we could afford it, we would be doing it.'
(woman, 29, part-time work, 3 children, partner had no pension)

'there really at the moment isn't enough money coming in. it's as simple as that. so there's an awful lot of arrears on things to catch up on. so it's priorities. and my main priority at the moment isn't what i'm going to do when i'm 65. it's as simple as that... it's not that i don't want to. it actually worries me that i don't belong to a pension scheme, particularly at the age i am.'
(woman, 46, 2 part-time jobs, divorced, 2 children)

this worry was borne out by their commitment to other forms of provision, principally life insurance and weekly saving schemes, perceived to be cheaper.
Others however had different spending priorities, including:

- a younger person with new house and mortgage (endowment mortgages were sometimes thought of as a form of saving/insurance)

- a woman in part-time work whose earnings served as pin-money and whose partner had pension arrangements:

  'We shall be comfortable, not ever so rich – we’ll manage comfortably.'

  (Woman, 58, partner a managing director)

Preference for other types of pension provision

The two employees whose decision not to join an OPS was a result of their preference for Personal Pensions, expressed a general distrust of occupational pension schemes, and/or linked their perception of the employer’s pension scheme with that of the character of the employer. A ‘bad’ employer’s scheme was distrusted ‘... the less I have to do with them the better’ (man, 30 years, PP) in the same way that a ‘good’ employer’s scheme was trusted.

The perceived inflexibility of occupational compared with personal pension schemes was the key factor, specifically seen as:

- the impossibility of varying contributions to an OPS (particularly downwards), in contrast to PP contributions;

- reduced labour mobility with an OPS;

  'So I thought that wasn't much good as I don't anticipate staying in one place that long. I want to be able to be totally mobile and in control of my own destiny. So that's really what convinced me not to go in.'

  (Man, 49 years, previously in an armed forces OPS)

- transfer difficulties;

- potential problems getting the pension in the event of a company take-over.

First hand experience gained from a previous scheme, or observation of the problems of relatives and friends, informed these views.
Comparisons with Personal Pensions are described more fully in Chapter 4.

**The role of information in the decision not to join the scheme**

It seemed that information provision made little difference to these people’s decision making process. They appeared to have received information about the scheme and been fairly satisfied with it (‘I read it pretty thoroughly’ / ‘I understood what it was all about and what my contributions would be’), or made active enquiries. For those unable to afford to join the scheme, detailed information (sometimes actively sought) just served to confirm this.

One respondent however was influenced in her decision not to join the scheme by a difficulty in understanding the written information; had it been ‘plain speaking’, she said she might have opted for the OPS instead of a PP.
THE EMPLOYEE PERSPECTIVE

HOW THE OCCUPATIONAL PENSION SCHEMES WERE REGARDED
HOW THE OCCUPATIONAL PENSION SCHEMES WERE REGARDED

This chapter presents employee perceptions of the occupational pension schemes, their perceived advantages and disadvantages, and then widens the context to compare them with personal pension schemes.

4.1. HOW THE SCHEME IS REGARDED

OPSs were seen by some employees as a perk, by others as a necessity, and often as both at the same time:

A PERK OF THE JOB

The widespread perception that it is a ‘good scheme’
Many employees regarded their occupational pension scheme simply as a perk of the job. They saw it as an easy way of being assured ‘a good scheme’. Labels were attached to it such as ‘well run’, and ‘secure’.

‘It’s seen as a good scheme, a responsible group of people doing it and basically the company still contribute. So you’re getting something off the company for nothing... It’s the easy way out to a good scheme.’
(Man, 41 years)

Yet these people often had no firm information on which to base this assessment, beyond hearsay (they had ‘heard’ or ‘understood’ that it was a good scheme) or trust in their employer to provide a good scheme:

‘I understand the pension scheme is quite good — no chance of it going to the wall.’
(Man, 64 years)

‘Basically, I think my scheme is pretty good. They’re honest and open and they tell you if there’s a change and what you could do and what your options are. You can’t ask fairer than that.’
(Man, 39 years)
particularly where the employer was a large organisation (whether in the private or a public sector):

'Being a large organisation, being responsible and accountable to government, I felt they certainly wouldn't sell you a daft policy or do anything detrimental so I felt it had to be the better for the employees.'

(Woman, 28 years, discussing a local government OPS)

**FIGURE 4.1. HOW THE SCHEME IS REGARDED**

**AS A 'PERK', AS A 'NECESSITY', OR BOTH:**

**● A PERK**
- Generally perceived as 'a good scheme'
  - Trust in employer equates with trust in scheme
  - Hearsay from other employees
- 'Something for nothing' (employer contributions)
- A 'fringe benefit', 'part of the package'
  - (A recruitment and retention practice)
- Minimum effort to acquire pension provision

**● A NECESSITY**
- An 'obligation', 'expectation', especially now the State pension is so inadequate
- Mark of a 'good', 'progressive', 'caring' employer, someone for whom you would want to work
- Where a (non-contributory) scheme is the industry norm.

FOR OTHERS: INDIFFERENCE
- 'It's just a part of your wages' (especially if non-contributory)

MISTRUST
- The 'Company gets something out of it', for example, good for their image

FOR SOME: A LUXURY which cannot be afforded

THE SHIFT FROM INDIFFERENCE TO INTEREST GENERALLY COMES WITH AGE

AN OPS IS RARELY A DECIDING FACTOR IN ACCEPTING A JOB

**Something for nothing**

Those who were more well-informed, offered more specific reasons for regarding the OPS as a perk: principally because it offered 'something for nothing' either in the form of the employer's contributions to be added to their own, or for a few, a completely non-contributory scheme.
Occasionally they also mentioned specific features of the scheme. Good life insurance cover, for example, contributed to the view of the scheme as a perk: ‘If I die tomorrow my wife would get four times my salary – that’s my problem solved.’

**Part of the package**

Professionals and those working in the financial services sector often saw their OPS as a ‘fringe benefit’, or more often ‘part of the package’ alongside BUPA, a company car, cheap mortgage, luncheon vouchers, etc. For some, however, the OPS’s status as just part of the package, especially where it was non-contributory, appeared to increase their indifference towards it (‘I just took them on [OPSs] because they were part of the package’), or:

‘It’s not something that we give a great deal of thought to, I must admit. We just take it for granted that it’s there ... Pension is just part of work.’

(Woman, 33 years, non-contributory scheme in Financial Services sector)

For others who saw the OPS as a perk, it was nonetheless seen as a more essential part of their package than other perks – ‘because you have to have a retirement income.’

Implicitly and sometimes explicitly, several of these people saw the OPS and the rest of the ‘package’ as part of employers’ recruitment and retention practices:

‘It was part of the company plan to keep the peasants happy. They wanted you to be happy with it ... when you compared job packages. I would think that it was one of the key recruitment things.’

(Pensioner, formerly working in the Financial Services sector)

‘It’s a reward for loyalty.’

(Company director)

Membership of the OPS came with promotion for a small group of people, for example promotion from the shop floor to management. In this sense it could also be regarded more as a status symbol. And for one or two senior professionals, promotion to senior management was accompanied by a move to an enhanced pension scheme.
Additional pension provision with minimum effort

Some members regarded their scheme as a perk principally because it provided them with a pension additional to the State pension which they would otherwise never have got around to sorting out.

A NECESSITY

The line between a ‘perk’ and a ‘necessity’ was often blurred. Those people who saw their OPS as a necessity were not necessarily a distinct group from those who saw it as a perk: it was quite common for people to feel that although it was, technically, a perk, the declining real value of the State pension (as they perceived it) meant that an OPS had, in reality, become a necessity. This shift in attitude often came with age: the indifference of youth gave way increasingly to realisation of the necessity for pension provision and hence a view of the OPS as a necessity. Consequently, whilst the provision of an OPS had never been a principal factor in anyone’s decision to take a job, several older people said that they would not now move to a job which did not offer an OPS. A few people felt that although an OPS was ostensibly a perk, the fact that all reputable employers – those for whom you would want to work – now provided them, meant that they had in effect become one of the badges of a ‘good employer’ and in that respect, almost a necessity:

‘Most of the companies that have a company pension, you think well it’s a good company to work for ... because they seem to be more stable, solid, and they think of the employees as well. You seem to be a person more than a number, whereas the other companies it’s just cowboy firms, you get nothing out of them.’
(Woman, 36 years)

Others strengthened this view. An OPS was an ‘expectation’ and even an ‘obligation’, definitely not merely a perk. One or two people felt this particularly strongly because they were unsure whether their employers had in fact contributed anything to their pension in the past:

‘I’m only getting what I’ve paid into it anyway ... It’s my own money I’m getting. I’m not getting no freebies.’
(Pensioner, 65 years, in a contributory FS scheme)

For a few older people, an OPS was a necessity because it was the duty of an employer to look after faithful employees:
‘Of course companies should provide pension schemes because if you work for the guy he should look after you in retirement.’
(Man, 45 years)

For others in industries where an OPS, and even a non-contributory OPS was standard, its provision was seen as a necessity precisely because it was an industry norm. Employees felt that the failure to provide a scheme would have adverse effects on the company’s ability to recruit and retain staff.

Very occasionally, professionals with detailed knowledge of the field took a legalistic approach to the necessity of an OPS:

‘I think one now regards pensions as deferred wages ... The Barber decision says it’s deferred salary.’
(Man, 47 years)

INDIFFERENCE TOWARDS THE SCHEME

Indifference to an OPS was quite common amongst young people on first joining a scheme: it was the job that mattered, the pension was very much a side issue: ‘Pensions were miles away. It was never part of the equation at all.’ But for some, the feeling of indifference persisted in older age groups. Often this indifference merged into vague mistrust of OPSs more generally: there was the strong suspicion that the company was getting something out of it – for example:

- in terms of cost-effective PR:

‘I don’t believe anyone contributes to a pension scheme for nothing. So the reason my salary is at the level it is that I have a non-contributory pension scheme and a non-contributory housing scheme... If they were not paying a non-contributory pension, people doing my work would not do it unless they were on a higher salary than they are now, because they would need to be making pension provision. So I would say that indirectly it’s part of the salary but it’s an unstated part, probably for reasons of income tax. If you do it this way, you don’t have to pay income tax ... To get as much as they can for as little as they can.’
(Woman, 45 years, non-contributory public sector scheme)
Another man was sceptical about the importance of his employer’s role in securing his pension:

‘It’s my money that’s going into it. What the firm are doing is arranging that it’s done in a bulk purchase... I’m getting a discount rate...’

(Man, 33 years)

Others were sceptical about the security and calibre of the scheme they had joined, though not enough to make them worry about it:

‘You pay so much into your pension I suppose you just hope that the management or whoever are looking after it are not like Robert Maxwell when he stole all that money.’

(Man, 31 years, OPS)

‘Don’t know whether it’s good, bad or indifferent... Don’t know if we’re getting the best deal.’

(Man, 44 years, OPS)

A LUXURY

For a few people not in a pension scheme, particularly those who had young children and were in part-time or unstable employment, an OPS was a luxury which, as much as they would like one, they simply could not afford. If their financial situation improved these people would very much like to contribute to a pension scheme. They expressed concern about the likely level of their pension.

4.2 COMPARISONS WITH OTHER TYPES OF PENSION SCHEMES

When discussing the principal advantages and disadvantages of OPSs and PPs, the same rough division was evident, between the minority of employees who were well informed about pensions and those who knew very little.

Most of the issues that emerged were similar to those in the foregoing section, but the level of detail was greater and employees’ opinions were often grounded in practical experience.
Although this study was not specifically concerned with employee attitudes to personal pensions, or 'private pensions' as they tended to be called, they were discussed when an analysis of their perceived advantages and disadvantages helped to illuminate employee attitudes to OPSs. A number of people had direct experience of PPs, either through their own membership (current or previous), or that of a member of their family. None seemed aware of the distinction between PPs and Approved PPs. However, several respondents had never really given any thought to PPs. Some were too old to have participated in the growth of the PP sector: 'I know nothing about them [PPs]. I think it's my generation' (57 year old). For others, the fact that they had an OPS had curtailed any serious thought about the relative advantages and disadvantages of PPs – a key advantage of an OPS is that it dispenses with the need for (and effort of) this sort of comparison.

The perceived advantages and disadvantages of OPSs and PPs are itemised in figures 4.2 and 4.3. Further illustrative points follow.

ADVANTAGES OF AN OPS

Financial advantages
The benefits of two sets of contributions paid into the scheme, rather than just one, was the key financial advantage mentioned. Few people seemed aware that employers may contribute to PPs.

However, a more detailed awareness of the financial advantages of an OPS was reserved to the small group of people who had a better knowledge of the whole pensions field:

'Employer schemes are better because you hope all the profits are ploughed back into the scheme itself, whereas an insurance company has running costs and wants to make a profit.'
(Man, 39 years)

'... you are getting a double tax benefit: on contributions and on the capital again – so it is the most efficient way of generating more capital.'
(Man, 41 years, Company Director)

For a few people, another advantage of their FS OPS was that promotion would bring at least a higher percentage of FS and at best a lucrative executive type pension package.
FIGURE 4.2 PERCEIVED ADVANTAGES & DISADVANTAGES OF OCCUPATIONAL PENSION SCHEMES

Perceived advantages of an OPS

● **FINANCIAL**
  - Addition of employer's contributions (the key advantage mentioned)
  - And, occasional mentions of:
    - tax relief
    - administration costs absorbed by employer
    - profits ploughed back
    - not set up for gain/profit: 'A perk.'

● **ADDITIONAL BENEFITS**
  - especially Life Insurance

● **STRAIGHTFORWARD TO SET UP & MANAGE**
  - little research/comparison necessary
  - little personal involvement
  - no 'hard sell', unbiased information
  - no need for a 'financial advisor'

● **GREATER SECURITY, 'VERY LOW RISK'**
  - especially if large company (small company 'less resilient')
  - long established/well known company
  - public sector
  - this re-införmed by Maxwell
  - but fears of privatisation

● **AVAILABILITY OF WATCHDOGS/MEDIATORS**
  - trade union
  - chats with colleagues

Perceived disadvantages of an OPS

● **TRANSFER PROBLEMS**
  - loss of value
  - especially if you change jobs often
  - time/paperwork

● **LESS CONTROL**
  - Less flexibility – have to pay a set amount
  - Less 'accountability'
  - especially if non-contributory

● **SUSPICION**
  - Does the company benefit?

● **POORER RETURN**
  - poorer return than PP (But: OPS lower risk)

● **LESS INFORMATION**
  - less personal contact

* YOU DO PAY FOR IT IN LOWER SALARIES
FIGURE 4.3 PERCEIVED COMPARISONS BETWEEN OPS & PPS

Advantages of a PP

- MOBILITY
  - better if change jobs often

- INFORMATION
  - better explanation on joining
  - more subsequent information
  - easier format
  - more personalised

- GREATER INVOLVEMENT
  - ‘It's your actual money and interest that's going in’

- GREATER FINANCIAL GAIN
  - private industry is more competitive

- YOU KNOW WHERE YOUR MONEY IS: FEELING OF GREATER CONTROL
  - flexibility, independence

- FREE OF THE COMPANY
  - ‘they don't hold you down’

- BETTER FOR YOUNG PEOPLE

Disadvantages of a PP

- ‘SALES’ ELEMENT
  - lack of independent advice

- NO COMPANY CONTRIBUTION
  - ‘something for nothing’

- EXPENSIVE
  - for high earners

- SET UP FOR SOMEONE’S PROFIT
  - misleading forecasts/glossy publicity

- DON’T KNOW WHAT YOU’LL GET
  - less predictable

- ASSERTIVE STEP REQUIRED

- LESS SECURE
  - ‘can go bust’
That the defined benefit nature of their FS OPS made it more secure and predictable than a PP was raised by only a handful of people:

‘With an OPS normally it guarantees a return, particularly FS schemes, and you get the employer’s contribution. PP are MP schemes so at the end of the day the amount of money that is generated depends on the performance of the fund and then what you get in the future depends on what investments the money goes into, what returns are guaranteed. Usually only guaranteed for five-year periods. So unless you have a massive lump sum in a PP, you’re not sure of what you’ll get long term.’

(Company Director, man, 42 years)

‘Unless you have a lump sum of some significance ... at my age [man, 48] ... to put into a scheme like that [PP], they’re not in effect cost effective.’ [Administrative charges, especially in the early years, take up a lot] ’even to the degree of not growing for two or three years.’

‘[PP] credits are unit linked so there is a chance of losing the lot if we get another Black Wednesday.’

(Man, 42 years)

Relative security

A perception that occupational pension schemes offered greater security than that provided by personal pension schemes was seen as a major advantage by a broad cross-section of people. ‘A private pension can go bust...’ or: ‘You don’t know what’ll happen to your funds’. (SERPS, however, was regarded by some as even safer than an OPS – see page 148)

This view was held particularly by those who had only a basic knowledge of the way in which pension schemes operated. Ironically it seems to have been reinforced by the Maxwell case – due to a mix of increased awareness (albeit on a superficial level), reassuring actions provided by employers, and the widespread view that such a thing could only happen once. Large schemes, and in particular, large public sector schemes tended now to be viewed as particularly safe. This is discussed in detail in Chapter 7.

‘I feel more secure with this scheme. I think it’s about as secure as you can get as far as pension schemes are concerned ... The government won’t go bankrupt or help themselves to the funds ... Maybe the return isn’t quite as good as you’d get in a private. But as things turn out I feel happier knowing it’s in a government scheme.’

(Woman, 44, local government superannuation scheme)
There was a minority exception to this view: concern of the effects of privatisation on the security of the OPS scheme.

PPs, however, were felt to be considerably less secure: it was less clear exactly ‘where your money is’.

Most people were very ignorant of SERPS (Chapter 6). Amongst those who did know about SERPS, some felt that as a ‘government scheme’ it was more secure than an OPS, whilst others felt that it was less secure for the same reason:

‘[there are] no guarantees ... Any government could come in at any time and say this isn’t really a good idea, we’ll privatise the pension fund...’

(Man, 32, OPS)

There were also fears that the government was bringing down the real value of a SERPS pension by not increasing it in line with inflation.

For a few people, OPSs and PPs were both risky ventures:

‘You’re still dealing with an outside person; you’re still relying on somebody else to be looking after your money. So I suppose at the end of the day you haven’t got any guarantees.’

(Woman, 30, formerly in an OPS)

An easy option

The minimal personal effort necessary to join an OPS was an attractive advantage, with no need to shop around, or make contact with ‘independent financial advisors’, or be exposed to a ‘hard sell’.

There was a feeling that PPs offered too much on paper and were often incapable of living up to their promises.

‘I have a distrust of insurance salesmen and I always lumped in pensions people as well. I just could not think of anywhere to go that was going to give me independent advice, no matter how good the logo, the shop front, the furniture, the talk. And it was a case of sticking with the devil I thought I knew.’

(Man, 32, OPS)
'At the end of the day, you know he’s [PP salesperson] out to make a commission' (Whereas with the OPS seminar he had been given at work:) ‘You know it’s unbiased because a person up there is paid to do that job and doesn’t get commission ...’

(Man, 42)

A few people mentioned that the availability of mediators and watchdogs, in the form of a trade union, or even colleagues, was an important advantage of an OPS. The presence of these intermediaries, who take an interest in the OPS and often negotiate on the employees’ part, is further reassurance. And once again, their presence means that the individual is relieved of the obligation of paying attention and understanding what is going on.

The trade union is ‘Someone to tell me in plain English what’s happening.’

(Man, 44 years)

‘Private schemes have quite a lot of disadvantages. People as individuals haven’t got a chance. A block yes – 6,000 [in the scheme] and a body to negotiate for you and try and get as good as what you’ve got now.’

(Man, 47, OPS in public sector)

**Disadvantages of an OPS**

The key disadvantage which employees had actually experienced with an OPS were problems with transfers (this is discussed in detail in Chapter 7). Other perceived disadvantages of OPSs tended to be more instinctive feelings, rarely borne out by practical experiences.

A perceived poorer financial return from OPSs than PPs was one such disadvantage. For many people this was quite literally the price to be paid for the fact that OPSs were ‘less risky’. However, this was balanced by the knowledge that PPs were only really profitable if people joined them when they were still young. But PPs were widely understood to be more expensive and when people were young, they were less likely to be able to afford the necessary outlay.

Another widespread belief was that members of PPs had more control over their scheme than members of OPSs. This feeling was particularly pronounced amongst some people in non-contributory schemes who felt that their schemes lacked ‘accountability’:
'By it being non-contributory it makes the [employers] act as if they're independent from the people who are supposed to benefit from it and I think they feel they are. If it was voluntary contributions it would be more accountable. As it is, it's treated like grace and favour and I should be grateful for what I'm getting.'
(Woman, 45, non-contributory OPS)

'If you join a company scheme, you have no control.'
(Man, 30, has a rebate only PP, although he doesn't realise this)

Some people with OPSs (again, particularly non-contributory schemes) felt that were they to have a PP – where all the money that was going into it would be their own – not only would they be more interested in the scheme, but the company would be under a greater obligation to keep them informed:

'It's actually your money that's going in ... you're more concerned about the issue. They explain a lot more.'
(Man, 32, non-contributory pension)

It was often said that PPs were more flexible than OPSs, principally in an employee's ability to vary their contributions.

There were widely differing attitudes to the relative advantages of the information provided by OPSs and PPs. For some people a key advantage of an OPS was that it dispensed with the need to deal with PP salespeople and what was seen to be their misleading literature. But for one or two people, an important advantage of a PP was seen as their more user-friendly and personalised information.

Once more, particularly amongst those employees who had PPs, there was the residual suspicion that the company was benefitting in some way through its provision of an OPS. A PP at least '... keeps you free from the company. They don't hold you down'. And there was the belief that you do pay for an OPS, one way or another, usually in lower wages (especially if it is non-contributory).
THE EMPLOYEE PERSPECTIVE

INFORMATION ON OCCUPATIONAL PENSION SCHEMES
INFORMATION ON OCCUPATIONAL PENSION SCHEMES

This chapter first presents some general themes relating to information provision on occupational pension schemes that were prevalent across the interviews. Two sections then look at how people regarded the various types of information they received, and the suggestions they made. The final section describes the topics (and sources) on which people sought further clarification or advice.

5.1 INFORMATION PROVISION: SOME GENERAL THEMES TO EMERGE

Differing patterns of information use
Many scheme members had glanced through and understood very little (or nothing) of the information provided; but a few had fully read and understood it and required more detail. The majority skimmed the information and understood it in parts, although often only with some considerable difficulty. They tended not to ‘read all the ins and outs’ but ‘asked a few people, and off we went’. Information (‘bumph’) was flicked through but ‘I didn’t take too much notice of what it said’. To many it was ‘gobbledygook’ or ‘Greek’:

‘I really... find all these kinds of things like pensions and these leaflets, I really do find them very difficult to understand. You tend to get the booklet and flip over it and you really don’t understand it.’
(Woman, 28 years)

‘When I got that [booklet] it [retirement] was so far away. I thought I’ll read it one of these days but you lead such busy lives you never get round to it ... It’s like reading the small print on your insurance cover for holidays and things like that – people just don’t read them.’
(Woman, 57 years, pensioner, talking about when she was 43)

The minority who read the information thoroughly were likely to be the sort of people who took a general interest in all aspects of personal finances and who had developed an interest in pension provision. It was also apparent
that older people, joining a second or third scheme, tended to take a greater interest in, and have a clearer understanding of, this introductory information than that of their previous schemes.

Those people who studied the available information in depth tended to want more detailed information than the booklets currently provided, on such topics as: how the fund was invested, management of the scheme, and generally more information with less ‘hype’.

**The problem of breaking through indifference, making relevant, and putting across complexity**

Most people started out from a position of ignorance and indifference. The key problems they saw in relation to information provision related to: terminology, ‘jargon’, and the general complexity of the language. Sometimes they complained of the long length of the booklets, and the difficulty of deciphering/sifting what they regarded as the key issues – that is what you paid in and what you would get out.

Many people’s indifference, and other factors described in section 2.1, lay behind the reluctance to think of pensions, and made them less amenable to reading or understanding the information. They would rather file it away in a drawer.

> ‘I think I get a statement every year which tells you not to throw it away. That’s all I can remember it says.’
> (Woman, 45 years)

**Hearsay** was, therefore, a common source of information for many:

> ‘... you heard other people, older men, retire and say, ‘oh the pension’s alright’ and you just thought, oh well, that’s good enough. I wouldn’t say that I was aware of the details or the amounts.’
> (Male pensioner, 58 years)

– or implicit **trust in the employer**: several respondents rationalised their ‘non-use’ of information by saying they trusted their employer to provide a good pension scheme (or on union advice) and, therefore, had no need to investigate in great detail for themselves. So, whilst a number of people knew that they could have sought more information, they did not feel that it was necessary to bother.

> ‘You took a lot on trust ... At that age, you know, you don’t give it all that much thought.’
> (Man, 58 years, remembering when he was 35)
'Probably just glanced at it [the information] and trusted them.'
(Woman, 44 years)

*Information can be seen as ‘selling’ – or ‘frightening’ people into joining*

A small number of respondents mentioned this, especially in relation to seminars/talks in connection with the pension scheme. All were from smaller companies with insured pension schemes. Mainly, however, people reserved their criticism of sales pressure to the selling of PPs (a technique which did nevertheless cut through the indifference to the subject of pensions in some cases).

*Information provision perceived to have improved: a recent change for the better*

Despite the problems described above, employees noted that there had been improvements in the provision of information by OPSS. Information was seen to be accessible; and in a more user-friendly form (*'less like a balance sheet'*/ *'worked examples'*/ *'readable form'*/ with a *'questions and answers section'*/ explaining clearly *'what you would accrue'*). This was quite a widespread feeling, particularly it seemed, amongst older employees, or people who had been in more than one OPS.

### 5.2 INFORMATION ON JOINING THE SCHEME

Almost all scheme members could remember receiving some information in connection with the OPS either before or shortly after they had joined it. Some had hazy recollections (*'I probably got the usual sort of booklet and letter'*); they had joined many years ago, and had low interest in the scheme at the time. A few of these people, whose membership of the pension scheme would have been compulsory, were however sure that they had received no information at all – the first they knew was when their wage slip arrived and their pension contribution had been deducted. And a couple of people who had joined their pension scheme quite recently (between 1989 and 1991) were emphatic that they had received no information at all about their schemes (run by a small firm, and a local authority).

The range of different sources from which people obtained information on joining the OPS is summarised in Figure 5.1. A description of this, and of employee reactions to it, follows.
INTRODUCTORY WRITTEN INFORMATION ON THE SCHEME

By far the most common form of written information provided on joining an OPS was an introductory booklet.

*Rarely read right through and fully understood*

The varying pattern of response to this kind of information has been described above: just a small minority of people were likely to read it thoroughly and to comprehend it fully; more often it was skimmed and either understood in part, or barely understood at all.

Most people maintained that they had made an effort to read the booklets. They had tended, typically *‘not to take much notice of what it said’*. Some people, however, had either never bothered to read the booklet at all or had found it impossibly difficult:
'You read it through, but once you can’t start making head nor tail of what it means, you put it to one side …'
(Man, 44 years)

'Couldn’t understand a word of it.'
(Woman, 28)

A minority read it thoroughly and found the information insufficient
Others, however, read the booklets thoroughly and wanted more detailed information than that provided – on such topics as:

- how the fund was invested;
- management of the scheme;
- and, generally, more detail but less ‘hype’

'[There was] lots of information, but not necessarily telling you the downsides of what was going on. You got lots of hype about the upside. That was pre some of the LAUTRO or FIMBRA or those sorts of things, but I think they’re now obliged to only quote the growth of certain things like policies and pensioners at certain levels, and I think it was probably just prior to that when they were quoting sky high figures ... More hype than information.'
(Man, 42 years, Company Director)

Key problems with the written literature
Some specific problems with the written literature were described as:

- terminology and jargon used,
  ‘The information from the OPS was something like what a solicitor would have written.’;
- general complexity of the language, difficult to understand;
- the long length of some booklets;
- difficulty in deciphering issues regarded as the most crucial: that is what you paid in and what you would get out,
  ‘It wasn’t easy to decipher exactly what your benefits were at the end of the day.’
(Man, 41 years)
'You get loads of stuff from them. Big, glossy brochures and everything and it means nothing. All you want at the end of the day is how much do you pay, how much do I have to pay in, and what am I going to get at the end of it. You sign all sorts of forms and you don't understand.'

(Man, 55 years, formerly in 2 OPSs and now in a PP)

'It wasn't laid out in a form whereby it was easily understood. That's the way they do the business.'

(Man, 41 years)

The general lack of interest in the subject did not help, and also: the tendency to trust that the employer will provide a good pension scheme (hence, supposedly, no need to look into it in great detail themselves); the power of hearsay, and the widespread reassurance in the thought that so many other people had decided to join the scheme; and fear of making a fool of oneself by asking questions about a complicated booklet which everyone else apparently appeared to understand. It is also interesting to see that the provision of information such as a booklet seemed to lull some into a sense of security: they have the booklet to refer to should it be necessary, and meanwhile it could be stored away unread.

**Observed improvements in more recent information provision**

However, despite this indifference and incomprehension, there was quite a widespread feeling that the booklets were becoming more user-friendly. This was observed for example amongst people who had been in more than one OPS. In particular, employees commented favourably on booklets they had received which were:

- in a *readable form*;
- *less like a balance sheet*;
- with *worked examples*;
- including a questions and answers section;
- clear explanation of *what you would accrue*.

**SEMINARS AND TALKS**

Seminars and talks on the pension scheme were far less widespread than the provision of introductory booklets. Within small organisations they were
usually run by representatives of the insurance company providing the employees with their OPS. In other, larger, organisations, a seminar might be provided by a representative of the company providing the OPS. Or, talks on the pension scheme might be given by the employer, for example on induction courses.

**Perceived by some as selling**
Employees sometimes felt that there was a ‘sales’ element in these seminars, as the following comments demonstrate:

‘... a lot of dialogue with the company who were administering the scheme, coming into the offices and having group meetings with the employees and telling them about the scheme and so on, and then talking to people, selling, obviously wanting people to sign up ...’

(Man, 42 years – the meetings had been in connection with a new OPS in the process of being set up)

‘A guy came down and put a blackboard up and quickly went through trying to tell us it would be worth your while joining ...’

(Woman, 58 years)

‘It was made to look like an attractive scheme and it was explained more fully than previous one. There was pressure to join.’

(Pensioner, recalling a talk on his second OPS)

Or, it was possible that they could have the effect of frightening employees into joining an OPS:

‘[He said the State pension] ... was emptying. It was just an eye opener, it was frightening ... You had to secure your own future’.

(Woman, 55 years who had recently joined the OPS)

It is interesting to note that despite the reservations of the few employees who had attended pensions talks, when suggesting improvements to the way in which pension information is disseminated, talks and other one-to-one contact was a common suggestion made by employees (see Chapter 8).

Generally, however, despite attendance at seminars or talks about a pension scheme, it was the informal opinions of other staff which often convinced employees to join.
INFORMAL DISCUSSION WITH EMPLOYER/PENSION ADMINISTRATOR

Informal chats with superiors within the company were the most widespread form of this type of face-to-face discussion – whether with ‘the wages guy’, or the person in control of all financial matters, or a department head, or the overall head of the organisation. For people with little knowledge of, or interest in pensions, this sort of contact could be significant in their decision to join a scheme and their subsequent trust in it.

‘When the boss said it’s not a bad scheme to be in, that just put the top on it ... [The boss] is cleverer than me; she’s an officer and got a degree and all the rest of it ... so I just took her word ... She understands the legal jargon and she’d been into it more than me ...’

(Woman, 36 years)

There was little contact with personnel departments, other than the few cases of formal seminars discussed above. At one company, personnel brought round the introductory booklets to anyone who had expressed an interest in joining the OPS. And in other cases where employees had had contact with personnel, it was at the employees’ instigation, where they were seeking some clarification about the scheme.

VIDEO

There was just one mention amongst employees interviewed of a video being available as part of an induction pack.

INFORMAL WORK DISCUSSION AND HEARSAY

An influential source of information ...

Informal discussion with colleagues at work, or general hearsay about the pension scheme, served as a vital and influential source of information for some employees starting in a new job. Occasionally people sought out older employees and those coming up to retirement age and asked their opinions about the OPS; but, more commonly, it was just general discussion:

‘I worked in the typing pool at the time and it was all girls together – “Oh yes this is a good idea girls [ie the pension scheme]” – but then it was on to what slimming diet you was on – the important things in life!’

(Female pensioner, 57 years)
'I think it's a good plan because the other reps say so. You tend to trust what your other colleagues say. They're more informed. A lot of them are men – they tend to think and talk more about money.'
(Woman, 45 years)

'Most of them [colleagues] seemed to find it attractive and that really swayed me to join the initial pension scheme.'
(Man, 48 years)

This particularly influenced those who knew little about pensions and who were afraid to use formal channels of communication to find out more. People went with the crowd. For some, this dispensed with the need to take a proactive step; for others it avoided the possibility of revealing their ignorance.

... But not used by all

However, some employees, not knowing anyone in a new place of work, had felt shy to ask colleagues for opinions. And one man felt that there was no point asking his colleagues as they were as much in the dark as him: 'They were in the same position as me. They just paid it like a tax.' Also a pensioner remembered that he had not discussed the OPS with any of his colleagues because it was 'private business'.

INFORMATION OBTAINED OUTSIDE WORK

Several people had sought information from outside work in connection with joining their pension scheme. Sources included:

- family members;

- friends who were considered to be 'in the know' or 'in the business' '... people more educated that I am, that really know what's going on.'
  
  (It was such a friend who convinced one young man not to join his OPS but to opt for a PP instead; so convinced was he by this friend that he threw away the introductory booklet unread.)

- professional financial advisors such as accountants, banks, personal pensions salespeople;

- quotations from providers of PPs to see if they could better the OPS which they had been offered;
the trade union: consulted by one or two employees to enquire whether the OPS was a good one.

5.3 THE PROVISION OF SUBSEQUENT INFORMATION ON OPSs

Virtually all of the subsequent information provided was in a written format; there was very little face-to-face contact.

Many employees would like to receive more information – but only in the format they personally require. Whether far simpler and more basic language, or more complex and detailed information on investments etc, most would like to receive this information in a face-to-face talk. Several people, uninterested in their scheme or understanding very little, felt that any further written information would remain unread.

The desire for accessibility to information, if required was often more important to employees than the information per se.

The different types of information are discussed below:

Annual statements
This was the information said to be most commonly provided, and thought to be more widespread now than in the 1970s and '80s. A minority of employees, in both the public and private sectors, were certain that they did not, currently, receive an annual statement (public sector employers do not have a legal obligation to provide annual statements).

Annual Reports
Annual Reports or other statements describing the pension fund’s investment performance over a given period, were said to be less common. A few employees found this information useful and interesting, even when presented in a fairly complex and detailed format. Features of this and other subsequent information which were favourably commented upon by employees included:

- the provision of named contacts ('... that you can get hold of')

- the efforts to make the information more user-friendly
  ‘Over the years the communication improved ... and of course as you got older it got more interesting and more vital to your planning ... [it was] a distinct improvement. You weren’t always guessing.’
  (Pensioner 58 years, formerly in the financial services sector)
However, other employees found annual reports incomprehensible, citing problems of terminology and legal jargon:

'[Reading from annual report] ... investment strategy ... overseas equities ... performance share ... It makes sense to somebody but it doesn’t to me.'

(Woman, 45 years)

– and of indifference to the sort of information provided:

‘... because it [file containing annual statement etc.] is not important to you on that day, or perhaps understandable to you, so you put it aside... I looked at it and thought it’s not pertinent to what I’m doing today or tomorrow, so I thought I’ll read that if and when I get the time.’

(Woman, 45 years)

– and not bothering to read it because they ‘trusted’ in the company;

– and in any case feeling powerless to do anything about it.

‘You get lots of literature but it’s like taking the firm’s statement of accounts – they take a lot of going through ... I went through what interested me but I realised whatever you do, you can’t do nothing about it ... at this time of life I don’t worry about it, nothing I can do about it.’

(Man, 64 years)

Other information provided to scheme members

The provision of personal projected pension figures was less common than that of annual statements (of amount paid in so far) or annual reports (describing the state of the pension fund in general). This would be expected since there is no legal requirement to provide them on a regular basis. However, it was one of the key pieces of ‘useful’ and accessible information requested by those otherwise uninterested in the literature from their OPS.

Only one or two employees recalled receiving company newsletters which devoted some space to pension related issues.

Some employees remembered receiving updates or circulars from their OPS on a range of issues – from recent changes in pension legislation, to reassurances after the Maxwell affair (see next section). However, the
employees who remembered the contents of these updates tended to be the same minority who were generally well informed about and interested in financial matters and who remembered most things sent to them in connection with their OPS. The type of specific information recalled related to: updates concerning pension holidays, new trustees, improved benefits, reminders about the possibility of paying AVCs, details of the merger with another OPS and how this affected scheme members.

Circulars and updates which concerned wider changes in pension law were mentioned more rarely although a few recalled information on opting out of SERPS or the OPS altogether (these two issues were often confused); and occasionally on the equalisation of the pensionable age of men and women, and on recent disclosure regulations.

The other occasion on which employees sometimes received unsolicited written information from the OPS was when they left the company. Quite a few employees remembered having been presented with three options – to defer their OP, transfer, or cash it in.

Very few employees remembered receiving any subsequent information through face-to-face contact with a representative of their employer or the pension administrator unless they themselves had instigated it. Only where people worked in very small firms did this sort of contact seem to be the norm rather than the exception. Rare instances of this sort of contact included: a seminar which included advice on what to do about their OPS to two employees who were made redundant:

'I think at that time we had a consultant from some big company who came around to see us and we were given some forms and advice. I think we were given so many weeks; if you wanted to opt out to take your pension somewhere else you had a limited period in which to do it. I think at that time there was a suggestion that it would be better to leave it where it was.'

(Man, 49 years)

– and a seminar when the management company of the OPS had changed; a presentation on AVCs; and a one-hour talk at the time when the opt out legislation was first brought in, which explained how the OPS pension and death benefits were calculated: 'They basically went through the calculation, in a simple, mathematical layout.'

(Man, 32 years).

The following other possible ways of receiving information about their OPS
were recalled by some employees: a tear-off slip attached to the wage slip which could be sent off for further information; the cumulative sum at the bottom of a wage slip; Union officials; and, of course, the grapevine:

‘It seemed to be common knowledge [finding out about the employer’s pension holiday]: it was certainly discussed at work, in the pub and that sort of thing. Again, I probably didn’t understand quite what it meant.’
(Man, 39 years)

Information following the Maxwell affair
The circulars which were most often and readily remembered were those which had offered reassurances post-Maxwell. For example, they ‘... explained where the control actually was ...’, or said:

‘ “We understand your worries, but rest assured, your money is OK and is looked after.” I can’t remember who the trustees are but it’s underwritten and looked after and such a thing wouldn’t happen, and by the way we’re doing very well with it.’
(Man, 27 years)

‘After the Maxwell affair everybody wanted to know how things were, so we had a bulletin from head office and you get a yearly statement anyway.’
(Woman, 33 years)

No one was seriously worried that their employer was, or could have been, contemplating a Maxwell-type fraud – most employees had a deep-seated trust in their employer. And these reassurances seem to have intensified these feelings, adding to the ‘comfort factor’ (see Chapter 7).

Pensioners’ perceptions of information received
The pensioners interviewed appeared to receive very little information about their pensions. Only one received a monthly newsletter which contained information about pensions; he also received information about the AGM and how to elect representatives (he always chose a pensioner to better represent his interests). Other than this, the most information that pensioners seemed to get was a monthly statement telling them what they had received or would be receiving, and occasionally a note informing them of increases. None expressed any concern at this lack of information. What mattered to them was that the money arrived in the bank each month, and as none had experienced any problems with this, they were satisfied.
Information to deferred pensioners
Information on deferred pensions was similarly said to be scant. Only one employee recalled receiving unsolicited information about a deferred OP, informing him that he was entitled to a small pension (the employee was shocked; he thought he had transferred all of this pension to a later scheme). Most employees were unconcerned about the lack of information received. They trusted their employer to sort out their deferred pension:

'... I worked there for so long and they are a very organised employer. They used to work with the Unions and everything they did was in consultation with them. There was always an amount of fair play.'

(Man, 49 years)

5.4 SEEKING FURTHER CLARIFICATION AND ADVICE

This section elaborates the topics on which people sought further information, and where they would seek it. It then looks at who they would go to in the case of a problem/dispute, including awareness of the ombudsman and OPAS.

Many people were simply not interested enough in their OPS to bother seeking out further information. Others felt they were too ignorant to know where to start seeking it out: what would they ask? how would they know whether the advice they received was ‘good’ advice?

When people did seek further information it tended to relate to one of three issues:

- transfers (the main issue)
- AVCs
- early retirement.

Transfers: further information/advice sought
Questions about transfers were perhaps the most common type of information sought by employees/ex-employees in connection with their OPS (‘could/should I transfer?’, ‘how do I go about it?’, transfer values were the main queries). The information might be sought from the former employer, new employer, or both. Scheme members did not receive this information at the time of leaving a job and an OPS, and did not think or worry about it at the time (preoccupation with the job move rendered thoughts of the OPS far from mind). The information was therefore likely to be sought years later.
For employees who were provided with information on possible options in relation to moving a pension scheme – defer the pension, cash it, or transfer it – some sought further advice on which course of action to take. Most found their required information and were happy with the outcome of their inquiry, but for two types of cases, the issues involved were less easily resolved. These information problems related to:

- Conflicting advice on whether or not it was possible to transfer rights from an OP (sometimes long-since deferred) to a PP. This enquiry was generally prompted by encounters with PP salespeople who provided figures showing a PP in a more favourable light to the deferred OP (see Chapter 7).

- Various situations in which the scheme member was, in effect, obliged to defer or transfer rights from an OPS, for example:
  - redundancy,
  - bankruptcy of the parent company, merger of two companies and their pension schemes, necessitating the original scheme to be paid up and deferred;
  - change of management company of the pension scheme, necessitating the original scheme to be paid up and deferred;
  - move from self-employment to become an OPS scheme member.

Employees in these situations had generally gone to great lengths to find out and understand what was happening to their OPS. They tended to feel powerless to control what was happening, and encountered conflicting information.

**AVCs: further information/advice sought**

Awareness of AVCs came through talking to the boss, colleagues, accountant or friends; or by reading the pension scheme’s introductory booklet; through talks at an induction seminar, or seminar specifically on the subject of AVCs; or via their trade union representative. However, further information would be required for scheme members wishing to start up AVCs. Sometimes this was merely a case of getting the necessary form; but others wanted further information – on exactly how much they could pay in and what the net financial benefit would be compared to other forms of saving.

**Early retirement: further information/advice sought**

People thinking of taking early retirement were the other group commonly seeking out further information: either to find out whether they had already
amassed a large enough pension to leave work early; or to find out when they would be in a financial position to do so. Amongst many people now approaching retirement age, there was interest in exactly how much they would get and how long it would take to reach a position where they felt they could comfortably retire. Some people sought out regular information, carefully watched the figures, and either waited for the time when they could retire, or were hoping to retire at the earliest age possible.

Sources of further information on pensions
Employees tended to seek further information from representatives within the company or, in the case of small firms, from the administrator of the pension fund. Even were there to be a dispute, most employees would still seek advice from these same sources, but higher up the institutional hierarchy. When asked about independent advice, many people suggested the CAB; very few suggested the Pensions Ombudsman, and no one thought of OPAS (though some recalled it after being prompted).

The pensions department or personnel department were the main point of contact within the firm. Some people, through previous queries and contacts, knew named contacts; others knew from colleagues or booklets the names and telephone numbers of people whom they could approach. Similarly, employees who worked within smaller firms running insured schemes normally suggested someone within the pension administration company; through previous enquiries, some had named contacts and a few knew their representatives quite well.

The trade union was mentioned by a few employees in large organisations as a potential source of advice on pension related matters. These employees tended to have a generally high level of trust in the union, or were themselves active members.

Occasionally employees said that they had/would obtain any further information they required from information contacts outside work: 'friends in the business', or family:

"The last time I needed to know something, I spoke to my sister-in-law ... she works at the Nat West Bank."
(Woman, 45 years)

A few better-informed employees obtained their knowledge and further information about pension issues from the financial and national press (on changes in the law relating to maximum payments into OPSs and AVCs, for example).
Advice in the case of a problem/dispute about the occupational pension
Few employees had been involved in any sort of a dispute with their OPS, and problems related mainly to transfer difficulties (see Chapter 7). Consequently, many people were speaking hypothetically when considering who they would consult in the event of a problem or dispute. Most said that they would continue to seek advice from representatives of their employer, but would ascend the organisational hierarchy in their enquiries, depending on the severity of the problem: colleagues, the boss, the HQ, the Board, the Chairman, ‘somewhere in the city’, the American head office... A number of pensioners and people with deferred pensions suggested that they would write to the address given on the headed notepaper of the last piece of OPS-related information they had received. A few people suggested the scheme’s trustees, their trade union and the tax office in Newcastle.

When asked where they could get independent advice, most people were stumped. An accountant confessed ‘I haven’t got a clue’, another person wondered ‘... if the pensions man doesn’t know, who the hell do you go to?’, and another ‘I’d be lost’. Some people suggested their accountant, bank, solicitor and even, presumably in the light of Maxwell, the police. By far the most widespread suggestion, however, was the Citizens Advice Bureau.

The Pensions Ombudsman
Very few employees proposed the Ombudsman as a possible source of arbitration in the event of a problem. When prompted, a number claimed to know of the existence of the Pensions Ombudsman: they either remembered information given in the back of introductory booklets on the pension scheme, and some had recently received such information in a circular (presumably in connection with the disclosure regulations); or more often because they knew of the existence of an Ombudsman in other spheres and surmised that there might also be one for pensions.

Several people were cynical about the usefulness of this body. The Maxwell affair seems to have heightened these misgivings:

‘I don’t rate him [Ombudsman] anyway. He never did much for the Maxwell people. So I don’t suppose I would bother going to him.’
(Man, 44 years)

There was some suggestion that these bodies were ‘too gentle’ and had ‘no teeth’.
‘I suppose there are statutory bodies overlooking pensions. They didn’t work very well with Maxwell.’
(Pensioner, 58 years, who formerly worked in financial services)

People also felt powerless to complain – not only due to ignorance of what and who to ask, but because they would not know from the answer whether they had been fobbed off.

‘I don’t understand how I can actually influence the situation. I wouldn’t know what questions to ask and what would be meaningful.’
(Man, 42 years)

‘In what way? How can you complain?’
(Male Pensioner, 80 years)

It seems that experiences with so-called ‘independent advisors’ had also made people wary of outside, supposedly independent advice which amounted merely to another sales technique: ‘there is no such thing as an independent view’.
(Man, 23 years)

**Awareness of OPAS**
No one suggested OPAS as a source of independent advice; only a handful of respondents claimed to have heard the name, even when prompted. Even people who worked in the Financial Services sector, and a barrister who dealt with pension-related cases, claimed ignorance of OPAS. Some confused it with other bodies. However, one young apprenticed engineer, who had taken careful note of a recent circular in connection with his OPS, had heard of OPAS, knew the address of the Ombudsman and suggested that there was another such body: ‘Goode is the other one’.
THE EMPLOYEE PERSPECTIVE

KNOWLEDGE AND MISCONCEPTIONS ABOUT OCCUPATIONAL PENSION SCHEMES
Knowledge and Misconceptions about Occupational Pension Schemes

This chapter is in two sections. First, a brief overview covers some general points on knowledge and misconceptions concerning occupational pension schemes; and a second substantive section discusses these points in greater depth.

6.1 Ignorance about Pensions

Widespread ignorance
There was widespread ignorance about pensions. Generally, employees appeared to know very little. For most, this lack of knowledge stemmed from their lack of interest:

‘My expertise is in knowledge of my products, not pensions.’
(Woman, 45 years, pharmaceuticals industry)
‘It’s all in the file ...’
‘The Union [husband/company/etc] keep an eye on it.’

Some people, when pressed, felt that they really ought to know more and were faintly embarrassed to be so ill-informed.

But, a small well-informed minority
A small minority of respondents, in contrast, knew about their current pension in much more detail. As mentioned in earlier chapters, these people seemed to be more likely to be interested in personal finances in general, and their pension was part of this interest — they seemed to enjoy reading the literature, making comparisons between various schemes/types of provisions etc.

Key points of awareness and confusion
The areas about which there appeared to be greatest awareness were those where people had the most practical experience; they had not had to rely on booklets etc. for their information. These areas included: whether or not
they contributed their own money to the OPS; how much this cost them (either in percentage or cash terms); that their scheme offered an optional lump sum; and the broad outlines of transfer regulations and AVCs.

Many were unaware or confused about the framework of pensions in general (whether they were entitled to a State pension; the differences between a State pension, SERPS, OPSs and PPs, etc.). Likewise, their knowledge and understanding of OPSs was often minimal: there tended to be a lack of awareness of how much employers contributed to a scheme, whether the scheme was FS or MP, and linked to this, any of the detail of how the money was invested and how the scheme was managed.

It seems that the deluge of PP advertising in recent years had affected people’s understanding of the operation of OPSs. In particular, there is a widespread misbelief that the value of a FS occupational pension is linked in some way to the performance of the pension fund’s investments, and consequently to all sorts of broader economic indicators particularly interest rates, but also ‘the state of the banks’, ‘the state of the car industry’, etc. More specifically, people used the terminology of PPs when describing their FS occupational pension: some worried about the value of their FS occupational pension because ‘investments can go down as well as up’, others hoped that LAUTRO would in some way protect their interests. There was a high awareness of the Maxwell case, but most people did not appear to have taken on board its implications – there was continued confusion, for example, about the difference between the managers and the investors of the fund and the separation of the company and the fund.

People often knew pieces of information, sometimes of a very specific and detailed nature (despite ignorance of other aspects), but were unaware of their practical significance. Equally, some knew a great deal but were unaware of a more commonly-known or major point.

Two main sources tended to be the mainspring of people’s knowledge: most knowledge came either from their own actual experience (on transfer details for example), or from hearsay or the experiences of colleagues, family, or friends (see Chapter 5). It is, therefore, not surprising that although many had a reasonable awareness of transfer details, far less knew about issues such as management, investment etc.

There were a wide range of major and minor misconceptions in every sphere, although most of these had some sort of grounding and were to some extent understandable.
6.2 KNOWLEDGE/IGNORANCE ON SPECIFIC ASPECTS OF OCCUPATIONAL PENSION SCHEMES

The remainder of this chapter provides an indication of awareness and misconceptions regarding specific details of occupational pension schemes.

Differences between occupational pensions and other forms of pension provision

Quite a few people knew that it was possible to opt out of their OPS and start a personal pension, and a few also knew that there was an incentive on offer for those opting out before a certain date. Through experience, some people had found out that opting out was only really advantageous for younger people. However, others were far more ignorant about PPs: ‘... the same sort of thing as getting a pension through the company, isn’t it?’; ‘does having a PP mean that you can’t claim the State pension?’

There was generally very poor awareness of SERPS. People were unsure about the meaning of the term (‘I’ve heard the phrase’) and confused about: the differences between opting out of SERPS and opting out of the OPS; about whether a SERPS pension was the same as a basic State pension; or whether it was the same thing as superannuation:

‘If you work, or earn so much a week, you can opt out of SERPS. It doesn’t pay any more, but it goes in somewhere else, or something.’

(Woman, 36 years)
FIGURE 6.1 KNOWLEDGE AND MISCONCEPTIONS ABOUT OCCUPATIONAL PENSION SCHEMES

● WIDESPREAD IGNORANCE ABOUT PENSIONS
  "I know absolutely nothing. Absolutely nothing."

BUT: A SMALL, WELL-INFORMED MINORITY
(Extent of knowledge/awareness relates to personal interest and practical experience)

● GREATEST AWARENESS OF:
  – whether scheme compulsory or not
  – whether employee contributes or not; cost
  – optional lump sum
  – rudiments of transfer/cashing in/deferred pensions
  – existence of AVCs

LEAST AWARENESS OF:
  – type of scheme: FS, MP or other
  – what the employer pays in
  – management: management decisions vs. investment decisions, extent that
    the pension fund is separate from the company
  – what happens to their money – how invested
  – benefit details, eg increases? payable to spouse after death? taxable?
  – transfer technicalities – exactly why you ‘lose out’

Some information is taken in, but implications not appreciated.
Eg difference between a FS and MP pension scheme

● MISCONCEPTIONS: major and minor in every sphere.
  Eg: – Are benefits based on FS/years of service or does the performance of fund
       play a part?
  – Contracted out of SERPS or opted out of the OPS?

● EXTENSIVE LACK OF INTEREST
  ‘Never really thought about it to be honest.’
  But sense of embarrassment, should know more

Joining the OPS
Most people knew whether it had been compulsory to join their OPS. However, one or two did
confuse this with other options they were given when they first started in their job (joining the trade union for example), and
a few part-time employees who were not members of schemes were unsure whether their part-time status made them ineligible for membership. There
was also a reasonable level of (unprompted) awareness that the law had recently changed and that membership of an OPS could no longer be compulsory.
Contributions to the OPS
Every employee interviewed knew whether they had/were contributing their own money to their OPS, and a number knew how much this cost them in money or percentage terms per week/month. Awareness that the amount contributed represented a percentage of their salary was also reasonably high, and a few knew exactly what the percentage was. A minority of employees however knew how much their employer paid into their scheme in percentage terms. Two employees were unsure whether their employer was in fact contributing at all to their scheme (a pensioner and a local authority employee). Only the most knowledgeable employees knew the full details of the maximum percentage of members’ contributions.

The type of scheme (FS/MP) and how the pension is calculated
Few people used the terms ‘final salary’ or ‘money purchase’; and many did not recognise the terms at all when prompted.

‘I think it’s a “cash fund”. That was the only sort of jargon we’ve ever used...’
(Pensioner, 58 years, used to sell PPs)

Only very small numbers of respondents in this study were, or had been, in MP schemes or GPP schemes; yet more people appeared to think they were in them than actually were. The names of the schemes were readily confused: employees in a small firm with only a small group of people in the OPS, thought of their scheme as a ‘Group Pension Scheme’ or a ‘Group Personal Pension’. And a number of employees seemed to apply the language of PP advertisements to their occupational pension. When asked how their pension was calculated they incorrectly thought that their FS OPS was linked in various ways to the performance of their pension fund’s investments. For example, a local authority employee thought that her pension would not now be as large as she had hoped because of the current low interest rates. Another employee who currently had a PP but was describing the way in which his 25 years of occupational pension would be calculated thought:

‘And obviously with the rules, I don’t know what they’re called. Some regulatory body of life insurers, unit trusts or whatever it’s called, they give you the basis like 8.5 per cent return and 13 per cent return. Is it LAUTRO? and they’ve got to give it to you by law?’
(Man, 55 years)
Even when they were aware of the differences between MP and FS pensions, employees who had been members of more than one OPS were often unsure which one of their schemes had been FS and which had been MP.

Asked how their pension was calculated, most employees knew that there was some relation between the pension they will receive, their final salary, and the number of years service with the employer. However, several were unsure of the details, typically:

‘The more you earn and the longer you’re in it, the bigger the monthly payments will be.’
(Pensioner, 58 years)

‘I think it’s so much of my wage when I do finish. I mean it’s not on percentage of my wages now ...’
(Woman, 36 years)

In addition to all the misconceptions arising from ignorance of whether the scheme was FS or MP, there were a number of misconceptions about the details of the calculation. Some employees believed that age is taken into account in the calculation; a 64 year old thought that his pension was not related to his final salary but would be 24/60ths of what there was in the pension fund; a member of a GPP thought that the pension was worked out according to how the money was invested, but the rules guaranteed ‘that there is no risk in the investment’; a local authority employee thought that her lump sum would be based on one week for every year she had been with the authority.

A minority of people knew the precise fraction according to which their FS pension is calculated and also the exact definition of ‘final salary’ in their scheme. However, others suggested that they would get a far greater and occasionally a far smaller amount than that to which they would in fact be entitled. A few people knew that there was a limit of 15 per cent of salary up to which they could pay tax-free pension contributions into an OPS, and a limit (of £75,000) on the amount of salary on which they could pay such tax free pension contributions. However, one man just slightly confused the two and thought that there was a £60,000 limit of the amount of pension you could receive.

A few employees who knew very little about the ways in which their pension would be calculated, did have detailed knowledge (usually through hearsay or the union) of the availability of automatic enhancements if they take early
retirement. However, most people were unsure about how early retirement would affect their pension entitlements, even those who wanted to take it. There seemed to be some confusion between early retirement and voluntary redundancy and the ways in which these affect pension entitlements, and particularly whether the lump sum they will receive is a retirement or a redundancy payment. Quite a few people were unsure whether their retirement age was 60 or 65.

**Deferred pensions**

No one seemed to have any idea of what to expect from a deferred pension. Some of those who cashed in or transferred an OP were unaware of whether they were still entitled to a GMP (usually referred to as a small pension) with their former employer.

**Pensioners’ awareness**

Pensioners, even though they were provided with full details of how their pension would be worked out when they were on the point of retiring, appeared to have very little understanding or interest in the calculation. Most seemed to take it on trust and just accept the sum that their employer had calculated:

> ‘You were paying in a percentage of your wages ... I imagine a percentage of your pension was there accordingly.’

(Man, 74 years)

One pensioner was worried that with the run down of his industry, the level of his pension would be affected by the smaller number of employees now contributing to the pension fund.

**How the pension is paid out**

There was a high level of awareness of the option to take a lump sum and a reduced pension. One pensioner who had taken early retirement supposed that his lump sum was in lieu of wages. Most people volunteered that their pension would be paid monthly. Far fewer were sure about the taxable position of their pension and admitted that they were guessing: the majority thought that they would pay tax on it, a few thought that they would not, and some thought that it all depended on the amount of pension they received, as pension would probably be taxed ‘over a certain limit’.

Neither were employees sure about whether there would be any increases in their pension once they were receiving it. Some thought not; others
thought that their pension was index linked (although they were not always sure to what); and a number considered that increases were discretionary – depending on how well the investments were doing: ‘If they’ve got a bit spare, they’ll give you a bit extra’ (pensioner). A handful of people were aware of legislation guaranteeing pension increases of 5 per cent or in line with inflation, whichever is lower [this legislation has not been enacted].

Other benefits of the scheme
Even the minority who knew a lot about pensions were hazy on the precise details of the other benefits offered by their scheme. Employees who said that their schemes offered **life insurance** sometimes proffered information on this and considered it to be an important feature of their scheme (see Chapter 4); but many were unsure of the details – exactly how their partner’s entitlement would be worked out – beyond that it was ‘a good package’ or offered ‘generous terms’. In particular there was confusion between the different clauses covering death in service as opposed to death in retirement benefits, and whether children were entitled to any benefits (and at what age).

Effects of divorce
Rarely had employees given any consideration to the effects that divorce would have on their occupational pension, and when asked about this scenario, they were again making speculative guesses. Only a barrister who was involved in negotiating divorce settlements and a woman who had herself divorced, appeared to have given this subject any thought. Most people imagined that their **ex-partner would not be entitled to any share of their pension rights**, and certainly not if either party remarried; it would be a simple matter of altering the form that they had signed, in which they had nominated a beneficiary. A few people thought that it would hinge on whether dependent children were involved.

Creditors’ rights
People were similarly unsure about whether creditors would have any rights to their pension: some suggested yes, one person suggesting that a pension was ‘earned income’; others guessed no.

Transfers, deferred pensions
Most employees knew the rudiments of what happens to an occupational pension in the event of their leaving their job: that they would have the option either to defer, cash it in, or transfer it. A majority also knew that it was not always possible to cash in or transfer, and that there were time limits on employees’ right to exercise these options. Above all, there was an awareness that you *lose out* when you **transfer**. This knowledge was gained through people’s own experience of transfers, or through the
powerful medium of hearsay. Consequently, one or two people who were otherwise poorly informed about OPSs but had been through a transfer, understood aspects of this process in some detail, for example that the legislation had recently been changed allowing people to transfer their rights from an OPS to a PP.

However, some people who had transferred an occupational pension with seemingly no real idea of the advantages and disadvantages of the various options, appeared to have no idea that it was possible to lose out. One man asked: 'Could I have lost out?'

'It made sense to me ... All I had to do was sign a form basically and it was done ... It was easy.'
(Woman, 44 years)

'I have little knowledge of what the [transfer] options were. I think it was best to leave it where it was so that's what I did.'
(Woman, 45 years)

Few people – even those who had gone through the transfer process – knew and understood the full details of the regulations, or exactly why they 'lose out'. The loss was generally thought to relate to administration charges.

The particulars relating to transfers were known to just a handful of people: the recent changes in the law, the time limits on options, that both sides must agree, and that there is no obligation on a scheme to accept a transfer value from an OPS. This knowledge had been gained through their own transfer experiences, which had often involved fairly detailed analysis of the transfer values.

Misconceptions were manifold. They related in particular to the ignorance and irritation of those employees obliged to defer an occupational pension for reasons they did not understand, and the worry that the value of a deferred pension was literally frozen. Other common misconceptions were that transfers were possible to all destinations; that an employee could transfer an occupational pension only if they had been in that scheme for less than five years; that it was impossible to leave an OPS once joined, unless you left the job (or, say, moved from one local authority to another); and that it would still be possible to pay into an OPS even after leaving their jobs – one employee compared this to continuing to pay pension contributions during maternity leave.
Most people knew that a **deferred pension continued to increase in value** up to their retirement age ("It's not allowed to sit there and do nothing"), but they were unsure how these increases were calculated. Only a few employees suggested that legislation stipulates a **minimum rate at which a pension has to increase**, and that this is linked to the rate of inflation.

**Take-over/bankruptcy of the company**

Most employees had no idea what would happen to their OPS should their employer become bankrupt or be taken over — they had rarely thought about it. Even those who had experienced something like this were usually unsure of exactly what had happened — they had (often reluctantly) accepted whatever decision was presented to them. Although some were aware of the detailed pension history of their employer and the sometimes several and various mergers of OPSs, they tended to be unsure of what this meant in practice for their pension.

Speaking hypothetically about the case of a company take-over, some employees thought that there would be **no obligation on the new employer to continue the OPS** — "...it's not a legally binding thing because not everybody does it [ie runs an OPS]" — and that employees would have to transfer or defer their pension. But others thought that the new employer ‘would have to honour it — that's the reason why it's separate from the actual company’. There was an awareness that **bankruptcy should not affect their OPS**, but serious reservations about whether this would be the case in practice. Again, as with their understanding of the Maxwell affair, people vaguely knew that the fund and the employer should be separate, but were unsure how, and if, this worked in practice.

**Ownership and management of the pension fund**

This was a particularly hazy area. When asked who **owned** their pension fund, most employees had no idea. They had given the matter no serious thought, ‘never bothered to look’, though a few thought it was a ‘good question’.

When pressed, ‘the employer’ was usually nominated as the owner of the fund, or else ‘the company administering the fund’. A few employees suggested the fund was owned by a ‘separate entity’, but were unable to elaborate. ‘The trustees’ was another suggestion, or very occasionally ‘the membership’:

'We all did [own the pension fund], didn’t we? It was ours. When we paid into it, it was our money we paid into it.'

(Man, 55 years)
'I've let them use it to invest because they've said they're going to do it on behalf of the people who are going to get a pension from it.'
(Woman, 45 years)

Even amongst those who appeared to be fairly well informed about pensions, there was recurrent confusion between the management and the ownership of the pension fund. When asked who managed their pension fund, most employees were again in the dark, never having given much thought to the matter (and this despite the high awareness of the Maxwell case):

'There was an administration thing in London that did it. Crikey, I don't know.'
(Man, 55 years)

'I don't know what they do with the money... They have never said, that I can remember, how they invested the money and what they do with it. They only tell you what you are liable to get and what if you die.'
(Man, 48 years)

Most employees seemed to think that their employer ran the scheme and took the investment decisions: 'The Director of Finance and one of his minions', or the pension manager/department – 'There's a Department that looks after pensions – I think it's in Basingstoke'; 'the Head Office', 'the board', 'a subsidiary company', and even far more immediate colleagues: 'I know the chap who runs it', and the 'works manager'.

These employees had great trust in the company to manage their scheme properly:

'I'm just trusting in [the employer] as a company.'
(Woman, 58 years, employed by an international printing company)

'The [employer] depends absolutely on their good name. They just can't do what Maxwell did. I wouldn't think so anyway. I hope to God they can't.'
(Pensioner, 58 years, formerly employed by a large financial services company)

'[The fund's security is based]...purely and simply on the integrity of the prime trustee, and that's the chairman of the company and I think his integrity is beyond question.'
(Man, 59 years, engineering firm)
Others knew that their scheme was managed by an insurance company and sometimes knew its name.

One or two people suggested that the scheme was managed by the trustees who took the strategic decisions 'on our behalf', and who employed an administration company to manage the scheme on a day-to-day basis. These managers were appointed by the fund and not by the employer, and they answered to the trustees and not to the employer.

Most employees had no idea how or where the fund was invested. Some made educated guesses: 'speculative places to grow', 'big conglomerates', 'unit trusts', that the fund was 'spread around', 'on the money markets', or that there was 'a choice of risks, like with an investment plan'. One or two knew the precise details: the areas and companies in which the fund was invested and the various risk factors.

There was a similar level of ignorance about the issue of self-investment. Some had an inkling, probably based on awareness of the Maxwell case, that this was illegal and had been covered in new legislation. Others saw absolutely no reason why this should not happen: 'It’s like taking savings out of your bank account to pay the gas bill'; or suggested that it did not happen in their company, but only because they were a small concern: 'We’re not a quoted company'. Just two people knew that self-investment was permitted but that there was a ceiling on this, and one person knew that the ceiling was 5 per cent of the total pension fund.

Trustees
There was fairly low awareness that occupational pension schemes had such a thing as trustees. Thinking about this, one person suggested that the wages clerk was probably the trustee, whilst another had forgotten that he himself was a trustee of the scheme – he had no idea what the role of a trustee was – he had been selected only because the small company for whom he worked had 'needed three names'.

Among those who were aware of the existence of trustees, there was only very basic knowledge of their functions:

- ‘... to check everything is in order?’
- ‘... to look after your interests, see they wasn’t fiddling?’
- ‘... to make sure the money is invested wisely?’
- ‘... to guard your money?’
There was no full awareness of the trustees’ legal obligations. Where the name and position of a trustee was known, this normally related to the directors of the company or accountant. A handful of employees (generally those in firms who keep them well informed about all aspects of their OPS) did know the names of the trustees (particularly in the case of elected employee trustees), their department and how to contact them. These people also tended to know that the trustees were independent and were appointed to ‘make the most of the money’ and ‘watch the management company’. For those who understood, this was often another source of reassurance and cause for trust in their employer and scheme:

‘The ... [company] have people on the Board of Trustees. The company really run it from the point of view of the trustees. But the Union and the staff have got representatives on the trustees. It’s not all rubber stamped and heads nodding. The people can make a noise and they have to be listened to.’

(Man, 58 years)

**Surpluses, deficits, contributions holidays**

The only people who had any idea about this subject were those who had actually experienced (and usually objected to their company taking) a contributions holiday. Even amongst these people, knowledge was fairly rudimentary. A surplus occurred, they thought, when the scheme was ‘well run’:

‘As far as I know, it’s extremely well run ... there’s millions in it. That’s why they have to have these tax holidays.’

(Man, 58 years)

‘It’s growing faster than deductions.’

(Man, 41 years)

A holiday ‘soaked up’ this surplus, but there were thought to be alternative ways of doing this – increasing benefits or reducing employee contributions. Although no one was sure of the legal niceties of who owned the surplus, most had their own strong feelings about this, based largely on gut reactions rather than informed knowledge (see Chapter 7).

One or two people had heard the term ‘pension holiday’ but were confused as to its actual meaning – as in the case of someone who had heard that because the company did not know what to do with all the money in the fund ‘...there was something about giving people money for holidays’.

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1 The scheme’s trustees have a legal obligation to act, not in their own interest, but in the interest of beneficiaries of the trust. They may however be appointed from the company. An independent external trustee must be appointed in case of receivership or liquidation.
AVCs
Awareness of the existence (but not the detail) of AVCs was quite high. Some employees recognised the concept but not the term, referring to it as a 'top up', 'buying additional years' or adding a 'lump sum' to a pension. Several had only found out about AVCs quite recently, aged in their forties and fifties, often through family, friends or colleagues who had themselves looked into them or taken them out.

A small minority knew all the details about AVCs – a result of practical experience of paying them. They spoke of: the limits on the amount that can be contributed, the pros and cons of freestanding versus company AVCs, the relative strengths of this form of tax-efficient saving versus other forms; and that AVCs could not run alongside a PP in respect of the same employment. Others were aware of the basics only, but planned to find out more when they were older. 'They don’t advise it any earlier ....', (woman, aged 32 years).

But here too there were a number of misconceptions. For example, an employee contributing to a MP occupational pension, in which his contributions were flexible, thought that all of the (ordinary) contributions he was making were AVCs, and indeed that AVCs were the only way he could contribute to his OPS. He also thought that employers could make contributions to employees' AVCs (but that his company failed to do this because they were too mean). A local authority employee thought that AVCs would buy additional national insurance contributions. Other people thought that AVCs were not allowed in their schemes, and that they would have to take out a PP if they wanted to make additional contributions. Another misconception was that AVCs reduced the amount of lump sum that an employee could take on retirement.

When asked about their future pension-related plans, a number of employees made comparisons between AVCs and other forms of saving. Quite a few thought that endowment policies were preferable to starting/paying more into AVCs: they are ‘better value’ than a pension with 'a more immediate return'; they're 'brilliant, it's the best thing... you can't go wrong.'
THE EMPLOYEE PERSPECTIVE

EMPLOYEES' PROBLEMS AND CONCERNS WITH OCCUPATIONAL PENSIONS
EMPLOYEES’ PROBLEMS
AND CONCERNS WITH
OCCUPATIONAL PENSIONS

Respondents taking part in this qualitative research had expressed concerns/worries about pensions in the survey interview (conducted as the initial part of the research programme). Yet when elaborated in the depth interviews, most of these cases turned out to be vague and general. Few respondents itemised specific issues relating to their OPS as sources of concern. Small numbers in both the survey and the qualitative study had experienced actual problems.

Since most employees knew so little about their pensions, and failed to read or understand much of the information with which they were provided, it is hardly surprising that their worries and concerns were usually fairly vague, general ones, often not grounded in anything much.

The chief concern about pensions in general is the recurrent worry, which underpins so much of this study: will the combination of the State pension and an OPS be enough to live on?

The main problems which employees had actually experienced with their OPSs come under the overarching heading of transfers (delay, financial loss and the worrying possibility of it, having to defer a pension, poor communication between schemes and members).

See Figure 7.1 for the range of problems and concerns.

Security is not usually a substantive worry – no one would probably have raised it pre-Maxwell. But nearly everyone did bring up Maxwell unprompted – though they have only a very limited understanding of what it is all about. Maxwell does not seem to have improved their awareness in any deep sense.

Many concerns are exacerbated by poor communications between the OPS and employee – people don’t understand and so they worry (but not to the extent of sleepless nights!).

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Figure 7.1  KEY PROBLEMS AND CONCERNS

- **KEY CONCERN: WILL THE PENSION BE ENOUGH?**
  - Particularly in view of concerns about state pensions
  - 'I've not paid in for long enough' (especially women)
  - Uncertainty of what it will be worth

- **KEY PROBLEM: TRANSFERS** (though few cases)
  - Financial loss: transfer values; admin charges; concern over loss of interest during delay
  - Time/effort/cost involved
  - Discovery that transfer is not possible
  - Inadequate information about transfer charges, inflexibility
  - Poor communications - feeling of being in the dark
  - Feeling of powerlessness

- **DEFERRED PENSIONS**
  - Fears over loss of value - perceived low rate of growth
  - Difficulties in consolidating deferred schemes
  - Especially annoying when forced on employee
  - Lack of information, delays
  - Annoyance at having to defer rather than transfer in some cases
  - 'How will they trace me when I become a pensioner?'

- **THE EFFECT ON THE OPS OF COMPANY TAKEOVER/BUYOUT/PRIVITISATION, ALSO REDUNDANCY**
  What will happen to the pension? 'Whoever buys the company buys the pension.' Will it weaken scheme? Might the scheme be wound up? The surplus procured? Loss of benefits? Lack of information.

- **CONTRIBUTIONS HOLIDAY**
  Lack of consultation
  The employee should benefit too
  'It's not fair'; 'It's like cutting your salary without consultation'
  [More of an irritation than a concern]

- **SECURITY FEARS**
  - Maxwell has 'increased people's awareness enormously'
  - But complexity of the field means that 'they could very easily do a Maxwell and we wouldn't know until the end'
  - But not a substantive worry; few people sought personal reassurance:
    - 'because I thought there couldn't be two of those'
    - 'our firm is safe' (especially public sector and if reassurances post-Maxwell)

**INADEQUATE INFORMATION** can exacerbate many of these concerns
7.1 WILL I HAVE ENOUGH TO LIVE ON IN RETIREMENT?

Although a very general worry, this was by far the most widespread concern expressed by employees. It is linked to a fear that the real value of the State pension is declining and that its future is insecure. Many older employees felt that they had not paid enough into their OPS because they had not thought until quite recently, that there might be a depreciation in the real value of the State pension which would make them so reliant on their own pension provision (see also Chapters 5 and 8). In fact, the State pension has maintained its value in line with prices since 1979.

'I've not paid in for long enough.'
'I do have concerns now because it's gonna be not a lot, even with the little bit of State pension as well.'
(Man, 62 years)

For some this was a source of bitter resentment: having paid so much national insurance into the system over the years, they felt that they were going to receive so little back that they would be forced to rely on an OPS: 'The State scheme will be discontinued and I've paid so much into it.'

This uncertainty and worry was particularly pronounced for particular groups of employees:

- Employees who had had spells in and out of SERPS
  'What will they say? You haven't paid [SERPS] for 13 years so your State pension is going to be so much lower? ... I've got a mixture of everything ... I'd like to know exactly percentage wise where I stand because of the years that I didn't pay in to a State pension.'
  (Man, 55 years with a PP, a deferred OPS and a period in SERPS)

- Women
  There was a feeling amongst (particularly middle aged) women that they were '... are basically underpensioned, partly because for such an enormous part of their working life they are substantially underpaid, and therefore they are not able to spend the money on pension schemes that basically they should...'
  (Woman, 55 years)

A 45 year old divorcee had recently found out that because of gaps in her work history (and consequently her national insurance contributions record), her entitlement to State pension currently stood at £2.47 per week. However, she had only recently had access to an
OPS. She felt it was essential ‘that women have absolutely identical pension rights to men, regardless of their employment history being different because they are net contributors to society being parents and staying home with the children, just as much as if they were a company chairman ... Too many of them are losing out now that so many marriages are breaking up, people in their 40s and 50s, and it’s the women who lose out.’

As well as uncertainties about the value of the State pension, a number of employees were worried about the value of their occupational pension. Some MP scheme members were particularly anxious: ‘How can you predict with inflation etc?’ But many FS scheme members also feel that there is no guarantee on the amount of pension or a lump sum they will receive. Inflation was ‘eating it away’ and:

‘There’s a way in which whatever I pay in now isn’t worth what I’ve paid in when it comes out ... What kind of standard of living will it give me in comparison?’

(Woman, 45 years)

And many employees incorrectly believed that the value of their FS pension was tied to the performance of their company, industrial sector, or the economy as a whole (see Chapter 6). Consequently, gloomy economic news caused some to ponder how it would affect the value of their pension.

Whether their pension would still be enough as time went by was also the main concern for pensioners. However, this worry was never strongly expressed. There was a sense of resignation – pensioners felt that they could do little more than accept what they were given: ‘There’s nothing I can do about it’. As long as their cheque arrived on time, they had few concerns. Even if they did have any actual problems (which had never been the case) what, they asked, could they possibly do about it? (see Chapter 5 on pensioners and information).

7.2 TRANSFER PROBLEMS

Virtually every actual problem experienced by employees was rooted in one way or another to difficulties with transfers. They were a far-reaching problem and often the starting point for many of the problems and concerns discussed in the later sections of this chapter (particularly deferred pensions and worries about takeovers and buyouts). Ten people had actually experienced transfer related problems, and some of these had had difficulties with more than one scheme.
The range of problems and concerns was fairly broad. Financial loss was the key problem, notably in connection with transfer values, but also through administrative charges. There was also irritation over delays – the time taken to effect the transfer (and potential cost of this in terms of loss of interest); the discovery that transfers were not always possible; and inadequate (or lack of) information.

**Financial loss**, or at least the worry that there could have been some loss, was the main issue. Transfers were widely understood to reduce the value of the pension. This was both an underlying cause of concern for many (‘Would, therefore, one’s pension be enough at the end of the day?’), and a problem experienced by some (although quite a few people didn’t know whether they had lost out or not).

There were two aspects of this loss in value:

- The loss resulting from the **actual transfer value**, the reduction in value of the pension.

  ‘Eight years in one pension scheme translated to three years in a new pension scheme. That’s one thing I find quite disconcerting, especially as I know that I may have to move again in another few years. Seems like it will get smaller and smaller.’
  (Man, 42 years)

Because of this, some felt, it was not worth transferring their previous pension(s); the loss in value would be too great. This was a particular concern of course to employees with high job mobility.

- And the loss resulting from **administration charges**, or from **loss of interest** over the period of effecting the transfer (particularly if there were delays in this – a further criticism in relation to transfers, see below). Some employees suspected and worried that they might be losing interest on their OPS during the often extended period of the transfer. During such a delay, one employee was told when he asked the administration company ‘... it's OK, your pension's still working for you’, but he still had his doubts.

The **difficulty of not actually knowing what the transfer value would be**, or the delays in finding out this information, was a further problem. Some employees said they needed this information post haste in order to make
career decisions. They were members of the same small minority of unusually commercially-minded employees who wanted the fullest possible information about their schemes:

‘[The transfer value] is still a question which I still ask and try to get definite answers to. It's an easy question to get a theoretical answer to but it's not as easy to find out what it'll cost in terms of what you'll lose out by leaving it or by moving.’
(Man, 27 years)

‘All values are based on future values so you can never really know transfer values in advance.’
(Man, 47 years)

‘[There is no] minimum buy-in level … it's a bit like a black hole: you take your chance.’
(Man, 42 years)

Most people had already moved to their new job by the time they found out the necessary information.

Very occasionally, suspicion was expressed that companies perhaps purposely kept the employee in the dark about this; to procure the interest for themselves.

Respondents resented the time and effort that they often had to devote to sorting out their transfer. A number of employees had experienced several months of delay whilst they waited for their transfer to go through. During this period, it often seemed to them that no one was willing or able to reassure them about what was happening. Two case studies help to illustrate this point. In one instance (see case study 2 below) the deferred pension appears to be lost:

CASE STUDY 1: a woman (aged 45) who could not trace her deferred local authority superannuation pension complained that she had spent a fortune on phone calls to her former employer and to the pensions office in Newcastle. Her OPS appears, currently, to be missing. ‘When I tried to get that money paid across into the pension scheme of the [new public sector employer], I thought it was worth having all in one place since it was only a year, the superan. office in Newcastle or somewhere, could find no trace of ever receiving money from [former employer]. At the moment as far as I’m concerned, I may have lost it … Somewhere there is a breakdown between them collecting it off my salary and it going through to the presumably government office that deals with superan.’ She is worried that her former employer may have deducted her contributions and illegally used them to help them to finance their on-going cash
crisis. However, she thinks that the contributions are probably ‘stuck in [her employer’s] system somewhere’, but she is worried that all the while, she is losing interest on the contributions.

CASE STUDY 2: A company director (man, 42) with four deferred OPSs has employed two separate lots of brokers to amalgamate these schemes, so far without success: ‘... it’s incredibly difficult to get anyone interested in doing it unless you’re going to commit yourself to spend a lot of money with them in a new insurance plan or a new pension scheme that they’re going to get some commission from.’ The first broker ‘singly failed’ in his attempts to get them amalgamated. On the day of the interview, the respondent had received letters from the brokers he was currently employing: the new, added problem is that the previous broker is sitting on all the necessary papers and won’t reply to letters from the new brokers or release the information they need in order to proceed. The respondent thinks that the first broker cannot be bothered to reply because there is now nothing in it for him: he doesn’t now know what to do, ‘short of pitching camp on his door’. His only hope is that the current brokers are large and influential enough to sort it all out. He has no idea why it’s all taking so long.

A few employees had similar difficulties trying to transfer an OPS to a PP – often without success.

CASE STUDY 3: A 30 year old woman explained that she had contributed to a self-employed pension scheme because her first two employers did not provide an OPS. However, when she changed jobs to a company which did provide an OPS, the woman wanted her new employer to either pay their contributions into her self-employed pension scheme/fund policy or to transfer her self-employed pension to their OPS fund. At her interview, she was told that one of these options should be possible; but it later transpired (by which time she was in post) that neither were in fact possible with this employer. She had therefore to defer her self-employed pension and says that she cannot now reopen it. Had she known that this would happen, she probably would not have moved to the job, and was annoyed by the misleading information she had been given.

CASE STUDY 4: Another employee (man, 49) had been made redundant from a company with an OPS and, having obtained another job with a firm which did not run an OPS, set up a PP instead. He was advised by agents from the PP that he could transfer his deferred OP to his PP. But when he spoke to people from his former employer, ‘they said it was down to them and if they didn’t want to release it, they didn’t have to’. He thought that this was something to do with the delay between deferring the OP and applying to transfer it. However, he found the whole process time consuming and the conflicting information annoying.

People who had experienced these sorts of problems felt that the whole framework of pensions’ regulation was too inflexible and immersed in narrow, unfathomable and, to them, pointless detail.

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\[1\] Since January 1986, schemes are legally obliged to offer transfer values. It may be that the advice given by the agents was wrong, but this would depend on when the employee left the scheme.
With hindsight, a number of employees who had experienced these sorts of transfer problems considered that they were not sufficiently well informed— not only about this inflexibility and about the hefty administrative costs which can be involved in a transfer, particularly for those leaving a scheme soon after they have joined it.

Throughout the transfer process, the combination of a lack of understanding of what was going on and of information to explain it, left many employees with a feeling of powerlessness. They felt that the people they dealt with were disinterested in them, that no one would give them any answers, and that there was nothing that they themselves could do to sort things out or speed things up:

‘No one seemed to know where my pension was, what it was worth, what was happening to it... Talking to people, they said that’s normal.’
(Man, 44 years)

**Inadequate information** was a common complaint: respondents spoke of an inability to get at the necessary information, when they wanted it, and in a format which they could understand; no one would provide them with answers to their queries. It seemed to have exacerbated virtually all of the employees’ problems and concerns, and particularly those vague, half-expressed concerns about such issues as the security of the scheme (see below). There was a feeling that regular and readable information (as in the apparently successful post-Maxwell circulars) would go a long way towards allaying these fears. (These issues are also discussed in Chapters 5 and 8.)

### 7.3 Deferred Pensions

For roughly half of the employees who had one or more deferred pension, this was not a worry to them: some had virtually forgotten about a deferred pension (although for some it became more of a concern once they were forced to think about it). For the people who did express concern, deferred pensions were a source of worry rather than an actual problem. Those who did have worries tended to be employees who had been obliged to (rather than chosen) to defer, often as a result of the unsuccessful or on-going transfer problems discussed above. The actual problems had therefore been at the unsuccessful) transfer stage, but the worries and annoyance were on-going. Two case studies help to illustrate this point:
CASE STUDY 5: When her employer was bought out, this respondent (woman, 33) was obliged to make her OPS ‘paid up’ and start a new one with the new owners of the company. She was annoyed that she could not transfer the paid up pension into the new one. She only contributed to the new pension for 3 years before leaving to start a family. When she left, the pension amounted to such a small sum that she cashed it: ‘It was almost a waste of time going into the second one as it turned out.’ But had she been able to add it on to her old pension she would not have been so tempted: ‘I accepted it as well, they know more about it than me ... It was something that I had started paying into and would be worth a lot more to me if I had just been able to carry on, to the point of leaving to have a family and going back ... That pension frozen in a corner now, I mean. I tend to forget about it.’

CASE STUDY 6: When this respondent’s (man, 55) employer went bankrupt last year, he was forced to defer his occupational pension and reluctantly to start a PP. He had transferred 15 years’ contributions from a previous OPS to the now defunct scheme and is waiting for the receivers to sort out the bankrupt company’s finances: ‘My money is still tied up in there and I am concerned at times. I transferred 15 years of money into it, plus all I’ve paid into it.’ The receivers of the bankrupt company are very slow, working out how much each individual paid into the scheme and how much compound interest they are each due: ‘I’d like it to be resolved and find out where we’re up to because I know the money is there. I’ve been assured that every penny is there still earning interest now.’

This is the key worry about deferred pensions: loss of value, particularly through a perceived low (or static) growth rate. The fact that the employees invariably used the term ‘frozen’ in relation to these pensions, rather than deferred, is indicative of this concern.

‘To me frozen sounds like it was just lying there ... transferring means it’s still working.’
(Man, 44 years)

‘It seemed commonsense really just to transfer it and have the scheme on-going sort of thing.’
(Man, 44 years)

By retirement age a ‘frozen’ pension would be virtually ‘worthless’, it ‘wouldn’t be worth the stamp on the letter’. This fear was a key reason why people would rather transfer than defer an OP. People who knew that a deferred pension has to increase in line with inflation, were nonetheless rightly concerned that the sum of two (or more) deferred pensions was worth less than that of a whole one. This worry was voiced by some of the most knowledgeable employees:

‘Four bits of a whole isn’t worth as much as a whole’, particularly as ‘in the first few years of any scheme you’re basically paying administration charges.’
(Man, 42, case study 2 above)
'Personally, I tend to wonder whether the value of one pension which would, in theory amount to 40 years for me ... is likely to be as much as the sum of fifteen pensions from fifteen companies... I personally have to balance that equation off against moving my employment to someone else and earning more.'

(Man, 27 years)

A number of people who were not otherwise worried about a deferred pension did have a back-of-the-mind worry that the pension would never find them all those years hence and several addresses on – 'how... will they find out where I am?'.

7.4 REDUNDANCY/TAKE OVER/PRIVATISATION/BANKRUPTCY

As discussed above, these factors can be a source of real problems when they oblige employees to defer or transfer a pension which they would rather have continued. For those who had not experienced redundancy, or take over/privatisation/bankruptcy of their firm, these circumstances are a source of vaguer worries.

There was a fairly widespread fear of redundancy and some employees worried about the effects that this would have on pension entitlements:

- What would happen to their share of the pension if they were made redundant?

- If others in the firm are made redundant and given large financial payoffs or incentives to leave the company, would there be any money left for the pensions of those who remained?

- If they never got another job, would they have paid enough in to their current OPS to have secured sufficient pension? (See 7.1 above.)

Speculative fears about mergers, takeovers and bankruptcy were particularly prevalent amongst the employees of multinational companies where the overall ownership was non-British:

- Would the company pull out and take the pension scheme overseas with them?

- Or, would they wind up the scheme and leave enough for the pensions, but take the surplus with them?
'My biggest worry about the pension is [that] we are French controlled. And if ever the recession bit deep and they decided to withdraw back to France, would our pension money disappear back across the water? That's always at the back of my mind ... It's just been at the back of my mind. And since the Robert Maxwell situation, it's made it even more so. I've always thought if we go to the wall and this lot disappear back across the channel, what will happen to that pension fund ...'

(Man, 49 years)

Some employees in nationalised industries were worried that privatisation would affect their pension schemes:

- Would the schemes then be weakened and benefits perhaps lost when parts of the business were sold off?

  'In [the organisation] at present, different businesses are being sold off. A concern for people is: what will happen to their pension? They don't know what sort of buyer it will be. Will their pension rights be retained?'

  (Man, 39 years)

  'If ...[the employer] was to split up there is concern that this might affect pensions. The existing lump would have to be split up. That would obviously weaken the scheme if they have to hive off a bit here and there.'

  (Man, 40 years)

Would the new owner procure the surplus?

'Whoever buys it buys the pension ... You only get back what you've paid in and the company who buys it will have the surplus.'

(Man, 45 years)

Feelings ran high for some respondents on this subject. One, in a nationalised industry felt that the employees had been duped by the government: 'it's wrong that the government wanted us in the scheme and now they want us out'. He believed that his OPS was now insecure and could lose some of its good features and benefits. He was also worried by rumours of approaches to buy-out the scheme:

'If they do that they're condoning what Robert Maxwell's done ... No, they're not really misusing the funds, but they're trying to go back on their word... As far as I can gather, if they want to freeze the superann., they can do.'

(Man, 47 years)
7.5 ANNOYANCE IN CONNECTION WITH A CONTRIBUTIONS HOLIDAY

Just nine employees reported that (to their knowledge) their employers had taken a contributions holiday: six expressed some annoyance in connection with this; to the remaining three it was not a problem.

A small number of other respondents had heard the term pension holiday (when prompted) but were not sure what it meant: 'I've heard the term. I've never looked for clarification of what it means'.

A contributions holiday seems to be a source of irritation rather than a real anxiety. Employees resented the decision that the holiday had been solely in relation to the employer’s contributions – ‘It wasn't fair’. The scheme members ought to benefit too, they thought: through a ‘free pension’, or a reduction in their contributions – reduced at least in a ‘fair ratio’, or an increase in benefits. It was also partly the lack of consultation that they resented, not being involved in the company’s decision to take the holiday. They were also galled by the lack of information. These people felt that their employer was adopting a high-handed attitude towards their conduct of industrial relations. The employer was perceived as not fulfilling their contract.

'To me it was part of a contract. I put so much in and they put so much in. And they weren't living to the contract. It was like a reduction in my wages.'  
(Man, 50 years)

'They have gone back on their agreement. It should be adhered to and benefits increased instead. If there's a surplus it shouldn't be shown as a reduction in their payment ... They are not fulfilling their contract. It's like cutting your salary without consultation.'  
(Man, 39 years)

'... with the economic climate as it is at the moment, companies just seem to do what they like with previous agreements, negotiated agreements [for example over contributions holiday], they just seem to tear them up.'  
(Man, 54 years)
7.6 SECURITY WORRIES

Virtually every employee made an unprompted reference to the Maxwell affair. They agreed that Maxwell had ‘... increased people's awareness enormously’; and that ‘there are lots of things we now know about pension funds which we didn’t know before’. The fraud made people think – even if in the most cursory fashion – about the security of their own pension fund, which tended to be something that they had never considered before.

'I never, ever, had cause to doubt the security of the fund, until the Maxwell affair.'

(Man, 32 years, employed in the financial services)

However, the thinking was usually at a very superficial level: Maxwell was of interest in the same way as any other media coup, rather than as an issue which could affect you. So security fears were rarely pressing or substantive worries:

'I didn’t suddenly think, oh God, where’s my pension gone? No I didn’t.'

(Woman, 51 years)

Very few people bothered to seek personal reassurances about the security of their own pension fund. In part this is perhaps because of the general reluctance to seek out information about OPSs and the fear of revealing one’s ignorance. Furthermore, very few people appear to have really grasped the core issues involved in the Maxwell case (see Chapter 6). However, in organisations where letters/leaflets of reassurance were circulated, these served, in most (but not all) cases, to put employees’ minds at rest (see Chapter 5). The exception was someone who remained concerned about the security of the pension fund surplus.

The overriding feeling seems to be that Maxwell was a one off: ‘I really thought there can’t be two of those’; or that it could only have happened in the Maxwell empire ('being the character that he was ...', 'such an all powerful figure ...').

Some people reassured themselves that their OPS was ‘extra’ secure – for example:

- public sector employees (despite the occasional fears about privatisation) considered their schemes safer than private ones, because of their ‘official’ status:
'Council's not going to go nowhere ... It's not like Robert Maxwell where it's all private and he's got the pennies and he's done a bunk ... City Council's going to be there for ages.'
(Woman, 36 years)

'Not really [got any security fears], because it's local government, it's not like a private organization.'
(Woman, 51 years)

'... the government's got to pay it no matter what happens.'
(Pensioner, in a formerly nationalised industry)

– or those employed by professional or charitable organisations:

'It's [employing organization] been going 150 years, it's a charity, it's not like a normal employer which is out to make a profit and satisfy shareholders.'
(Man, 47 years)

– or in large or 'reputable', or long-established companies:

'Ours is the second largest [pension scheme] in the country so it should be secure.'
(Man, 39 years)

'If a company the size of [his employer] is going to let that sort of money disappear ... it would have to break a lot of legal safeguards ... it would require a lot of people to be on the fiddle, not just one person.'
(Man, 27 years)

However, despite apparent confidence in the scheme, there were clearly some lingering doubts, even if these were often phrased as half-jokes:

'I have joked a few times that by the time I'm 60 there'll be nothing there.'
(Woman, 36 years)

'You are never 100 per cent sure that part of your money isn't being taken out of the fund.'
(Woman, 33 years)

'[OPRs are] ... never as sure as gold bullion under the bed, especially after Maxwell.'
(Man, 42 years)
Some concern was expressed about the security of deferred pensions ‘people may delve into it’. Advice had actively been sought on this matter by one respondent. (His bank’s advice was to get the money out and invest in an insurance policy instead.)

The complexity of the field meant that most employees were aware that – given their own ignorance – they could still be very easily duped: ‘they could very, very easily do a Maxwell and we wouldn’t know about it until the end’.

And despite the overall trust in employers, a few employees did have underlying – but usually highly speculative – suspicions about the potential for their employer to use the funds for their own ends:

‘If the company could get their hands on any of the money they would love to, to support the company. When there’s a lot of money lying around they want it don’t they?... Don’t trust companies with the money.’

(Man, 44 years, multinational company)

And an accountant worried about the delays between the company taking the employees’ contributions and investing them:

‘They’ve taken that money from one ... they claim they’ve put their money in but when did they really put their money in ...?’

(Man, 39 years)

Other vague worries – can a multinational company take off with the pension fund?, is the fund being used to fund redundancies? – appeared to be largely the result of poor understanding of pension schemes (see Chapters 5 and 6).
THE EMPLOYEE PERSPECTIVE

EMPLOYEE SUGGESTIONS
EMPLOYEE SUGGESTIONS

Employees' recommendations for changes in the field of occupational pensions related mostly to information provision. These suggestions came from a wide cross-section of people and not just those who had found the information difficult to understand. Suggestions on the way in which OPSs are run and managed, and the ways in which contributions and benefits are calculated, tended however to be vague, and often reactive to the Maxwell affair, unless expressed by the well informed and interested minority. Those who had specific comments to make about such items as transfers, surpluses etc were usually those who had experienced problems and had a grievance to air.

**FIGURE 8: EMPLOYEE SUGGESTIONS**

- INFORMATION (strongly felt by many)
  - Need for 'plain English' in documents; simple format
  - Greater access to information
  - More one-to-one explanation
  - More government information on pensions: *Improve the profile of pensions to the general public*; accessible, mass media publicity, TV ads (aimed especially at young people and women)
  - Impartial advice: 'A CAB for the pensions field'

- CHANGES IN THE WAY OPSs ARE RUN/MANAGED
  - 'More say' for members in decision making; greater accountability
  - 'Tighten up' management, eg independent trustees, watchdogs/regulatory bodies 'with teeth', a 'pension fund club'
  - Surpluses should benefit scheme members
  - Greater flexibility/less financial loss in transferring
  - Highlight administrative charges

- SUGGESTED CHANGES RELATING TO CONTRIBUTIONS AND BENEFITS (strongly felt by few)
  - Remove limit on percentage of employee's salary that can be invested in a pension; maximum percentage that can be invested in AVCs; and the maximum pension of 2/3 of final salary
  - Pensions should not be taxed
  - Increase eligibility for state financial benefits for those pensioners in receipt of an OPS
  - During maternity leave; employers should pay women's pension contributions or else women's pension contributions should be reduced

- CLARIFY THE FUTURE OF THE STATE PENSION
  - So that individuals can make more informed assessments of their likely financial needs in retirement.
8.1 INFORMATION

Repeated observations related to the provision of information about OPSs. There was a general feeling that more information should be made available – on individual OPSs as well as on pensions in general. Reflecting the widely different experiences and level of awareness of individuals, the precise recommendations were diverse and sometimes contradictory. Although many of these suggestions were still quite general, people had clearer and more specific ideas about the improvements that they would like to see in the provision of information than in any other sphere. This stemmed in part from the fact that this subject requires the least ‘technical’ knowledge of pensions. And for some people, their ignorance of OPSs meant that they could suggest little more than ‘make the information easier to understand’.

Information on individual employee’s OPSs
As most respondents find the literature from their OPS difficult to understand, or at least unpalatable and difficult to wade through (see Chapter 5), the key recommendation was that written information should be in ‘plain English’ and a simple format which would encourage people to read and take an interest. It was often felt that documents should be shorter and more basic, or that additional concise summaries should be provided.

‘... Most official forms are all above people’s heads. This “third party of the all the rest of it” ... Speak in English!’
(Woman, 36 years, OPS)

‘Everything that is important to you is written so you can’t understand it.’
(Woman, 29 years, PP)

‘The thing that stopped me reading it was that I didn’t understand it. You read through once and again two or three times to try to understand it.’
(Woman, 57 years)

‘There’s always so much bumph on them, it’s never, ever simple. There’s always so much paperwork.’
(Man, 64 years)

However, most employees (including those who had understood next to nothing about their OPS) felt strongly that they had a right to know what was happening to their money. There was irritation that the information was not being made available in a user-friendly format:
‘It’s your money at the end of the day, so you should have all the information to you. You shouldn’t really have to go to any great lengths to find these things out; it should all be there.’
(Woman, 33 years, formerly in an OPS)

‘Their idea is that if you want information, you’ll seek it... but it should be made available to you.’
(Woman, 51 years, OPS)

Even those employees who were otherwise uninterested in their OPS called for information at more frequent and regular intervals, but again with the proviso that it should be understandable. There were several requests for more and regular ‘useful’ information, for example: a pension ‘preview’, based on projected salary; and personalised statements which explained: ‘what and how and why, not just simply a deduction that you can’t stop’. It seems that for some employees, this is the sort of information that would help to engage their interest.

Those who were better informed (usually through experiences with transfers, AVCs etc) wanted detailed information on a variety of more specific topics. A company director who had tried twice, unsuccessfully, to merge deferred OPSSs, felt that schemes should be obliged to provide former employees with updates on how their deferred pensions are doing. Furthermore, ‘If you change your employment, there should be an obligation on either the employer or the insurance company to present you with a simple means of transferring that information.’

Members felt that their schemes should be obliged to inform them on topics that affect them.

‘Anything at all that’s advantageous to you getting a better deal, you should be made aware of it... and I haven’t been.’
(Woman, 51 years, who discovered about AVCs through a friend’s husband)

The minority of people who were well informed about the operation of their OPS and fully understood all the available literature, tended to want more technical information, particularly on the ways in which the fund was invested and on its investment performance.

At the extreme was an accountant who wanted to see ‘... some industry standard figures published for money purchase schemes’ which would allow people to compare the investment performance of their own OPS with this
standard; people should be made aware of any risks associated with unusual practices such as stock lending; and also provided with information on how quickly their money is invested once it has been deducted from their pay. The trustees of schemes and he himself, as an accountant, were already provided with most of this information: so if it was already provided and paid for, 'why don't the pensioners get it?'. This information would be required when making any other form of investment decision, like choosing life insurance, so 'surely I should be getting the same level of information' about an OPS.

More typically, quite a lot of people wanted to know in more general terms, exactly what had happened to their money.

'As far as you are concerned that money is taken out of your salary every month and disappears into this black hole ...'
(Man, 49 years, in receipt of an OPS from the Armed Services, now has a PP)

There was a lingering suspicion that (usually unspecified) 'things' could be happening to the money. And alongside this there was the other recurrent belief, that schemes could cover up these sorts of malpractice. Both of these sentiments had presumably been motivated by Maxwell, to a greater or lesser extent. Investment information would help to make people '... more relaxed ... that there's no fiddles going on ...'.

Most of those respondents who knew less about their OPSs also had a number of recommendations to make about the way in which this simplified information should be disseminated. The key issue, relating once more to people's embarrassment about asking questions and revealing their ignorance, was that greater face-to-face, and preferably one-to-one contact should be used.

More information on pensions in general
This theme was also stressed by a wide cross-section of employees.

'... improve the profile of pensions to the general public, to show them that there are benefits of sacrificing some amount of money to provide for their future and maybe that of their children. '
(Woman, 55 years)

It linked with worries about the level and security of the state pension. People felt that they should have been told earlier that the state pension was
not going to provide them with what they thought to be an adequate standard of living. They were annoyed that they had not been better informed and were anxious that today’s young people did not make the same mistakes. Acutely aware of how uninterested they had been when younger, several older people felt that it was the government’s duty to hammer home the pensions’ message to young people (see also Chapter 5).

In order to get the message across, particularly to young people, a number of people suggested that pensions should be the subject of a high profile, snappy mass media campaign. Information would have to be completely different from the current discreet and dry leaflets available in banks and post offices:

‘The information is no good in brochures and pamphlets, people don’t read them. I do believe that TV and video is the way to do it.’
(Man, 41 years)

‘Possibly TV advertising in some way. Making it snazzy, a lot of punch ... John Cleese videos, that sort of thing.’
(Man, 39 years)

A few people commented that the government had run such campaigns on smoking, AIDS and drink-driving, so why not pensions.

‘There should be special programmes on the TV, like they do for Urdu and things like that ... “Pensions For All”...’
(Woman, 57 years)

Another common suggestion was that information about pensions and their importance should be given to school children – even an ‘O’ level in pensions was suggested.

Some women felt that females should be specifically targeted with pensions information which would compensate for the ‘cultural’ factors which make men more aware than women of the importance of pensions – mothers don’t tell their daughters to start a pension.

‘We need to change the pension culture.’
(Woman, 55 years)

‘I don’t think from my own personal experience that women were talked to about pensions as much as men were ... possibly they are
today more than when I was working, but in my experience women were left out of the subject ... Women weren't given the info. about pensions as much as men.'
(Woman, 58 years)

Allied to these suggestions was the recommendation that the government should set up and publicise a truly independent pensions advice service, which would at the very least 'protect people from the wrong advice'. Again this seems to be sparked by the recurrent distrust of 'independent financial advisors'. '... A CAB of the pensions field' was how one women envisaged this service.

The other crucial piece of information which people felt they had to have, was an assurance that the state pension would still be in existence when they retired, and if so, whether it would be so small that an occupational pension would still be a necessity. Some people felt that this information is crucial if they are to make informed decisions about their pensions choices.

8.2 SUGGESTED CHANGES TO THE WAYS IN WHICH OPSs ARE RUN

Tighten up the management
Except for a few recommendations from one or two unusually well-informed people in the financial services sector, most of these suggestions are fairly general, imprecise and reactive to the Maxwell affair and subsequent publicity. Virtually everyone suggested that legislations should be 'tightened up' or 'safeguards' established in order to prevent the recurrence of 'another Maxwell'. However, few people could be any more precise than this. And running throughout their suggestions was the scepticism that determined employers would in any case always get away with fraud.

It was frequently suggested that employees should have 'more say' in the decision making processes within their OPSs, in the hope that this would guarantee (in some unspecified way) greater 'accountability'. 'Tightening up' was another common but again vague recommendation. It was suggested that the government should put in place 'better control so it [Maxwell] can't happen again', impose 'stricter controls', 'keep a stricter eye on pension funds', 'make pensions more secure', 'protect the funds', and impose harsher penalties in the case of future fraud. Slightly more specific recommendations included government appointed trustees, the creation of 'watchdogs with teeth' or another such 'regulatory body' instead of the self-
regulatory bodies which normally operate in the financial services sector and are either unknown or perceived to be ineffective. An accountant suggested that ‘a third party’ like a merchant bank, should be brought in to watch over the pension scheme. There were a few specific suggestions about trustees: there should be a legal obligation that there be at least one employee representative on the board of trustees; that trustees should always be completely independent with no dual responsibilities; or that legislation should therefore ensure ‘true independence of the trustees’.

There was a suggestion that people would be given ‘confidence’ were OPSs to be given ‘as good an independent assessment as they can, so that they can be given like a clean bill of health’, in the form of, for example, a statement that the funds are capable of meeting the claims which are to be made on them. No detailed explanation would be necessary, as people who weren’t actuaries would find it hard to follow. Instead, a certificate from a recognised body would suffice – ‘some government stamp that was recognised ... something as instantly recognisable as the Inland Revenue stamp ... approved by Her Majesty or whatever’. A further suggestion was for something like a ‘charter’ to cover cases of major fraud and loss –

‘It being something that’s triggered in catastrophe. Not something that’s got lots of peripheral areas in which you can claim or obtain a benefit or something like that. This is if something has gone drastically wrong with that pension scheme. And you’re not going to get paid out. Or what you are going to be paid out is not what you should be paid out and there should be some make up for that. But whether that should be shared between life insurance companies themselves in a pool type fashion and bolstered up by the government, vice versa, one or the other, is a completely different piece altogether. I think ultimately the government inspectors or auditors approved by them should be in a position to ensure that the problems are never going to exist.’
(Man, 32 years)

A pension fund ‘club’ or ‘a disaster fund’ was another idea, which would ensure that should one fund fail, the others would pick up the bill – in cases of bad investments as well as fraud.

There was a widespread feeling that pension funds would be far safer were there greater government involvement, although the nature of this involvement was usually imprecise. One or two people went as far as to suggest that in order to ensure the employee’s greater protection, occupational pensions should be payable through the government.
Pension holidays and pension fund surpluses
Not surprisingly, this recommendation tended only to come from those people who had experienced and were aggrieved by a pension holiday. Consequently employees were in favour of all surpluses being ‘ploughed back’ into the fund, or at the very least, that part of the surplus which was a result of investment of employees’ contributions. Alternatively, members should receive extra benefits or be allowed to also take a holiday when the fund is in surplus. It might be considered ‘totally unethical’ that the company should make a profit out of a pension fund: ‘Schemes must be managed for the benefit of the employees, because in essence what you’re looking at is their wages ...’.

Transfers
Similarly, those people who raised the issue of transfers as a recommendation were those who had experienced problems and felt that they had lost out in terms of time, money and often both. The plea was for greater flexibility in one form or another. For example the chance to contribute to an OPS even after leaving the company, thereby circumventing the whole transfer problem. Some felt that OPSs should be fully transferable, or at least that there should be less of a ‘penalty’ in terms of lost transfer value. Others wanted greater flexibility to transfer an OPS to a PP. Sometimes people found it hard to understand why, when there were so many different OPSs – all of which were competing with each other and offering similar benefits – ‘your money disappears’ when you transfer between them: ‘why isn’t there one universal scheme with the objective of giving you 2/3 of your final salary?’ – a kind of national OPS, akin to the state pension scheme but private. Guidelines were suggested which would make it easier for someone who was contemplating changing their job, to predict and take into account their transfer value:

‘The way it is at the moment, you’ve got to go and work for the new company and then try and transfer your pension and see what they offer you.’
(Man, 32 years)

It would perhaps be possible to ‘rate’ OPSs so that employees could gauge the cost of a move from one to another, in effect ‘a transfer table’. Another suggestion was the creation of a flexible OPS, a kind of cross between an OPS and a PP:

‘... very few people are in lifetime careers with companies now ... my preference would be that there was a lot more freedom offered to
people in terms of being able to have their own pension scheme which was personal but to which individual companies would contribute and have some sort of not necessarily legislation but guidelines as to what were reasonable employer and employee contributions, so that if you moved from job A to job B, you don’t get penalized ..."

(Man, 42 years, 4 deferred OPSs)

**OPSs should be compelled to highlight their administrative charges**

Once more, the handful of people who recommended that OPSs should be made to highlight their administrative charges were generally those who had experienced losses as a result of leaving a scheme. However, this recommendation links with the wider but often back-of-the-mind suspicion that companies are in some way making something out of the provision of an OPS. To some extent, it also appears to be a result of the wider suspicion and dislike of personal pension (and occasionally even insurance) sales people: for some people there is scant difference between OPSs, PPs and insurance and the people that provide/sell them are all tarred with the same brush.

### 8.3 SUGGESTED CHANGES IN CONTRIBUTIONS AND BENEFITS

Recommendations of this sort came from the very small number of people who were not only well-informed on pension issues, but also wealthy and anxious to maximise the possible financial gain from their pension arrangements. Their suggestions fell into three broad categories:

**It was suggested that:**

**...People should be allowed to amass a large pension**

The government should remove the current limit on the percentage of the employee’s salary that can be invested in a pension fund. If you want to invest more for a bigger pension, why shouldn’t you be able to?

Why should the limit of pensionable income be set at 2/3 of final salary? Why is it not possible to obtain more than 2/3 by paying into AVCs?

Fifteen per cent of salary was considered an arbitrary and low figure, especially for older people who have started contributing to a pension later in life and want to build it up fast; and for younger people who want to contribute more to an OPS before they acquire additional financial commitments.
There was also a feeling that pensions should not be taxed, particularly when an employee has contributed to an OPS in order to take care of his or her dependants – but on his or her death, the dependants are heavily taxed.

... Pensioners in receipt of a (small) OPS should still be entitled to state financial benefits
One pensioner in particular, who was in receipt of a small OPS was infuriated that this barred him from those state benefits – for example heating allowance – received by those pensioners reliant solely on a state pension. He felt that he had ended up no better off for having contributed to his OPS: he had been 'penalized' for being 'responsible'.

Contribution and benefit issues relating specifically to women
- Following divorce, women should have a share in their ex-husband’s pension entitlement:

'I would make it law that as long as people are living as a married couple, or who are a married couple, that whatever is contributed into a pension by either of them, belongs to each of them 50 per cent.'
(Woman, 45 years)

- During maternity leave:
Companies should continue to contribute to women’s pension schemes, or else women should be allowed to pay reduced pension contributions when on reduced pay during maternity leave.
PART 2
THE EMPLOYERS’ PERSPECTIVE

HOW EMPLOYERS REGARD THEIR OCCUPATIONAL PENSION SCHEMES
HOW EMPLOYERS REGARD THEIR OCCUPATIONAL PENSION SCHEMES

This chapter considers how employers regard their occupational pension schemes. It examines three perspectives: the perceived function of the schemes, employers’ views about their scheme, and employers’ policy towards its operation. Figure 9.0 gives details of the employers interviewed.

9.1 THE FUNCTION OF OCCUPATIONAL PENSION SCHEMES

Overall, four functions were described by employers in relation to occupational pension schemes. They were primarily concerned with helping to attract and retain staff and provide an adequate retirement benefit for employees. Subsidiary functions included assisting with employee relations generally, and as a tool to reduce the workforce through early retirement.

Attracting and retaining staff
The pension schemes were invariably felt to be provided to employees for commercial reasons and enabled employers to recruit and retain ‘the right sort of staff’ and professional people who were of the ‘right calibre’.

‘I think primarily in order to be able to attract and retain the sort of people that we need to work in this company. That’s the prime reason.’
(Financial Director; private sector)

‘We believe it to be a standard condition of employment in recruiting professional people.’
(Company Secretary; small private sector company)

The practice of offering an occupational pension was felt to be part of being competitive within the industry, and, depending on the type and level of benefits offered could offer a competitive edge over other employers.
### Figure 9.0 The Employers Interviewed

**TOTAL: Companies/Organisations**

<table>
<thead>
<tr>
<th>Respondent Title</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing director/director/chief executive</td>
<td>2</td>
</tr>
<tr>
<td>Director/finance director/personnel director</td>
<td>4</td>
</tr>
<tr>
<td>Company secretary</td>
<td>1</td>
</tr>
<tr>
<td>Company accountant/treasurer</td>
<td>2</td>
</tr>
<tr>
<td>Actuary</td>
<td>3</td>
</tr>
<tr>
<td>Salaries and payroll manager (or assistant)</td>
<td>3</td>
</tr>
<tr>
<td>Pension fund director/manager</td>
<td>10</td>
</tr>
<tr>
<td>Pension fund administrator/co-ordinator</td>
<td>9</td>
</tr>
<tr>
<td>Head of pensions policy</td>
<td>2</td>
</tr>
<tr>
<td>Chairman of trustees</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
</tr>
</tbody>
</table>

**SECTOR:**

- **PRIVATE SECTOR**
  - (Car manufacturers, communications, electrical/electronics/engineering, other manufacturing, pharmaceutical, food & drink manufacturing and outlets, printing, mail order, and financial services)
  - **22**

- **NATIONALISED INDUSTRIES:**
  - **2**

- **OTHER VOLUNTARY SECTOR:**
  - (Local authorities, voluntary sector/charities, other)
  - **6**

**Size of Firm:**

<table>
<thead>
<tr>
<th>Size Category</th>
<th>Count</th>
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<td>Under 100 employees</td>
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</tr>
<tr>
<td>100-499</td>
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<tr>
<td>500-999</td>
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<td>1,000-9,999</td>
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<td>10,000-99,999</td>
<td>12</td>
</tr>
<tr>
<td>100,000+</td>
<td>2</td>
</tr>
</tbody>
</table>

**Type of Scheme:**

<table>
<thead>
<tr>
<th>Scheme Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final salary</td>
<td>24</td>
</tr>
<tr>
<td>Money purchase</td>
<td>1</td>
</tr>
<tr>
<td>Hybrid</td>
<td>3</td>
</tr>
<tr>
<td>Group personal pension</td>
<td>2</td>
</tr>
<tr>
<td>Contributory</td>
<td>23</td>
</tr>
<tr>
<td>Non-contributory</td>
<td>7</td>
</tr>
<tr>
<td>Contracted out</td>
<td>29</td>
</tr>
<tr>
<td>Contracted in</td>
<td>1</td>
</tr>
</tbody>
</table>

1. Four interviewees were also trustees; two were secretaries to the pension fund
2. More than one respondent interviewed at some companies
3. 1987 GAD Survey of Occupational Pension Schemes, HMSO 1991, indicates that this distribution is approximately representative of occupational pension scheme membership, but not of schemes since small schemes are under-represented.
'The first reason is commercial. It's for market competitiveness in that if we didn't operate a pension scheme we'd find it very difficult to attract the right sort of people.'
(Company Secretary; private sector)

'It's part of the general benefit package which we regard as competitive. And if we look across the financial services sector, the people with whom we compete for staff offer similar packages. So we run a pension scheme, we run a car scheme, we run a mortgage scheme.'
(Company Actuary; private sector)

There was some feeling that the need for pension schemes as a means of attracting high calibre staff was less important now with high levels of unemployment, although there continued to be a need for the 'right type of person' and the offer of a pension scheme provided an additional inducement to potential employees. In this context, older members of the workforce were felt to be particularly attracted to employers that offered a pension.

'I've been in this business long enough to know that a 20-year-old turning up on the doorstep has no interest in pensions whatsoever, but someone starting at 50 is very keen to ensure that their retirement is well provided for.'
(Pensions Manager/Secretary to pension fund; ex-public sector)

Providing adequate benefits to employees
With a number of the pension schemes being over a hundred years old, many employers felt that the initial impetus for setting up the schemes was rooted in paternalism and philanthropy. Although no longer couched in these terms, employers felt that their schemes retained the principle of 'being in the best interest of employees', views that were particularly apparent amongst public sector employers. These views were often expressed in a range of ways:

- ensures an adequate income and enables people to continue their standard of living during retirement:

'Because we care what happens to our employees in their old age. We see it as part of their salary.'
(Personnel Officer; voluntary sector)
'... the concern is that people have adequate income during retirement ... a desire to ensure that the staff are properly looked after in retirement and have sufficiently secure funds to live comfortably in retirement.'

(Pensions Administrator; private sector)

- removes employees from the risks associated with self-investment

'... it removes from the individual the risk of them using any other forms of investment.'

(Company Secretary; private sector)

The provision of final salary pension schemes was also mentioned in this context; they were considered to be the most beneficial for employees as they provide a guaranteed benefit with the minimum of risk. Money purchase schemes, while potentially attractive to companies because of the nature of their funding (defined cost), were felt to be less suitable for employees because the retirement benefit was unpredictable.

'The company does, and will, argue very very strongly that the most appropriate vehicle to provide pensions for its employees, without a doubt is the final salary. That is the one vehicle which can look to guarantee to provide the continuation of the standard of living. Money purchase cannot do that and, therefore, we do believe very strongly that final salary is the most appropriate vehicle for our employees.'

(Actuary/Secretary to the pension fund; private sector)

**Helping employee relations**

Benefits such as a pension scheme had, for some employers, become part of the mechanism of pay negotiations and settlements, and often had the support of the trade unions. In this respect, pensions were seen as a way of maintaining or enhancing the relationship between employers, trade unions and the workforce; to dilute or dispense with the pension scheme might 'cause a riot'.

'There were a lot of questions about how the company should push its pension plan ...and the company recorded that fact that the trade unions were active supporters of the occupational schemes we run. The company had sweated blood. There had been strikes — threatened strikes — over the years, on pensions. And if we suddenly came to a decision, "Well, does it [pension scheme] matter?", why had we spent ten, fifteen years aggro getting our pension plans into the very good state they’re in at the moment?'

(Pensions & Payroll Manager; multinational, private sector)
As a tool to reduce the size of the workforce

Particularly in current times, 'manpower planning' was a pertinent issue for companies; some employers considered that the presence of a pension fund enabled them to slim down their workforce by encouraging early retirement. Indeed, some felt that the absence of their pension scheme could actively hinder their ability to encourage early retirement. Where the industry was being slimmed down employers were prepared to offer employees who were no longer needed – particularly those in their 50s and early 60s – early retirement with no reduction in their pension, plus a redundancy payment.

'An organised pension scheme can fulfil lots of roles. It does help in industrial relations, or enabling re-organisation to take place, with early retirement, it's very useful in that sort of context.'
(Pension Fund Administrator; public sector)

'Without a pension scheme you'd find it pretty difficult, I think, to shake people out before 65.'
(Treasurer/Trustee; multinational, private sector)

'It's in the company's interest ... the way the company has had to cut back on its workforce ... the pension is always an incentive, a way of getting people to leave, by saying, 'Look, you've got a pension. We won't make any reduction. We'll give you redundancy money as well.' I think if you had the whole workforce relying on a personal pension then that would restrict the company's ability to persuade people to volunteer for early retirement.'
(Pensions & Payroll Manager; multinational, private sector)

9.2 EMPLOYERS' VIEWS ABOUT THEIR OCCUPATIONAL PENSION SCHEMES

The employer's view

In general, employers felt that their particular pension schemes were very good – good per se and good in comparison to others in the industry. Although some employers were slightly critical describing the schemes as 'adequate', 'not wonderful' and even 'minimal', they, nevertheless, regarded them as worthwhile (figure 9.1).
**FIGURE 9.1 HOW EMPLOYERS REGARD THEIR PENSION SCHEMES**

- **‘GOOD’, ‘GOOD FOR THE INDUSTRY’**
  - ‘I’m a member, of course. I’d be off my head not to be.’
  (Salary & Pension Manager)
  
  Because of:
  - good accrual rates
  - range and level of benefits
  - good management/investment performance
  - percentage of employees in the scheme
  - tax efficient way of saving
  - highly rated in independent surveys
  - better than PPs as commission free

- **‘ADEQUATE’, ‘NOT WONDERFUL’, ‘MINIMAL’**
  
  Because of: Poor benefits
  
  But
  - still ‘worthwhile’.

- **THE ‘DOWN-SIDE’ OF COMPANY PENSION SCHEMES**
  
  - the amount of legislation and complexity of running the scheme
  - the cost of running the scheme

**‘Good’ pension schemes**

In considering their own pension schemes, employers took a range of factors into account (Figure 9.1), with the most important being the **range and level of benefits** available to scheme members. Benefits that would help to maintain a person’s standard of living during retirement, such as pension increases and index-linking, and cover ‘all eventualities’, ‘such as providing widows’ and children’s pensions, were considered to be key indicators of a scheme’s value. Generous accrual rates, non-contributory schemes and retirement ages of 60, without actuarial reduction, were also highly regarded. Pension schemes providing benefits ‘near the Inland Revenue limits’ were also seen as a pointer towards the scheme’s value.

‘First of all it’s linked to final pay. That’s number one. Secondly, it has a pension fraction of fifty-fifths which is better than the norm for the UK, the norm is a sixtieth. We have generous early retirement provisions. Although the normal retirement age is 65 you can retire with company consent without an actuarial reduction on age 60 or above, so there’s a kind of retirement corridor for both men and
women, 60-65. It provides good death benefits – you get a cash sum of two years’ pay and a widows’ pension based on service to projected age of 62. It provides good cover on disability.’
(Assistant Treasurer/Trustee; multinational, private sector)

‘I think today it’s a very good scheme and I would hold my head up and I certainly wouldn’t be ashamed of what we do ... we pay 60ths of final salary, we guarantee increases of 4 per cent per annum or RPI, we have a good record of discretionary increases above that. We provide full notional service for ill health retirement, three times salary, death in-service benefit, full spouses’ pensions, both widows and widowers, and children’s allowances. So, yes, we stack up very well with best current practice in the market place.’
(Pensions Manager/Trustee; private sector)

**Good fund management and good investment performance** were also mentioned by some employers as being factors in their positive perception of their pension scheme – ‘good strong scheme, well managed and provides worthwhile benefits’.

‘Also I think because of the way in which it is run, and the transparency of the management and the control mechanism, the consultative processes, the predominance of member trustees on the board of trustees and on two of the committees. It’s something that gives you a lot of confidence if you’re a member.’
(Director – Corporate Services; private sector)

‘The fund’s got an excellent track record, virtually whatever period you look at you will see us featuring prominently in terms of investment performance.’
(Pension Fund Administrator; self-administered, private sector)

In this particular sample of employers, two-thirds of pension schemes had **high levels of participation** with memberships in excess of 90 per cent of the eligible workforce, a factor that a number of employers felt indicated the value of the pension scheme, particularly now that membership is no longer compulsory.

‘I think another indication ... is that the rate of people that don’t join on recruitment and the rate of people that opt out is considerably lower than the survey averages.’
(Pensions Director; private sector)
In addition, the majority of employer respondents often backed up their satisfaction with the pension scheme by indicating their own membership — 'I'd be off my head not to be [a member]'.

The value of the pension scheme was also demonstrated by comparison with Personal Pensions. Three features predominated: the need to pay commission on personal pensions which was said to reduce the amount of money available for the person's pension plan; the feeling that personal pension plan projections were based on inflated returns; and the perception that, for an individual, personal pension plans were far more expensive for an employee than occupational pension schemes.

A number of minority indicators of the value of the scheme were also mentioned. These included the belief that pension schemes were 'the most tax-efficient way of saving' and an instance where the benefits of the fund had been validated by independent surveys — '... among the leaders in the NAPF survey'.

'Adequate' pension schemes
Employers were candid about the pension schemes they operated, indicating that although worthwhile, they were sometimes only 'adequate', rather than good schemes. Invariably, their comments were based on what they felt to be a relatively poor range and level of benefits provided by the scheme, and low accrual rate.

The 'down-side' of occupational pension schemes
Employers indicated that while they remained committed to providing pensions, some felt that the future of occupational pension schemes, in general, and final salary schemes, in particular, was 'in the balance'. This was due to the unattractive features of running the pension schemes which were primarily their cost, and more importantly, the amount and complexity of legislation surrounding their administration. We deal with this issue more fully in Chapter 10.

How employers think that employees, pensioners and trade unions regard the scheme
In general, employers felt that employees were pleased to have the option of joining an occupational scheme, primarily because it 'gives them a retirement income and they don't have to think too much about it'. However, with the exception of a small number of employers who had conducted recent surveys amongst their pension scheme members, companies had relatively little information about how their employees regarded the pension scheme.
In general, employers tended to hear only the negative comments about the scheme from the membership – ‘Unfortunately, not many people get in touch to say what a good scheme it is, only to find out some information ... or complain about something ... but, that is life’. Those members who had made a complaint mentioned a range of issues of which poor benefits and poor transfer values tended to be in the majority. Some employers also felt their members to be unhappy about the fund’s return on its investments; contribution holidays were felt to be an issue for some employees; others were said to be suspicious of how the management used, or wished to use, the pension funds surplus.

Where pensioners had made complaints about the scheme, these were of a common form – the perceived inability of their pension to keep up with the cost of living and the inadequacy of pensions that were not index-linked.

Employers had gleaned some perceptions of the scheme from members who had opted to take a personal pension. There was some feeling that personal pensions were less complicated, particularly in terms of portability, than occupational pension schemes, a view with which some employers concurred. They did not, however, agree with those employees who felt that the investment returns from personal pensions were better than from an occupational scheme.

'We only really know about [members] who have opted into a personal pension. They seem to think that their pot of gold in the company scheme is going to make them a fortune in a personal pension. I think they are totally misguided and misinformed, but that is up to them. I don't think it tells me anything about the [company] scheme, only about how the insurance companies work.'

(Pensions Director; multinational, private sector)

Where the firm or organisation was unionised, the trade unions were generally felt to be strongly in favour of the pension scheme, regarding it as a significant benefit. Indeed, from the employer’s standpoint, trade unions gave ‘active support’ to the pension fund and ‘regarded it with a high degree of importance’.

'I think the union regard it [the pension scheme] as the benefit of working for [organisation], second only to their salary.'

(Chief Executive; public sector)
Even schemes that were felt to be only ‘adequate’ by the employers themselves were still prized by the trade unions as being of benefit to their members – ‘there’s lots to be done, but they’re happy’.

Despite their positive views about the pension scheme, the unions were noted for ‘constantly pushing for more [benefits]’, particularly where the scheme was in surplus.

‘Well, what can you expect, the unions are there to better their members’ benefits.’
(Pensions Administrator; multinational, private sector)

9.3 FURTHER INDICATORS OF HOW EMPLOYERS REGARD THE SCHEME

In considering the reasons for operating an occupational pension scheme, employers often talked in terms of ‘philanthropy’ and the ‘caring nature’ of the organisation, attitudes that were echoed in the policies and practices that they had adopted towards the pension scheme (figure 9.2).

FIGURE 9.2 FURTHER INDICATORS OF HOW EMPLOYERS REGARD THE SCHEME

- Encourage recruitment
- Concern about non-joiners
- Concern about people who opt-out
- Conducting satisfaction surveys
- Offering retirement courses

In general, employers were very keen to continue to attract new members into the scheme and had adopted a number of strategies to encourage this. In part this was accomplished by requiring new employees to opt out of the pension scheme. In such cases, new employees were automatically enrolled into the scheme and were required to sign a declaration to opt out if they so wished. This approach, employers felt, allowed them to ‘attract new members before they signed up with a personal pension’.

Continuing the theme of attracting new members, some employers were conscious that the information they supplied to new employees was inadequate.
'... make up their mind in six months of joining the company as to whether they should join the scheme or not. And it's becoming more apparent that because of the [way we do] induction that they've missed the boat to join the scheme and will turn around and say, "no". We are [trying to address it] by getting the induction done sooner ... we're also in the process of reviewing and revising the documents that new recruits get.'

(Pensions Administrator; private sector)

**People who did not join the pension scheme** were of concern to some employers, with some beginning to seek reasons as to why this was happening. The cost of contributing to the pension scheme was felt to be a major difficulty, particularly for young people and women returners.

'I don't think they dislike the scheme because really there is nothing to dislike about it other than the requirement that they have to contribute to be a member and I think that is the biggest deterrent. I think the pressures on employees' budgets these days are such that a lot of them find it very difficult to make the decision to voluntarily reduce their take-home pay by what they would see as a significant amount.'

(Pensions Administrator; private sector)

Employers had no solutions to address this particular problem, but hoped that as employees got older and their salaries increased, the pension scheme would become more attractive to them.

Of equal concern were scheme members who **opted out** of the pension scheme, primarily into personal pension plans. Three issues arose in this context: a view that personal pension plans were over-selling their investment returns:

'They [employees] are inundated with money purchase/personal pensions carpetbaggers – they over-sell the returns on personal pensions very considerably.'

(Company Secretary; small private sector company)
— a feeling that employees were not taking sufficient professional financial advice:

‘I asked the question, “Did you take independent financial advice?”’, “Yes, my wife’s friend”, “My cousin’s husband”.
(Pension and Payroll Manager; multinational, private sector)

— and employers’ perceived inability, because of the Financial Services Act, to provide financial advice:

‘The problem comes with those people who don’t actually join it, and you do despair. Because you’re not allowed to actually give them financial advice, whereas their brother-in-law’s friend can.’
(Pensions Manager; multinational, private sector)

Some employers recognised that they had only a sketchy understanding of how their employees regarded the pension scheme and had begun to tackle this by conducting satisfaction surveys. As well as attempting to gauge employees’ feelings about the pension scheme, some employers had also designed their surveys in such a way as to measure employees’ understanding of the scheme with a view to revising the information documents they provided to potential and new members.

A number of employers (particularly the larger and multinational companies) felt that their duty to their employees continued throughout their working life and took the opportunity to raise the issue of pensions again when retirement was within sight. In these instances they provided retirement programmes, pensions and financial planning being a core issue. For example:

‘When employees are identified as close to retirement we provide pre-retirement seminars, generally two or three years out of retirement. And also we provide a Planning for Retirement seminar for people perhaps seven to ten years away from expected retirement date to make them aware of the provisions of the pension scheme and certainly for the planning opportunities, perhaps to invest, either by way of AVCs, or helping to assist their planning for retirement.’
(Actuary; private sector)
THE EMPLOYERS’ PERSPECTIVE

THE COMPLEXITY OF THE LEGISLATION AND REGULATIONS AFFECTING PENSION FUNDS
THE COMPLEXITY OF THE
LEGISLATION AND
REGULATIONS AFFECTING
PENSION FUNDS

The most frequent issue to be raised by employers, mostly spontaneously, concerned the impact that an increasing volume of legislation and regulations was having on the administration and management of occupational pension schemes.

10.1 LEGISLATION AND REGULATIONS – THE PROBLEMS

The extent and complexity of the existing legislation and regulations were of particular concern to employers:

'I think one of the biggest complaints of most pensions administrators is the absolute complexity of legislation that we have to contend with.'
(Pensions Manager/Trustee; private sector)

While employers recognised the need for pension legislation they felt that the piecemeal approach had resulted in 'vast volumes of laws and regulations' which meant it was extremely difficult to have a full grasp of the legal framework in which company pensions operated.

'... we spend half our time trying to interpret what the bloody Government have introduced by way of legislation. We've got 13, 14 Acts of Parliament we are supposed to know; we've got 100 something regulations in there. We've got the Inland Revenue practice notes. It's impossible to know. I certainly don't know. As a solicitor we've got one of the leading experts ... said to me the other day, "If you expect me to know all the legislation about pensions, don't employ me because I don't. I've got it and I know where to look, but I don't know it".'
(Pensions Manager/Secretary to pension fund; ex-public sector)
Additional problems were felt to have arisen due to poorly constructed regulations that had been published without properly defining the issues in hand:

'I am just concerned about the layer upon layer of legislation that we are being asked to cope with. Very often regulations are introduced without proper definitions. And an example of that is the surplus regulations where we just have to place our own interpretation on that. And just hope that it is right at the end of the day when someone really defines it for us.'

(Managing Director; multinational, private sector)

There was considerable anger about the general complexity of the legislation surrounding pension schemes of which the following features were specifically mentioned:

**FIGURE 10.1 HOW EMPLOYERS REGARD THEIR PENSION SCHEMES**

**THE PROBLEM**

- Extent of the legislation
  - 'layer upon layer of legislation'
- Complexity of the legislation
  - 'a nightmare'
  - 'a full-time job trying to understand it'
  - DSS and IR pulling in different directions

Especially mentioned:
- GMPs
- IR limits and taxation
- Variable commutation rates and lump sums

**THE CONSEQUENCES**

- Time consuming
- Increased costs
- Greater scope for error
  - 'The more regulations there are, the easier they are to breach, and that makes the pension fund vulnerable.'
  - Complicates communication with scheme members

And may:
- Discourage companies from setting-up occupational pension schemes
- Switch from FS to MP schemes
or
- Tempt companies to give up running pension schemes if further legislation introduced

**EMPLOYERS' SUGGESTIONS FOR ACTION**

- Simplify the legislation
  - '... need a balance between maintaining rights and simplification.'
- Simplify and rationalise DSS and IR regulations
- **Guaranteed minimum pensions (GMPs)**
  "We now have three different regimes with which we have to contend; the pre-March '87, the March '87 to 1st June '89 and then post-June '89. There are different limits, different criteria, and this only adds to the problems."
  (Pensions Manager/Trustee; private sector)

- **Variable commutation rates and lump sums**
  "We, for example, would be asked, "why can I only have 3/80ths commutation if I'm a post June '89 member when somebody who joined pre-March '87 can have it on a different scale?". I think the Inland Revenue are being a little bit petty in some of these areas."
  (Pensions Manager/Trustee; private sector)

- **Inland Revenue limits**
  "I think the Inland Revenue, frankly, are a pain in the backside. Why does it matter what pension we pay to someone; why limit it to 2/3rds pay? What does it matter what the pension is because you're taxed on it anyway. Does it really matter what pension you pay someone ... if the Revenue felt that no one should get a pension totalling more than a certain percentage of final pay, why couldn't they -- because they're in possession of all the information of exactly what pension rights people are getting -- why can't they say to the individual, "Your pension exceeds our level, therefore you'll be taxed at a higher rate on the excess"...Why do they have to have these terribly complicated regulations that affect a minority of the pensionable population?"
  (Pensions & Payroll Manager; multinational, private sector)

  "... this 2/3rds limit on a pension is ridiculous ... if you're in a personal pension plan there's no limit ... there should be no limit at all ... you've got the danger of the company chairman awarding himself massive increases in the last two or three years, that's what I think it's done for. So everybody has to suffer just because of the few."
  (Salary & Pensions Manager; private sector)

While employers felt that the piecemeal approach that had been adopted towards the management of pension schemes was a major factor in generating cumbersome and complex regulations, **the differing requirements of the Treasury, Inland Revenue and DSS** were felt to be contributory factors.
'Life in the past few years has been made very difficult by increases in legislation and particularly the fact that some of it comes from the Treasury and some of it comes from the DSS. That really is a problem because those two departments haven't always been heading in the same direction -- at least that's how it looks to us.'

(Financial Director; private sector)

'At the moment [the DSS and Inland Revenue] are charged with different objectives ... the DSS is looking to protect contracting-out and make sure there's a minimum standard applied. The Inland Revenue are concerned about the application of tax reliefs ... each little step is justifiable in terms of their objectives but the total is unmanageable.'

(Company Actuary; private sector)

The difficulties encountered by employers were stressed by large and small organisations alike. However, it appeared especially difficult for small companies. Large companies or public sector employers usually operated a pensions department, 'staffed by experts', that had the resources to tackle new regulations; in small employers where pensions were often dealt with by 'the salaries and personnel person', neither the resources nor the expertise were available to cope with new legislative demands, there were so many other demands on time, as well as ignorance of the legislation and its extent.

10.2 THE CONSEQUENCES OF WIDE-RANGING AND COMPLEX LEGISLATION

With a rapidly expanding set of legislation and regulations governing pensions, many employers felt that the management and administration of pension schemes was 'becoming a nightmare'. Administration had become far more time-consuming and, consequently, far more costly.

The volume of regulations was also felt to be greatly increasing the scope for error, with breaches of the regulations becoming far more likely and leading to greater vulnerability of the pension fund assets. For example:

'If you have enough regulations you're going to, without doubt, breach those regulations. You're much more likely to breach them because there's such a lot of them that unconsciously you're going to breach regulations from time to time. I think that's the danger.'

(Director of Corporate Services; private sector)
Additionally, communicating complex regulations to members had become more difficult, as well as costly:

'The enormous amount of regulations and restrictions that flow from the Occupational Pensions Board and the Inland Revenue is becoming a nightmare and how you convey all the nuances to members, frankly, is beyond me... not only do we have to contend with [the complexity of the legislation] we have to communicate the consequences of these legislative requirements to the members. And the members simply can not understand them. And it seems to me fundamentally wrong that somebody who is leaving our employment gets a letter from me which is factually correct but which is virtually incomprehensible to anybody other than a trained actuary. Common sense says there has to be something wrong with that.'
(Pensions Manager/Trustee; private sector)

In this context, regulations that added tiers of amendments, as with GMPs, were felt to be particularly burdensome, both administratively and in terms of cost. Both large and small companies were particularly keen to see this type of regulation simplified and not repeated in the future.

The threat of more legislation and regulations was a major concern. Indeed, some employers felt that it may make some companies less inclined to set up company pension schemes:

'... if you have a final salary scheme by golly do you have a lot of hassle, because of all the legislation ... if I start with a blank sheet of paper I, as an employer, am not going to set one up.'
(Company Actuary/Secretary to pension fund; private sector)

or move away from final salary schemes to money purchase arrangements:

'There is a danger that if too much bureaucracy is introduced – additional bureaucracy, there's enough already, legislation and statutory requirements, and so on – it will put employers off operating a final salary scheme because they'll just shrug and say, 'It's costly, it's unpredictable, we're having to spend a lot on administering it, what's the point? Let's go to a money purchase scheme.'
(Pensions Director; private sector)
Others felt that the existence of pension funds in general could be called into question:

'If the Pension Law Review Committee comes out with yet more legislative constraints the employers will vote with their feet and dismantle their schemes.'
(CHairman of the Trustees; private sector)

'My biggest concern is coping with the incredible volume of complex legislation that is being dumped on us. We do occasionally throw our hands up and say, 'Why the hell are we doing all this?'
(Company Actuary; private sector)

'My fear is that if we keep getting burdened with this sort of thing [regulations] a lot of employers, including this one, might just say, 'Well, we are in the business of making [consumer goods], not running these complicated financial arrangements for our staff. They had better go off and do their own thing – we just can't get involved in the administration of the thing.'
(Financial Director; private sector)

10.3 SUGGESTIONS FOR ACTION

With every new piece of legislation the administration of occupational pensions was said to have become more complex. With this in mind, employers were very concerned that the outcome of a pension review might result in even greater complexity. Employers felt that any changes to the legal framework affecting occupational pensions should result in a simplification of legislation, and regulations and rationalisation of the DSS and Inland Revenue positions.

Simplifying the legislation
There was considerable criticism of the plethora of statutes and regulations that currently surround the administration of pensions; simplification was felt to be long overdue. At the same time many employers recognised that the regulations had often been introduced to protect scheme members’ rights. Their desire was to see new legislation that maintained a balance between simplification and the maintenance of rights:

'I think that we've been saying all through this interview that the bureaucracy is quite demanding already. And it's given members additional rights which is a good thing. But we're looking, I think, to
the Goode Committee for a little bit of balance here and hopefully a recommendation for some simplification – not to take away members rights, not to dilute those justifiable rights – but to perhaps make it slightly easier on pensions management to operate the pension scheme.’

(Director of Corporate Services; private sector)

There were very mixed feelings about the form that new legislation ought to take. Some felt that there should be a Pensions Act, enshrining a simplified set of statutes and regulations. Others, however, felt that Trust Law had worked well and simply needed tightening up. A major reservation in the ‘sweeping away’ of Trust Law as the legal vehicle for pensions was that a ‘bureaucratic monster’ might take its place.

‘My concern is that [any changes] will be a botch and will just make it even more complicated. I think it’s an ideal opportunity to attack pensions at the roots and come up with something that’s got one controlling body and perhaps have a Pensions Act.’

(Pensions & Payroll manager; multinational, private sector)

‘As far as the basic framework is concerned I think that Trust Law is as good as anything actually. I think there is a great risk that if we put in some other legal framework, as they have on the continent, that we would actually give birth to a bureaucratic monster, as they have on the continent and many other countries.’

(Assistant Treasurer/Trustee; multinational, private sector)

**Rationalising DSS and Inland Revenue regulations**

There were considerable indications that employers felt that they were being overwhelmed by competing administrative demands of different government departments, each with their own objectives. While the DSS’s aim of protecting minimum pensions through GMPs was felt to be laudable, the way in which this had been accomplished was considered too administratively cumbersome and costly. Similarly, the Inland Revenue’s perceived aims of restricting the amount of pension that a member could accrue was felt to be both ill-conceived as well an ‘administrative nightmare’.

‘... I understand why the DSS are doing this [GMPs] but you would have thought that they could have come up with something better than they have ... it’s a real burden.’

(Pensions Manager/Trustee; private sector)
‘If they [Inland Revenue] want to impose limits, why don’t they simply impose limits on how much salary can go into a pension scheme by way of an employee contribution and an employer contribution and leave it at that. What comes out of the scheme to me is academic if you limit what goes in.’

(Pensions Manager/Trustee; private sector)

‘The legislation is far too interfering – it’s the Inland Revenue – because they’re scared stiff of giving too much tax relief and not getting their pound of flesh when the member retires. The Inland Revenue would have its pound of flesh by probably removing all, or part, of the tax-free lump sum.’

(Chairman of Trustee Board; private sector)
THE EMPLOYERS’ PERSPECTIVE

COMMUNICATION ISSUES
COMMUNICATION ISSUES

11.1 INFORMATION PROVIDED TO SCHEME MEMBERS

Scheme members

New pension scheme members were, invariably, provided with an introductory booklet outlining the features of the pension scheme. This was often supplemented by a ‘pack’ containing information about AVCs, and sometimes information about other benefits such as health insurance scheme and early retirement benefits. Some employers provided employees with this information on the day, or within the week, of their joining the organisation; others included it as a component of an induction course, usually within three months of joining. One company issued a copy of the trust deed as a matter of course.

Organisations in which the employee was required to opt-in to the scheme either provided the basic scheme booklet or a ‘pre-joining’ leaflet containing less detailed information.

The three organisations operating money purchase schemes or group personal pensions generally provided employees with customised information supplied by their insurance company.

With the exception of public sector employers, all other employers provided pension statements, usually on an annual basis. The type of information these contained varied. Some simply gave an indication of the members’ pension based on current salary and accrued rights; others provided additional levels of detail including death benefits, early retirement calculations, and where appropriate contributions to AVCs. A few companies also provided projected pension calculations based on a person’s likely salary increases. The company providing a money purchase scheme provided, through its insurance company, pension statements containing a series of projections based on ‘possible’ investment returns.

Statements of accounts and investments were provided automatically by some private sector companies; sometimes these formed a part of the trustees’ report.

Newsletters and circulars, often produced on an ad hoc basis, tended to cover a range of issues but were also a vehicle for pensions information.
Some employers were, or were contemplating, contributing a regular pensions feature. Staff and pensioners' associations also issued newsletters, containing pension-related information, as and when, necessary.

An increase in the coverage of pension issues had occurred in the aftermath of the Maxwell affair, with some employers releasing circulars specifically to allay fears and clarify the situation regarding their own pension schemes.

With the exception of pension statements, personalised information tended to be provided on demand. This included information about AVCs – both before and while making contributions – and early retirement calculations.

The amount and type of information provided tended to be related to the communications culture of the organisation; strong, cohesive workforces and family run companies (or a past history of family ownership) tended to have systems in place for providing considerable amounts of information on a regular basis. A strong trade union presence was also associated with high levels of pension-related information. By contrast, companies that had workforces that were disparately spread, geographically, had greater problems in providing information. They tended to provide information in 'packs' and on a less regular basis.

**Pensioners**
The information provided to pensioners tended to be more restricted. This included a regular 'pay-slip' and notification of any changes to their pensions, such as an increase. Some were automatically sent a statement of accounts and investments, although this was more usually provided only on request. Companies often relied on the company newsletter (where provided) and staff association newsletters to inform pensioners.

**People with deferred pensions**
With few exceptions, companies did not provide any regular information to people with deferred pensions once they had left the company. Where information had been provided this was usually a pension statement.

**Providing information to third parties**
None of the employers provided information to people other than the scheme members. Most were reluctant to do so, even where the third party was their spouse or next of kin. This was mainly on the grounds of confidentiality and to a lesser extent the cost. Some employers were prepared to provide information to a spouse, but only with written permission from the scheme member.
Pension details would not be released to creditors; some organisations had clauses in their trust deeds expressly prohibiting such action.

11.2 INFORMATION-PROVIDING STRATEGIES

Much of the information provided was in written form, with a range of methods of dissemination apparent across the employer sample. While the primary method was through internal mail systems and external mail-shots (pensioners in particular), a variety of other methods were used.

Talks and seminars featured as a useful, although not very frequently used, method of imparting information. Sometimes part of induction courses, they were mainly carried out on an ad hoc basis according to demand. Two approaches to verbal communication were used. Some employers directly addressed the workforce, others conducted seminars amongst senior management and through a ‘cascade approach’ provided pensions-related information to all levels of the workforce. The latter approach was particularly apparent in large, multi-site companies. Trade unions were also part of the ‘information cascade’ in some organisations.

Video-tapes were used by a small number of employers to provide information about pensions to employees. Sometimes the coverage was wide-ranging, sometimes related to a specific topic such as AVCs. The latter were often videos produced by insurance companies that employers had contracted to provide AVC arrangements.

Most employers were happy for scheme members to get in touch with the pensions department in case of a query, either by telephone or letter; some employers preferred that employees contacted their line manager or pensions representative at local level in the first instance. A small number had set up ‘Pensions Helplines’, particularly after the Maxwell affair, as a way of providing ad hoc information and advice.

11.3 HOW MUCH INFORMATION – THE STATUTORY MINIMUM, OR MORE?

Employers were generally very keen to provide their employees with information about the pension scheme: – ‘It’s terribly important’, ‘I need to know about my pension, so why shouldn’t the rest of the organisation?’; most felt that they provided more information to members than was required by law, although some of the smaller ones felt that the information they provided was consistent with the statutory minimum.
In this context, comments were often made about the ‘heavy requirements’ that the law placed on information provision:

‘Well, looking at the regs. I did have the view that what else could we tell people. If you comply with all of that as a package of information on an annual basis there’s an awful lot there. When you look at it: the rules and trust deeds are available for inspection on demand, the booklets ... the annual statements, the members report, the ability to have copies of the valuation report and the accounts. What else can you do except go out with a van and a loud hailer saying, “[Company’s] pensions are wonderful”.’

(Pensions Manager; private sector)

However, it was also very apparent that many employers were unaware of what the statutory minimum requirements were, a feature of both large and small organisations. In particular: they were often unaware of the information requirements regarding people with a deferred pension, in most cases providing such information only on request.

11.4 PROBLEMS OF PROVIDING INFORMATION

Employee understanding
A number of employers used in-house surveys as a basis for discussion of their perceptions of employees’ understanding of the pension scheme; others admitted that they were ‘guessing’ and basing their views on ‘the lack of understanding that employees show when they ring up with a query’.

Companies in the financial sector felt that their employees probably had a greater understanding of pension issues because of its relevance to their business. Small companies tended to have a similar view considering that it was easier to disseminate information to a small workforce.

However, the general feeling amongst employers was that their employees had little understanding – ‘there’s a lot of ignorance’ – of the occupational pension scheme. In part this was felt to be due to employee apathy, particularly in an employee’s younger years:

‘There’s a learning curve that goes with age ... when they retire, I think on average, about 90 per cent of them understand 80 per cent of what it’s all about.’

(Pensions Manager; private sector)
and in part because of the complexity of pensions, in general, and the complexity of the information that this generates. (See Chapter 9 for a discussion of this issue in full.)

Through both surveys and experience employers had found that employees had considerable difficulty in understanding the concepts behind, often very technical, terminology: contracting-out, accrual rates, protected rights, final salary, GMP, and the 15 per cent contribution limit were all identified as difficult concepts for employees to understand. Some of these, such as GMPs, were particularly difficult, both for the employee to understand, as well as the employer to explain.

‘I think without a doubt pension increases excluding the GMP is probably the most horrendous thing to explain to anyone. And I sometimes sit down and wonder if I understand it.’

(Pensions Manager; ex-public sector)

Employers’ perceptions of employee preferences

Employers had established that the majority of employees wanted information that was simple, well laid-out and easily accessible. The absence of formulae and the inclusion of worked examples were felt to be highly regarded. Similarly, employees were felt to welcome pension statements that contained actual sums of money rather than projections expressed as fractions or formulae.

Money purchase and group personal pension arrangements were particularly criticised for the inclusion of ‘reams of calculations and projections’ giving a range of projected scenarios based on a range of potential investment performances that were felt to be difficult to relate to either an employee’s current, or future, salary. In fact they do not relate to salary, but to the value of employees’ invested contributions.

The amount of information required by scheme members was also critical. Too much information and the employee would ‘get fed up and bin it’; too little information and the employee may either decide not to join the scheme, or may be critical of the scheme and consider opting out into a personal pension.

Although employers produced, often large numbers of, pension-related documents, they were aware that employees preferred to be able to talk through their pension queries. This was particularly so at ‘critical times’ of transferring pension rights, retirement and early retirement.
Employer strategies
In the light of the Maxwell affair and additional regulations regarding the provision of information, employers had become more aware of the need to provide information to scheme members:

'I think that legislation and the Maxwell affair has meant that people have suddenly acknowledged that we have to keep people informed.'
(Pensions & Payroll Manager; multinational, private sector)

They had adopted a range of strategies to provide more information. Some had embarked on a programme of **up-dating the booklets** they send to scheme members, considering the content, readability, design, layout and attractiveness in some detail. Some were also looking for ways of presenting financial information in a more easily accessible way using graphics and simplified text.

The initiative to use **simplified texts and layouts** was in part coming from the trustee boards but also from pension fund managers and staff. The creative side of pension fund staff was beginning to be harnessed:

'It's a very young staff. We've got one or two people who are very keen on high profiles, they like the communications side of it ... it has evolved ... some years ago we decided that we ought to have a greater profile ... and then you got the legislation – disclosure – and that sort of linked in to our communications ... a couple of people we've got at the moment have an ability to communicate. [Person] is very articulate and he's always thinking, "Is someone going to understand this?", "Do they know what I mean by annuity rates or should I just say pension?" So, he's got the right approach to getting a clear and easily understood message across.'
(Pensions Manager; ex-public sector)

However, there were **dangers in simplifying complex issues**:

'We're trying to find the right balance between making it comprehensive and comprehensible. Because the scheme is extremely complicated and to cover every possible eventuality would really make a document so cumbersome and unfriendly that it would defeat its purpose. So, some amount of simplification has to take place, but on the other hand we don't want to mislead people or ignore important information.'
(Pension Fund Administrator; public sector)
Employers were also considering the **amount of information** that they distribute to scheme members. Wide differences in opinion emerged. Some employers favoured the 'package approach', providing employees with an information pack early in their scheme membership. Because of a potential 'information overload' with this approach others preferred a 'drip-feed' strategy, providing employees with information on key issues on a regular basis that gradually increases in complexity.

>'We are going to use the Newsletters, put it out a couple of times a year. And it will be a little more user-friendly than any explanatory booklet. And try to drip-feed them useful pieces of information ... one will talk about the Goode Committee ... another the results of the survey and another is describing the role of the trustees ...'

(Head of Pensions Policy; ex-public sector)

There was a general recognition amongst employers of their dependence on written material but at the same time the **preference of employees for verbal explanations and information**. However, the cost of face-to-face advice was felt to be prohibitively expensive; the recognition of this need had lead some employers to provide pension seminars and talks, another had set up a Pensions Helpline.

For some types of members, pensioners in particular, there was felt to be less of a need to provide technical information (except the relationship between GMPs and pension increases), but more of a need to 'keep pensioners in touch with what's going on'. This issue was beginning to be addressed through the forging of links between the pension fund and the staff association newsletters, as well as the inclusion of pensioners on more of the pension funds' circulation lists.

Throughout the discussion of information provision was the **cost constraint**, a factor that was particularly evident amongst some of the smaller companies.

>'Money. It is going to cost the members money.'

(Pensions Policy Manager; public sector)
11.5 THE IMPACT OF THE DISCLOSURE REGULATIONS

Views about the regulations
Views about the regulations were mixed. Some felt that they were a ‘useful checklist’, particularly those employers that considered they were providing information in excess of the statutory minimum. Others felt that the new regulations asked employers to provide too much information:

‘We felt that some of the regulations were going over the top. For example, advising people on the existence of the Pensions Registrar to enable people to trace lost pension rights. We hold their benefits so it’s difficult to see how knowing about that can help those people.’
(Pension Fund Administrator; public sector)

‘Why do we have to advertise OPAS? They should do it themselves.’
(Pensions Policy Manager; public sector)

Despite this mix of views, the regulations were generally welcomed, in principle, as they would contribute to people’s awareness of their rights as well as preventing secrecy within pension funds.

However, some concerns were also expressed, particularly about the overload of information being provided to scheme members:

‘Do people really need all this information? Aren’t we in danger of just driving people into overload ... they’ll just ditch the lot in the bin.’
(Pensions Director; private sector)

Concern was also expressed about providing information that was not seen as relevant to the person at that time. It was better, some employers felt, to provide a contact point where scheme members could access the information they required, when it was needed. This would, it was felt, reduce the amount of, potentially irrelevant, information being given to employees, as well as containing the costs.

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‘In principle, no problem. But it comes back to things which are done for the sake of it. I don’t like things which cost money and which don’t actually have any benefit because anything that costs money with no benefits, somebody, somewhere, loses out.’

(Actuary/Secretary to the pension fund; private sector)

Action taken
Most organisations included in this study had responded to the Disclosure Regulations, primarily by checking to see whether their current practice met with the new requirements; one public sector organisation set up a communication team to respond to, and implement, the regulations.

Another company had actively decided not to comply with the regulations, in particular those parts that concerned the provision of information to people with deferred pensions.

‘We have 22,000 deferred pensioners. Most of the records of these people are not on computer. We worked out that if we had to go through the process of distributing these leaflets to our deferred pensioners with our resources it would take us about 38 years. It’s an added nonsense because many of these people work for another employer. The other employer has a legal duty to provide them with exactly the same information. So, multiply that kind of duplication across the whole of the UK and there is tremendous waste of resources in doing that.’

(Treasurer/Trustee; multinational, private sector)

It was also clear that a small number of the employers were not aware of the regulations, either in part, or entirety. Some recognised that they were simply not aware of the regulations; others thought that they were aware but realised during the interview that they were not complying with them in full, particularly in relation to those with deferred pensions. Small employers were particularly likely to be unaware of the regulations; some organisations operating schemes through insurance companies ‘assumed that the insurance company deals with that’.

Problems experienced
The main problem that arose in meeting the requirements of the regulations was providing information to ex-employees who had deferred pensions. This was because of a lack of up to date addresses:
‘Some of the addresses are ages old, so we’d have to check them ... and they might move again and not let us know, so we’re back to square one ... the time and effort involved is out of all proportion.’
(Pensions Manager; private sector)

and because of the cost of obtaining addresses from the DSS:

‘... the DSS in Newcastle have all of a sudden sussed that that’s a nice little money-spinner and they charge for it now ... we simply couldn’t afford what they wanted.’
(Pensions Manager; private sector)

and the overall costs of administration.

‘We have over 24,000 deferred. Just taking the stamps into account, can you imagine how much that’s going to cost? There’s the production of the information ... and the names and addresses are all manual. Can you imagine the cost in terms of staff time?’
(Pensions Manager; private sector)
THE EMPLOYERS' PERSPECTIVE

TRANSFERRING PENSION RIGHTS
This chapter considers the transfer of pension rights between schemes, the concerns expressed by employers together with their suggested solutions. Their concerns are summarised in Figure 12.1 and discussed below.

**FIGURE 12.1 TRANSFERRING PENSION RIGHTS – EMPLOYER CONCERNS**

- **THE TRANSFER MECHANISM**
  - Pension schemes are very different; not a level playing field
    - 'like comparing cheese and eggs'
    - 'difficult to appear fair'
  - Lack of consistent actuarial assumptions
  - Expensive and time consuming
    - 'Involves a lot of wasted labour because in the end people decide against it (transferring)'

- **EMPLOYEE PERCEPTION PROBLEMS**
  - Employees do not understand transfer values and the transfer mechanism
  - Appears unfair; they think they are 'mysteriously fiddled'
  - An explanation problem, but constraints on providing advice

[Less of a concern than it used to be due to uprating deferred pensions]

Employers, with a few exceptions, felt that the transfer of pension rights was a frequent concern — 'a common problem'; 'an ever present problem'; 'a hardy perennial'; 'arises once a week' — with one employer feeling that transfers were the main weakness of final salary pension schemes and another indicating that the issue of transfers and transfer values 'brings discredit to the pension fund'. Employers were divided as to why this was so. Some felt that it was due to the mechanism by which the transfer of pension rights is achieved. By contrast, others felt that concerns arose because of an employee perception problem.

The issue of the amount of time and expense involved in processing transfers was raised by some organisations. The public sector, in particular, were concerned with the amount of time involved in executing a transfer; a
common, often implicit, theme running throughout private sector companies’ comments on the transfer process was the considerable expense involved.

For some employers, transfers were less of an issue. These tended to be public sector, or recently privatised companies, who belonged to the ‘Transfer Club’. In these cases, delays in processing transfers were more likely to be the primary concern. A small number of private sector companies were also amongst this group. These tended to be either small companies with relatively few people joining or leaving the company pension scheme, or companies whose workforce was relatively stable. Transfers were also felt to be less problematic where the pension fund was in surplus and could afford to be generous with the transfer values offered to employees.

There was also some indication that transfers were of less concern today than they used to be, a situation that had been brought about by the statutory requirement for the uprating of deferred pensions. Some employers, however, felt that the result of this legislation had been to make transfer values less generous.

‘Transfer values were fairly generous [in the public sector] until the Social Security Act, 1986 laid down statutory minimum transfer values. Then, I am afraid, what has happened is all the schemes just pay these minimum transfer values now. You will find, I think, that the public sector [were] generally more generous with their transfer values than they are now.’

(Pensions Policy manager; public sector)

Comparisons were sometimes made between the transfer of occupational pensions and personal pensions, with transfers of the latter being considered to be more easily understood (as notification and involvement of the employer were generally unnecessary).

12.1 THE TRANSFER MECHANISM – CONCERNS AND SUGGESTED SOLUTIONS

Rationalising transfer values
There was considerable variation between company pension schemes, with the benefit levels and perceived ‘generosity’ of the scheme being the critical features. As a consequence, the pensions arena was ‘not seen as a level playing field’. As a number of employers argued, it is not, therefore,
surprising that transfer problems arise. Because of the disparity in the range and level of benefits provided by schemes, it is unlikely that the accrued rights in one scheme will buy an exact equivalent in another scheme.

'A guy is earning £10,000 a year with XY Widgets. XY Widgets has a retirement pension scheme that provides a pension at age 65, perhaps based on eightieths, perhaps with no cash [lump sum], perhaps with no dependant's pension, except for the statutory one. He comes to you and you are foolish enough to be prepared to employ him for £20,000 ... if you balance the two schemes -- the normal retirement age of 65, the pension increase is automatic, and all that goes with it -- you've got a complete imbalance anyway between the two levels of benefits. You then add the factor that his salary has doubled as well, you can understand why he only ends up with two-and-a-half years in your scheme when he started off with ten years in their scheme ... And that is the thing that people don't appreciate.'

(Head of Pensions Policy; ex-public sector)

Transfer values were felt to be particularly problematic where they were used to 'buy years' in the new scheme:

'... people are still concerned by it. They still don't understand why they don't get year for year service credit [when] going from one scheme to another. I think it is an issue.'

(Actuary/Secretary to pension fund; private sector)

-- a factor that had lead many employers to change the way they expressed the transfer of accrued rights from one scheme to another. Generally, this meant a move away from 'buying years' to the purchase of a fixed pension at retirement age.

Standardising transfer values
There was a general feeling that the mechanism of transferring pension rights was in need of rationalisation, employers offering a range of suggestions as to how transfers could be effected, or seen to be effected, on a more equitable basis (Figure 12.2).

In some instances this meant the use of an industry-wide formula for the calculation of accrued benefits, such as the tables used by the Transfer Club. Indeed, one public sector employer had tried to make improvements by setting up transfer clubs with other nationalised industries but recognised that industry-wide agreements would be impossible to accomplish when
acting autonomously. Additionally, Transfer Clubs were only felt to work if the incoming pension scheme was prepared to subsidise the transfer. While this was felt to be an acceptable practice in the public sector, the private sector did not see why one employer should subsidise the pension scheme of another employer.

'The Club works because the people receiving somebody in are prepared to spend much more on that person — in other words it's swings and roundabouts. Now, that's fine in a club like the Local Authority Club, and it's essentially what happens if somebody moves within [this company], they take their existing rights with them...every attempt has so far failed to put that sort of club in across the whole [private sector] because what would happen is you might be subsidising ICI and ICI might be subsidising British Coal. Why should employers take that on?'

(Company Actuary; private sector)

**FIGURE 12.2 THE TRANSFER MECHANISM: SUGGESTED SOLUTIONS**

- **RATIONALISING THE TRANSFER MECHANISM**
  - Standardise transfer value calculations (the key issue)
  - Industry-wide formula for calculating transfer values
  - Revise the aspects of service that are included in a transfer value

- **RATIONALISE ACTUARIAL ASSUMPTIONS**
  - Greater consistency of actuarial assumptions (the key issue)
  - Narrower “bands” for actuarial assumptions

- **IMPROVE TRANSFER VALUES AND BENEFITS**
  - Improve benefits/transfer values
  - Ensure transfer value is never less than contributions through a guarantee/underpin

_BUT_: Need to set priorities — ‘We’re providing a scheme for people who stay, not leave.’

**Revising the nature of transfer values**

One of the problems in calculating transfer values arises because there appears to be a lack of a uniform agreement on the aspects of service that are to be included in a transfer value. So, for example, one employer might include the provision of death benefits in their transfer value while another may not. One solution, employers felt, might be to use a transfer
value formula that takes into account pension scheme benefits that are not usually transferred and might include, for example, past service reserve, ill-health and death benefits, the scheme funding rates, the accrual of rights to date, likely discretionary increases, and so on. If adopted as an industry-wide solution this was felt to provide a 'perception of fairness' in the transfer of accrued pension rights.

Other employers, however, felt that a better approach was to improve transfer benefits. This was particularly mentioned in relation to 'early leavers'—people who have made relatively few contributions to the pension scheme. Because there is not a direct linear relationship between contributions and benefits, early leavers were said to be penalised by an actuarially calculated transfer value resulting in a shortfall of benefits between the outgoing and incoming schemes.

"I think there is a basic circle in final salary schemes and it is difficult to square. Because they are not like a savings bank. They are financed, often, by a level of employee contribution, shall we say 5 per cent, and an employer contribution of something else. The fact is that the benefits being clocked up at the younger ages are only worth about 5 per cent and the benefits being clocked up at the older ages are worth a great deal more than 5 per cent. And this means that the transfer values at younger ages are not very generous."

(Pensions Policy Manager; public sector)

While in general agreement that transfer values need to be improved, some employers favoured an alternative approach whereby scheme members were guaranteed a transfer value that was never less than their contributions paid, plus interest.

However, other employers argued that the way in which transfer values are calculated depends, to some extent, on the priorities of the scheme. By improving or guaranteeing benefits on transfer, this would effectively penalise those who were loyal to the company and who remained in the scheme.

"We're here to provide a scheme for the people who stay, not the people who leave ... so why should we bend over backwards to give something to a 25 year old who's been here two years when we've got a 40 year old who's been here 20 years."

(Pensions Manager/Secretary to pension fund; private sector)
The notion of defining transfer values as ‘cash equivalents’ or the actuarial reserve in the pension scheme, suggested by a small number of employers was also felt to be unworkable as this, too, penalised the members who remained in the scheme.

‘If you said that his deferred benefits must be worth at least his actuarial reserve in the scheme, then you would get a much higher deferred pension than you get. But, you would have to face up to the fact that it would cost money, it would cost a lot of money. So, you would find that the members who stayed, might to some extent, be paying for the benefits of members who left.’
(Pensions Policy Manager; public sector)

Consistency of actuarial assumptions
While the disparity of benefits between pension funds is said to account for many of the problems that arise in the transfer of accrued rights it is exacerbated by the wide range of actuarial assumptions that are said to be made when calculating a transfer value.

‘I think there has been a problem over the years because of different actuarial assumptions being used by the preceding company compared to the accepting company ...’
(Finance Director; private sector)

The basis for actuarial calculations was felt to be in need of revision. While some employers favoured greater consistency of assumptions, others felt that the assumptions used in the calculation of transfer values needed to be contained within narrower bands. Such measures, whilst enhancing the fairness of transfer values would also limit the opportunities for abuse. As one employer pointed out:

‘There are a multitude of assumptions that the actuary can, and does, make which can produce a whole series of different sums. It’s not that the formula is complicated. A number of unscrupulous employers have screwed the actuary down to a particular set of calculations which flatter the fund. It’s relatively easy to do that; you just say what your assumptions are. It’s an area that is capable of abuse.’
(Company Secretary; private sector)
‘There are now guidelines for actuaries...they should be within a reasonable band. I happen to feel that the Institute [of Actuaries] could do more in that process of assisting actuaries to make sure they are within an acceptable band.’
(Company Actuary; private sector)

**Expensive and time consuming**
Some employers also commented on the expensive and time consuming nature of transfers, with one employer considering that they were an ‘expensive luxury’.

‘...it does cost money to move [a pension]. It’s an expensive business.’
(Pension Fund Manager; multinational, private sector)

‘I think that transfers-in and transfers-out, all that sort of thing, is a very expensive time-consuming exercise that involves a lot of wasted labour, because in the end they decide not [to transfer] and I think it’s a very expensive luxury, but obviously we have to do it. I think the deferred pensions now have sufficient guarantees. There’s a guarantee on the post ’88 part – I might have got the year wrong – 5 per cent or RPI. So a deferred pension is no longer the rotten pension it was.’
(Actuary; friendly society)

**12.2 PROBLEMS OF EMPLOYEE PERCEPTION – CONCERNS AND SUGGESTED SOLUTIONS**

Amongst employers there was considerable feeling that employees do not understand the concept of **accrued rights** – ‘what they’ve got in the fund’, or the **calculation of transfer values**. The consequence is that if the employee is moving to a job with a higher salary and/or a new pension scheme which offers a better range and level of benefits, the transfer value from the outgoing scheme appears to be unfair, with employees sometimes feeling that their ‘benefits have been mysteriously fiddled’. In general, employers felt that the level of perceived unfairness was much greater than any actual unfairness in the transfer process.

‘It’s not a problem from our point of view. It’s a perception problem. I don’t think they understand it because the calculations are not really capable of being understood by anyone – it’s an actuarial calculation.’
(Chairman of Trustee Board; private sector)
'... unless you make a mistake, you can not increase or reduce the value of a legal entitlement by transferring it to someone else, unless you give it to someone else and expenses are deducted ... So, there is nothing magic about a transfer payment. But, some people think that if you make a transfer payment that is not a good thing. But it is not. It is merely another form of preserving an entitlement which exists anyway in pension form ... a transfer, as such, does not give someone a greater value benefit than what they were entitled to, had the benefit simply been retained. That is one of the popular myths of pensions.'

(Pension Fund Manager; multinational, private sector)

It was, however, felt to be an issue that was of considerable importance and arising for two reasons: the difficulties in expressing actuarial calculations in simple terms; and employees' difficulties in comparing the benefits accrued in the outgoing scheme and the benefits bought in the incoming scheme. Overall, this was seen as an explanation problem and one which some employers had already started to address.

'I think it's probably an explanation problem ... you need to get across the idea that you've got a benefit which relates to your final earnings at retirement or when you leave ... If you're leaving [you need to know] what that benefit is and [that] the transfer value is a fair value for the benefit you're giving up in the scheme. And if you take it elsewhere then you've got to compare what you're getting from the other provider with what you're giving up. One of the problems is that if you re-express it in terms of the number of years service you've credited then, yes, the amount goes down. Again, it comes back to explaining why that is. I believe that we can actually do that so that a reasonable man can understand the process, but, may still feel that it isn't fair.'

(Company Actuary; private sector)

12.3 TRANSFERS FROM OCCUPATIONAL PENSIONS TO PERSONAL PENSIONS

From an employer's perspective, many of the concerns surrounding the transfer of occupational pensions to personal pension schemes were similar to those arising in the transfer of pension rights between occupational pension schemes; employee difficulties in understanding transfer values were a typical problem. Employers, however, were particularly concerned that employees may be losing out by transferring to personal pensions.

'We have a problem with people leaving and wanting to transfer money to a personal pension. They think there's a big bag of money to transfer to make them a fortune in a personal pension. In reality this transfer value is aimed at providing the same level of benefits.'
But, when insurance company charges are taken off you should actually end up with less than you transfer out.’
(Pensions & Payroll Manager; multinational, private sector)

This was seen as a particular problem for people who had deferred pensions that had been left with a past employer for some years. The lack of updates about the statutory increases that would have been applied means that many people are likely to think that their deferred pension is fixed – a personal pension, therefore, appears to be more attractive.

12.4 PROVIDING ADVICE ABOUT TRANSFERS

A number of employers said that they were constrained by the Financial Services Act in the information they could provide to scheme members who were leaving their employment. Some felt that they would like to be able to provide financial advice that compared deferred pensions with either personal pensions or other occupational pension schemes, but considered they were limited to simply informing scheme members of their options. These employers expressed particularly concern about the constraints on providing advice in circumstances where the employee was considering a transfer of their accrued benefits to a personal pension.

‘I think there’s a lot of people being misled, especially from private organisations ... not telling them that they might be better leaving it with [company]. People automatically assume that once they’ve left they are better to transfer it away.’
(Finance Director; private sector)

Employers were beginning to adopt a range of strategies to inform scheme members. While one private sector company did not provide advice themselves they advised scheme members to seek it, providing a list of financial advisors to help them. Other employers were beginning to put together simple leaflets that attempted to explain the transfer process and the questions that an employee should ask about the transfer of their pension rights. One private sector company had gone further than this by providing a detailed comparison sheet to potential scheme members, showing, for example, the benefits that they would receive from their outgoing and incoming pension schemes – the decision was left to the employee, with a suggestion to seek financial advice.
THE EMPLOYERS’ PERSPECTIVE

PENSION FUND OWNERSHIP, SURPLUSES AND CONTRIBUTION HOLIDAYS
13.1 OWNERSHIP OF THE PENSION FUND

Views about the ownership of pension funds were fairly clear-cut amongst employers, with either 'the members', 'the trustees', or 'the trust' all being mentioned. Some employers introduced an additional level of precision. For example:

'... the assets are all owned by the Trustee body, they are the owners and it's in their name ... the Trustee company is the beneficial owner ... on behalf of its members.'
(Pensions Manager/Secretary to pension fund; ex-public sector)

'... the legal owner of the assets is the trustee, not the employer. I mean, that is absolutely clear. And the equitable owner, or the beneficial owner, is the members of the scheme.'
(Managing Director; multinational, private sector)

While the general opinion was that the sponsoring company should neither own, nor have access to, the fund, a number of employers felt that they should retain certain rights over the fund. These included the ability – and the legal right – to wind up the fund if they so wished; the ability to veto proposed changes in scheme rules, particularly where these might commit the company to additional spending; and the option to amend the level of the company’s contributions.

'... there is a connection made between owning the assets and who ought to be able to alter the rules. It is the employer who alters the rules, it is the employer who set the thing up in the first place and put trustees in place to administer those rules.'
(Finance Director; multinational, private sector)
One private sector company, however, held an entirely different view about the ownership of pension fund assets:

'The company owns the pension fund and this legally gives the company access and use of the funds, but morally the company should not have access and use of the contributions.'

(Company Secretary; small private sector company)

13.2 SURPLUSES

The ownership of surpluses
Surpluses were a sensitive issue for many employers and generally seen as an area that is poorly regulated and in need of urgent clarification. Two primary issues arose: ownership of surpluses and the use to which surpluses are put.

Views about ownership of surpluses were very mixed, and included ownership by:

- The Company

  - because the Company makes a 'benefit promise' and provides for a guaranteed pension on retirement.

    'There’s absolutely no doubt in our minds that the surplus, or deficit, belongs to the Company – the Company is the insurer.'

    (Financial Director; private sector)

  - in 'balance of cost' funding the surplus belongs to the Company ‘...because if there’s a shortfall, the Company has to make it up.’

    (Salary and Pensions Manager; private sector)

It is useful to note here that some employees were said to have the opinion that the employer was responsible for funding any deficits, but that scheme members felt they were the owners of any surplus.

- 'as the company pays the major cost of the scheme, it should, therefore own the surplus.'

  (Company Secretary; small private sector company)

- where the Company is felt to own the pension fund, it also ‘has the right to the surplus’.
The pension fund

- 'I think that to the extent that the money is in the pension fund, it is the pension fund that owns it.'
  (Assistant Treasurer/Trustee; multinational, private sector)

- 'Nobody owns the surplus. The fund owns the surplus. Nobody owns it at all.'
  (Pensions Policy Manager; public sector)

Joint ownership between the Company and scheme members

- particularly where the scheme is contributory

- 'It seems to me that it isn’t unreasonable if you are thinking in terms of contributory schemes to say that the surplus has been earned jointly in the proportion which the employees’ contributions have to the employer’s.'
  (Pensions Manager/Trustee; private sector)

Some employers had detected a shift in opinion over the past few years in favour of the employee:

- ‘... as far as the courts are concerned there has been a change ... at present they’re moving more towards saying that the employee has first rights. Compared to ten years ago it was pretty clear that it was the employer.’
  (Company Secretary; private sector)

and as a result surpluses had become both a grey area and a very sensitive issue. Even employers who had quite strong views felt that the issue of surplus ownership was no longer as clear-cut as it may have been and were beginning to see surpluses from both legal and moral standpoints:

'... legally I think it belongs to the Company. Morally, you can argue ... there’s no right or wrong answer.'
  (Group Pensions Manager; multinational, private sector)

A minority view held that the controversy about the ownership, and use, of pension fund surpluses had arisen simply because of the use of the term 'surplus'. As one employer argued, surpluses are only notional – an actuarial estimate – and dependent on the assumptions that the actuary has made.
However, the disclosure regulations were said to make this surplus appear to be ‘real money’ with a consequence that both employees and employers felt they had a right to its ownership – the former as a way of securing increased benefits, the latter as a way of increasing profits for shareholders. The term ‘reserve’ was felt to be more appropriate.

‘I wish people would not talk about the word surplus. It is not a surplus. If you use the word surplus you get voracious employers trying to get in and spend it. And you get members and pensioners trying to spend it. I think the word surplus should be banned from the English language. It is just a reserve. Well, it is not a real sum of money. It is just an estimate.’

(Pensions Policy Manager; public sector)

The use of pension fund surpluses
The use of pension fund surpluses was a highly controversial issue. Employers held a range of views (figure 13.1); most importantly there was felt to be an urgent need for clarification.

Many of the companies had, at the time of the study, pension funds that were in surplus; many of these were taking a contributions holiday; some had reduced their contributions to the fund. Pension schemes that were in the public sector, ‘young’ pension funds, and those that were unfunded tended to be amongst those who had no experience of pension fund surpluses or contribution holidays.

Amending contributions
Many employers were keen to be able to reduce, or stop, their contributions to the pension fund. This view was generally underpinned by a ‘balance of cost’, or ‘pension promise’ argument. For example, this group of employers argued that pension schemes should be based on the principle that employees pay a defined contribution (ie a set percentage of salary) and in return employers give a pension promise (ie a pension based on a defined accrual rate and number of years pensionable service). Any over-funding of the scheme is seen as being due to overpayment by the employer, either because the underlying investments gave better returns than expected or because the actuary’s assumptions did not hold true. As employers are required to meet the balance of cost in meeting their pension promise, any surplus on the fund should be reduced by a reduction, or cessation, of employer contributions.
'[The Company] has reduced its contributions and that is consistent with my view that this is a balance of cost scheme ... it comes to a fundamental confusion in the minds of some people who, I'm afraid, should know better ... if you've got a benefit promise then you have to follow the logic of that through ... if I'd been promised 1/60th of my salary at age 60 then that's what I expect my employer to deliver. If he tells me there isn't enough I'm entitled to turn round to him and say, "you made me the promise, you deliver".'

(Company Actuary; private sector)

**FIGURE 13.1 SUGGESTIONS FOR USE OF PENSION FUND SURPLUSES**

- **REDUCE CONTRIBUTIONS OR IMPLEMENT CONTRIBUTION HOLIDAY**
  - and/or

- **IMPROVE PENSION SCHEME BENEFITS**
  - Use for non-pension purposes, including redundancy augmentation and 'helping the Company in hard times'

  OR Ignore surpluses - 'they’re part of a cycle of ups and downs.'

Some debate had occurred as to whether employees should also enjoy a contribution holiday. In one instance this had occurred. While some employers thought that this was the only ‘fair’ option, many were reluctant to allow employee contribution holidays. This was in part due to the ‘balance of cost’ argument – for a defined employee contribution, the employer guaranteed a pension, irrespective of whether the fund was in surplus or deficit.

Employees were not always felt to be in agreement with ‘one-sided’ contribution holidays, the feeling being that employees were funding their pension scheme in its entirety. Indeed one employer had faced court action from scheme members that eventually resulted in a contribution holiday for both sides.

There were also some minority views; employees might get used to not contributing to the pension fund, and might find it difficult to find the money when required to resume contributions. One trades union was reported as being concerned that employee contribution holidays might appear to employers as a pay rise, which could threaten subsequent pay negotiations.
**Increasing pension benefits**

The major alternative to changes in contributions was the provision of **increased pension benefits**. A number of employers had used surpluses to increase benefits to scheme members, increasing, for example, death benefits and widows’ pensions. The equalisation of retirement ages had often been relatively painless because the surpluses were used for this purpose. However, some employers were finding that their pension schemes were so near to Inland Revenue limits that surpluses would soon have to be dispersed in other ways.

Employers’ primary objections to enhancing pension benefits was that it may commit the company to permanently increased costs in the future.

> ‘Well, usually [the surplus] will be because the company has been over-funding it, or something has happened in that period that has put them in an over-funding situation ... to suddenly say we’ll improve the pension scheme by 20 per cent means, effectively, you’ve put a 20 per cent load on a company pension scheme forever. Now, if you can share the surplus, if the sort of improvements you’ve made are perhaps only marginal service costs, okay, but if they do affect service costs, you’re not really just spending the surplus, you’re actually committing the company to an on-going provision. You’re effectively saying this is exactly the same as a long-term salary increase.’

(Head of Pensions Policy; ex-public sector)

The use of contribution holidays and benefit increases in tandem was often seen as the fairest way of using surpluses and the option that many employers had taken.

**Using surpluses for non-pension purposes**

A small minority of employers felt that while the fund per se may not belong to the company they should have **access to, and be able to use, the surplus for any purpose they wished**. Concern was expressed by other employers at this approach, feeling that unscrupulous employers could put pressure on actuaries to flatter the fund and maximise the surplus that would then be available. Typically, those companies that expressed the desire for this option felt that surpluses should be used to help enhance, and in some cases pay for, redundancy programmes.
‘It’s pointless to let surpluses increase. I don’t see why the surplus can’t be used, provided you’ve increased benefits, to invest back into the Company or help to fund a redundancy programme, definitely augment redundancies, perhaps fund them.’

(Company Secretary/Trustee; private sector)

Indeed, one company with a surplus that was very large relative to the number of scheme members felt that the employer’s contribution holiday could ‘last for many years hence’ unless they were allowed to use the accrued surplus for other purposes.

Others felt that where the employer was having trading difficulties, the pension fund surplus might provide a lifeline.

‘[Access to surplus] only in very restricted circumstances. I think if you’ve got a big surplus and the company’s going into a wind-up or receivership situation, it’s daft to see the company go down ... but you would need very strong controls.’

(Head of Pensions Policy; ex-public sector)

So far, the arguments about surpluses have all made the assumption that it is distributable. An alternative, minority, view that emerged was that surpluses should be ignored. Surpluses should be seen in the long-term and as part of the ups and downs of the investment cycle and as such should not be used either by the pension fund or the sponsoring company.

‘I don’t see surpluses as distributable. They’ll arise. If we have ten years of poor investments I could well see that the happy position of the eighties is completely gone and companies are faced with the prospect of cutting benefits or putting more money in ... I think they’ll solve pension holidays long after the problem has disappeared. It was a feature of the eighties in my view, because of the investment returns. It was just a wonderful period; it will be looked back in history as the Golden Era.’

(Company Actuary; Friendly Society)
THE EMPLOYERS’ PERSPECTIVE

SECURITY OF THE PENSION FUND
SECURITY OF THE PENSION FUND

14.1 VIEWS ABOUT PENSION FUND SECURITY

Amongst employers there was a consensus view that the security of the assets of the pension fund was of paramount importance. Often raised spontaneously in the context of ‘the Maxwell affair’ employers felt that ‘it wouldn’t happen here’. Such a view was generally underpinned by one of two factors: the existence of sufficient controls in the administration of the pension fund and trust in the key operators of the fund.

Sufficient controls
‘I think we were fairly happy with where we were. We had 50:50 member representation – they were democratically elected. We did have rules that were better than any since imposed about self-investment at home. We’ve always used third parties [as investment managers]. We’ve always had a very strong audit trail running throughout the whole of the fund ... I think our controls were already sufficiently robust.’

(Pensions Administrator; private sector)

Trust
‘The pension fund is secure purely and simply on the integrity of the prime trustee, and that’s the Chairman of the Company – we go back a long way; he’s shrewd but has total integrity, well, it’s his pension fund too – I think his integrity is beyond question.’

(Company Director; small private sector company)

Although employers felt that their own pension funds were very secure – ‘as secure as you’re ever likely to get’ – there was a pervading view that despite even the most stringent legislation and the most intricate of administrative mechanisms, fraud could be minimised, but not eliminated.

‘You can never stop a determined criminal committing a fraud or theft. I challenge you to find any way of doing that. What you can do is make it very difficult.’

(Company Actuary; private sector)
Many employers were surprised at the low level of concern that was raised amongst the scheme membership, with, for example, one fund manager hearing from ‘three or four members out of a membership of ten thousand’ after the Maxwell affair. One employer felt that from the employees’ perspective ‘the security aspect is not in relation to the fund but in relation to the security of the company. Will [the company] be here in twenty years time?’

Similarly, there was some feeling amongst employers that, given the likely costs, scheme members would prefer to have increased benefits rather than paying for additional, elaborate, security measures.

**FIGURE 14.1: SECURITY OF THE PENSION FUND**

**VIEWS ABOUT PENSION FUND SECURITY**

- *‘It wouldn’t happen here’*
  - sufficient controls in administration of pension fund
  - trust in key operators of the scheme
  - BUT ‘You can never stop a determined criminal committing fraud’
- Employees more concerned about long-term future of the organisation than the security of the pension fund
- Employees prefer increased benefits to paying for elaborate security measures

**ACTION TAKEN BY EMPLOYER**

- Investigation of security and examination of areas of risk
- Recommendations for, and implementation of, change
- Examination of communication with members
  - BUT Few concerns raised by employers; those raised were of a ‘trivial’ nature
- Reassured members in the light of the Maxwell affair

**VIEWS ABOUT THE MAXWELL AFFAIR**

- Raised profile/increased awareness of pensions

**14.2 ACTION TAKEN**

After the Maxwell affair the security of the pension fund assets was, generally, fairly swiftly reviewed. The impetus for such actions came mainly from trustees, pension fund managers and administrators, and employers.
Action included:

- investigation of security and examination of areas of risk;

'I think, like most other pension funds, as soon as the Maxwell thing hit the fan then we looked at our security. It was coincidental, actually, we had our Internal Audit people here last year so we coupled that, at our own request. We said, "look, with Maxwell at the background we want you to really, you know, we want it from the shoulder".'

(Pensions Manager/Secretary to pension fund; ex-public sector)

'We have really spent a lot of time on this and we've looked at all aspects of security, not just the company trying to do naughty things, but what could in fact happen to the assets of the pension scheme, how secure are the assets in the hands, for example, of the fund managers. And we've spent a lot of time with the fund managers and with other people trying to see if there were potential weaknesses and to have these blocked off.' (Pensions Manager/Trustee; private sector)

- recommendations for, and implementation of, change;

for example:

- changes to the composition of pension fund trustee boards
  (See Chapter 15 – Trustees);

- establishment of investment sub-committees reporting directly to the pension fund trustees;

- the tightening of 'signing powers' so that investment managers could only accept instructions from the pension fund trustee board;

- setting up an independent 'compliance audit' to review the pension fund at regular intervals and make recommendations for change;

- reviewed and/or ceased self-investment in the sponsoring company.
examination of communication with members;

What we are going to do is to communicate better with them [members] and explain their rights more fully; make sure the communication programme is enhanced so that when they’re considering who or not should be their representative [on the pension committee] they’re much more informed than they have been in the past. I guess Maxwell has caused us to re-examine whether those committees are paying lip-service to member representation or whether they really are doing their job.’

(Pensions Administrator; private sector)

reassurance of scheme members

Many companies were very concerned about how their scheme members might react to the news of the Maxwell affair. Sometimes within hours of the press reports, the trustee boards were preparing statements for their own pension fund membership. In the following weeks most of the companies interviewed had made a statement to members about the security of their own pension fund. These took a variety of forms and included statements, leaflets, newsletter inserts, noticeboard posters, talks and presentations. Most companies saw this ‘comfort publicity’ as informative and reassuring to scheme members.

One company, however, took the opposite view and did not write to its pension fund members in case this raised, rather than allayed, any fears.

‘I know a number of schemes put letters out to pensioners and members saying, “don’t worry folks the money’s still in the bank”. I thought about it and took the view...that it might do more harm than good. If you are not in day to day contact with the place of employment [pensioners] and you get a letter saying “Don’t worry Maude, your pension’s still okay”, you might immediately say, “Perhaps it isn’t, maybe they’re just trying to fob me off”. One takes a view and that was the view I took.’

(Pensions Manger/Trustee; private sector)

In the light of their pension fund reviews, many companies felt that they had sufficient procedures and safeguards already in place to ensure adequate security of the pension fund assets. Overall, employers raised very few concerns about the security of the fund; those that were raised were considered to be of ‘a trivial nature’.
‘... the [audit report] was surprisingly good. In fact it only homed in on some fairly minor things – cashflow at small levels.’
(Pensions Manager/Secretary to pension fund; ex-public sector)

‘Basically they [auditors] say the scheme is well run but they’ve come up with one or two ideas and thoughts. Some we’ve implemented, some we’re considering at the trustees meeting.’
(Salary & Pensions Manager; private sector)

‘Maxwell caused us to get very cross on behalf of the pensions movement and the thought that something like that could happen was an outrage to us, but it didn’t cause us to change anything, we just sat there and felt slightly smug for a while.’
(Accountant to the pension fund; private sector)

Views about the Maxwell affair
Employers held very similar attitudes about the Maxwell affair. Concern and anger for those who had been affected was universal. But, at the same time, there was a general feeling that there had been a beneficial effect. The Maxwell affair had raised the profile of pensions in general, and increased people’s awareness of company pensions in particular.

‘... following Maxwell. I’m sure you’ve found other employers saying the same thing, that pensions have become a much higher profile recently. People are becoming much more interested in it. Not just the trade unions but individual members.’
(Financial Director, private sector)
THE EMPLOYERS’ PERSPECTIVE

TRUSTEES
TRUSTEES

The trustee boards in the employer sample varied considerably, both in terms of size, composition and function. Trustee boards consisting of five members were the most common, with two and sixteen members being at the extremes of the range.

In terms of composition, some trustee boards were purely comprised of company nominees, others had a mix of both company members and employees. Trade union and pensioner representatives were also in evidence on some of the trustee boards. The trustee boards were often weighted towards company representation, either because of the boards’ unequal composition, or by virtue of the company nominated chairpersons’ casting vote. However, some movement towards greater independence was also observed with the appointment of an independent chair to some of the boards.

The trustee boards often had a range of functions. While their common function was to ‘administer the pension fund’, some also had investment roles such as deciding investment policy and instructing their fund managers. Additionally, some trustee boards were very proactive, actively generating and considering changes to the scheme and the improvement of benefits; others were primarily reactive and awaited suggestions from scheme members. In many companies, the pension fund trustee board was advised by subsidiary, non-trustee, committees providing advice on a range of issues including scheme management, scheme rules and investment policy. It was often these committees where greater participation of scheme members was to be found.

Throughout the discussion of pension fund trustees, two key issues repeatedly emerged, the composition and selection of trustees and the growing responsibilities of trustees (Figure 15.1).

15.1 COMPOSITION AND SELECTION OF TRUSTEES

Member trustees
Since the Maxwell affair, the management of pension funds had begun to be looked at very carefully, with the composition of trustee boards being a particular focus of attention. Some boards had already broadened their
trustee base by appointing scheme members, others were considering doing so over the next two or three years.

'... we believe it is the right way to go ... local democracy if you like. We see the appointment of member trustees as very important. It is certainly something we are considering and something that will probably happen over the next couple of years.'

(Pension Fund Accountant; private sector)

One company, however, was adamant that scheme members would not be appointed to the trustee board unless forced to do so by legislation. This company, in particular, was very conservative in its views about ownership of the pension fund and believed that any surplus should be for the benefit of the company rather than the membership.

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![FIGURE 15.1 TRUSTEES](image)

Composition of trustee boards

- Movement towards greater member representation
  - appointed or elected?
  - length of service
- Consideration of pensioner trustees
  - but some reiteration
- Greater trustee board independence
  - appointment of independent trustees

Growing trustee responsibilities

- Need for clarification of trustee duties and powers
- Difficulty in understanding the duties of being a trustee
- Need for expertise or training
- Need for payment of trustees

'When the employees became aware of the legislation/recommendations that employees should be a trustee, they started to push to get an employee onto the trustee board. The company is sympathetic, but the company is not going to have an employee as a trustee unless forced to do so by legislation. The pension fund was set up and run by the company. The company has a considerable financial interest in the fund. It is not going to allow employees to water down that interest.'

(Company Secretary; small private sector company)
In relation to member trustees, the issue of their appointment was raised by some companies. In some instances the company had appointed members to the trustee board, in others the member had been elected by the membership. Both advantages and disadvantages were seen in these approaches. Appointed members were usually selected from pension committees that provided advice to the main trustee board – such members were seen as having the relevant expertise for trustee membership. The disadvantage was that such trustees may be seen as ‘company people’.

‘They’re appointed by the Company. That is a potential bone of contention for the future. What normally happens if a new trustee is required [is] they normally come from this group, the pensions advisory committee. They’ve got some experience in pensions, rather than getting somebody cold off the shop floor.’
(Salary & Pensions Manager; private sector)

The alternative was to elect members to the trustee board, a method that was seen to be democratic and to avoid any potential ‘company influence’. The disadvantage, however, was that such elected members were often felt to have little expertise either in the area of company pensions, or as a trustee; this, however, was not necessarily seen as a major barrier. For example:

‘The other half [of the trustee board] are completely member elected ... they are representing, and take very seriously, the rights of members. They are elected as an electoral college process. We don’t say ‘You, you and you are going to be trustees’. They’re elected by their peer group and that is going to be extended and strengthened over the next year or so.’
(Pensions manager; private sector)

Length of service as a member trustee was also being considered by some employers. While some favoured membership for a set length of time – ‘more democratic’, others were in favour of indefinite membership – ‘Why remove someone from office just as they are getting proficient?’.

Pensioner trustees
The appointment of pensioner trustees was seen by a number of employers as being much more problematic with greater resistance being expressed towards their appointment. Although some trustee boards now had pensioner representation, the appointment of pensioner trustees was seen as:

‘a dangerous first step because once you say we must have a pensioner trustee, why don’t you go on to say we must have a
female trustee ... a black trustee ... a gay trustee ... a six foot six
trustee.'
(Chief Executive; public sector)

- potential ‘trouble makers’ with vested interests

‘... pensioners want a pensioner trustee there to negotiate better
pension increases. That’s not the job of a trustee ... I suggest that any
person appointed or elected from the pensioners is going to be the
trouble maker, the person with the grudge or the personal position.
Whereas in a population which is in one place – the working
population – you get a balance because the electorate knows the
person.’
(Chief Executive; public sector)

- unrepresentative, as trustees should represent the views of
members as a whole rather than ‘sub-groups’

‘The duty of a trustee is to look after [the] interests of all the
beneficiaries and members, not just sectional interests.’

- difficult to democratically elect

‘The other practical problem of course is how do you democratically
 elect a pensioner trustee from, in our case, 39,000 pensioners. How
do you actually achieve that to everyone’s satisfaction?’
(Pensions Director; private sector)

**Independent trustees**

A number of the pension fund trustee boards were moving towards greater
independence of the sponsoring company, primarily by the appointment of
independent trustees. Motivations were mixed, with the desire to ‘avoid
conflicts of interest’ and to appear ‘squeaky-clean’ the most common. While
one company had appointed an independent trustee, others were still
considering how they would like this to work in practice.

‘I think what we are looking to have is something like an independent
trustee company and there are two shares in that company. One is held
by the company directors and the other is held by what I will roughly
call the independent trustees. We would like the memorandum and
articles [of association] of the Trustee Company to be amended to
provide that the company can nominate two directors, each of whom
will hold a share. And that there will be three independent directors who will be defined and who cannot be an employee of the company or a director of the company. And that the shares that those directors hold can only be transferred to other independent directors.’
(Pensions Manager/Trustee; private sector)

Views about ‘independence’ were varied. Some companies felt that for a trustee to be independent they should have no connection whatsoever with the company. By contrast, one company felt that this was unnecessary and abided by ‘the spirit of the Cadbury recommendation’;

‘... there’s 8 company, 7 employee and 1 pensioner [trustees] ... well, the pensioner effectively makes up the 8:8 balance as the chairman who is also a non-executive director having a casting vote ... it’s in line with the Cadbury recommendation – the spirit of the Cadbury recommendation – saying that you should put a non-executive in that position.’
(Company Actuary; private sector)

The question of how independent trustees should be appointed was also raised by some companies. Some favoured selection and appointment by the company itself, others felt this responsibility should fall to the pension fund trustees.

15.2 TRUSTEE RESPONSIBILITIES

It was generally recognised that trustee responsibilities were growing, both in number and complexity. Against this background a number of issues were raised, primarily the need for clarification of trustee duties and powers, the problem for trustees of understanding their duties and the corresponding need for expertise or training.

Clarification of trustee duties and powers
There were very mixed views about the role of pension fund trustees, although there was a common core of features that centred around ‘the management of the pension fund’:

‘Our trustee is just a bank though they do have fiduciary responsibilities. Their main responsibility is the safe-keeping of the assets of the pension fund and the responsibility of maintaining the benefits lies with the pension fund management committee. [They] do have discretionary powers, things like who should get the death
benefits when one of our employees dies. They also, technically, have the power of agreeing whether or not transfers in should be accepted, though in practice we take them in and report back later. They have powers in cases of disputes between the company, the pension fund and the individual – which very rarely applies. But, they don’t have powers to change the rules, they don’t have augmentation rules.'

(Assistant Treasurer/Trustee; multinational, private sector)

However, the decision-making powers of trustees for more complex issues were felt to be too vague and in need of tightening up. For example, the issue of trustee powers was often raised in the context of the ownership of surpluses and decisions about their dispersal.

'... it should be absolutely clear who owns the surplus, and also that when it gets to the crunch, which is the winding up [of a company] it should be clear then what the trustees’ duties were.'

(Pensions manager; private sector)

'When I was an advisor I wound up quite a lot of schemes and we would talk the trustees through some very complicated situations and come up with sensible answers, but if I think now of how I would feel as a trustee myself I think I’d feel pretty much at sea given the legal situation of most of the funds. What the hell do I do? What are my duties?'

(Company Actuary; private sector)

'We would like a ruling on how surpluses should be funded and how they could be used by the trustees.'

(Company Secretary; small private sector company)

The need for clarification of trustee duties and powers was mentioned by many of the employers – one public sector employer was particularly concerned as they felt that this allowed for sponsoring companies to unduly influence the working of the pension fund:

'... trustee duties and powers are singularly vague ... and this does allow trustees to be leant on by employers, to perhaps an undesirable extent.'

(Pensions Policy Manager; public sector)

**Understanding trustee duties: the need for expertise or training**

Difficulties in interpreting the legal framework within which pension fund trustees operate was often said to be compounded by the lack of expertise on the part of some trustees and a lack of a clear understanding of their duties.
‘The problem that I would see, to be honest, is one of the members or the union representatives having sufficient technical expertise both in pension matters and investment matters to be able to fulfil a useful role. And that, I think, would be true generally. There needs to be a marked increase in awareness.’

(Pensions Manager/Trustee; private sector)

With the need to recruit independent trustees in the near future, some employers were very concerned about where such individuals, with the requisite expertise, might be found.

‘... the thought, for example, of having to have an independent trustee on every trustee body. Where are they going to come from? Who’s going to have the time and real expertise to do it?’

(Actuary/Secretary to pension fund; private sector)

One company had tackled the problem of trustee expertise by sending new trustees, from both the shop-floor and management, on training courses. Run by consultants, the courses covered a range of issues including the legal framework of pension funds, trustee duties and investment. A trustee’s level of expertise was said to be maintained by regular updating courses.

There was no doubt, however, that there was considerable un-met demand for trustee training, a view echoed particularly by some of the smaller companies in the study.

‘There’s only two trustees [managing director, salaries and pensions administrator]. The MD doesn’t know much about pensions which is why I now deal with them. The MD is a trustee in name only really, because we had to have a trustee. I felt we needed another trustee so he made me one, but I don’t really know anything about what I’m supposed to do ... I would really like more knowledge about trusteeship, and what I’m supposed to do.’

(Small private sector company – money purchase scheme)

With growing responsibilities and the expectation that the role of the trustee, particularly to large pension funds, will become ever more demanding and require people with considerable expertise, the issue of payment of trustees was raised. As one employer pointed out, ‘why should anyone do this for free?’. Although there was some feeling that company and employee trustees might continue on a voluntary basis because they had a vested interest in the
scheme, mainly as potential recipients when they reach retirement age, this is not so for independent trustees:

‘Who’s going to pay? That’s fairly obvious but nevertheless there will be a cost. Who is going to pay?’

(Pensions Manager/Secretary to pension fund; ex-public sector)

Whether it should be the sponsoring company or the pension fund that provides remuneration to trustees was unresolved, but nevertheless an issue that was felt in need of ‘thinking through ... and deciding on by the Goode Committee’.
THE EMPLOYERS’ PERSPECTIVE

THE BARBER JUDGEMENT/ COLOROLL DECISION
THE BARBER JUDGEMENT/ COLOROLL DECISION

16.1 THE EFFECTS OF THE BARBER JUDGEMENT

Many of the employers were unaffected by the Barber judgement, having introduced equal retirement ages many years ago, in one instance in the 1950s. Among the remaining employers, the majority had equalised their retirement ages, many in anticipation of the Coloroll decision. Seventeen employers adopted a common retirement age of 65, with a further 8 equalising retirement at age 60. One employer was not aware of the Barber judgement – they operated a money purchase scheme through an insurance company; a further employer, while aware of the judgement, had not taken any action. Both were small companies and employed very few women in their workforce.

16.2 WHY EQUALISE RETIREMENT AGES?

The impetus for equalising retirement ages varied across employers. In some instances it was related to the image that the pension scheme wished to project – some wanted to be seen as working in harmony with the predicted legislation, while others wished to avoid the potential threat of legal action. Pressure from trustees was often instrumental in these instances. Internal triggers were predominant for other organisations: sometimes the organisation had already been considering the issue, with the Barber judgement bringing this to fruition; women who wanted to work past their normal retirement age of 60 were sometimes instrumental in initiating the change; and in some instances employers and/or trustees saw the Barber judgement as a useful way ‘to significantly improve early retirement [benefits]’.

One of the companies that had not equalised their retirement ages indicated that they were unlikely to do so unless forced by legislation. With a membership of around 150, of whom two were women, the company representative said:

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1 Barber v Guardian Royal Exchange, European Court of Justice; 17th May 1990. Coloroll Decision: Judgment by European Court of Justice awaited.

2 These figures are for illustration only and should not be considered as being representative of company pension schemes as a whole.
'We are aware of the [Barber] judgement but have not taken any action ... there are only two women in the pension scheme. Something might happen ... but given the history of the scheme I think it is unlikely that the Company will equalise retirement ages unless forced to do so by legislation.'

(Pensions Administrator; small private sector company)

16.3 ISSUES ARISING

Three major issues arose in this context: the cost of equalisation, the preservation of benefits, and retirement age flexibility.

Cost was mentioned as a concern by a number of employers – 'very, very costly' was how one private sector employer described the effect of the Barber Judgement. However, the degree to which cost was an issue tended to be related to the size of the pension scheme and whether the fund was in surplus.

'... the bulk of that surplus was actually used to equalise pension ages within our scheme ... that cost a lot of money. But we are effectively off the hook now as far as Barber is concerned. We do not have a potential liability and I think it was a super thing to do. But we were lucky; we had the assets to be able to do it without causing the company to put its hand in its pocket - a lot of other schemes will not be so lucky.'

(Pensions Manager/Trustee; private sector)

The preservation of benefits was a critical feature for some employers, particularly those who had moved to a common retirement age of 65. In such cases, employers had generally ensured that existing employees would not be penalised by the change – they would be able to retire at 60 with no reduction in pension, or be able to work up to the age of 65 and accrue additional benefits. New scheme members, however, would have their pension based on a retirement age of 65. An alternative approach, adopted by some employers, provided additional flexibility over retirement ages – although there was a common retirement age of 65 all employees had the option to retire at 60 with a pension based on their pensionable service and without actuarial re-valuation.

'Ve went to a lot of trouble to not take away the pension rights that had been built up ... [scheme members] got an absolute right to retire at 60, both men and women.'

(Salary and Pensions Manager; private sector)
A number of minority issues also emerged in this context:

- concern that retirement ages were becoming out of step with the state retirement age and the potential problems for men retiring at 60 who would not be eligible for their state pension for a further five years. One private sector company had addressed this problem by providing a ‘temporary bridging pension’ for men but were concerned about the legality of this approach.

- the uncertainty about future changes in the state retirement age.

- the use of unisex annuity tables, primarily for the calculation of pensions based on AVCs; unisex rates do not relate to longevity and were, therefore, felt to be inequitable.

16.4 The Colouroll Decision

Concern about the impending Colouroll decision was raised by a small number of employers. While they welcomed the clarification that the decision would bring there was some irritation about the uncertainty involved. Their chief concern was the amount of administration that might be involved.

‘We are already giving benefits at retirement which are equal. However, if you run a company as complicated as this for as long as we’ve been running it you find that you’ve got all sorts of groups of people who had particular deals at times when these things were on no one’s mind. Now what we need is certainty about the effective date of equal rights ... what is very difficult for us is uncertainty about legislation. We’ve been in this game for 25 years, if you change the scheme benefits to what you think the legislation is going to demand my experience is that legislation comes out slightly differently ... it’s putting a blight over what we can do in terms of administering the scheme. That is very bad. It’s bad for the staff doing it, it’s bad for the employees ... We’re going to have to spend a lot of time and effort going back over very complicated situations and then explain to members what we’ve done.’

(Pensions Manager/Secretary to pension fund; ex-public sector)
TOPIC GUIDES USED IN
THE IN-DEPTH INTERVIEWS
TOPIC GUIDES USED IN THE IN-DEPTH INTERVIEWS

INTERVIEWS WITH EMPLOYEES & THOSE DRAWING AN OCCUPATIONAL PENSION

Interview objective:
To examine overall perceptions of occupational pension schemes:
knowledge, experiences, views, misconceptions, concerns, expectations.

TOPIC GUIDE

Pensions Law Review Committee… Letter… All aspects of occupational/ company pension schemes… Employees’ viewpoint… Confidential.

1. BACKGROUND
Check briefly:
– demographic/household characteristics
– job(s) present and past, and whether pensionable
– membership of occupational pension schemes
– any other pension schemes
– partner’s pension schemes

Later check:
Financial situation (Income, sig. Outgoings) if pertinent in decision-making etc.

2. IMPORTANCE OF A PENSION SCHEME (BRIEF)
In general, how important is it to have a pension scheme?

[GO THROUGH SECTIONS 3-10 FOR EACH SCHEME IF MORE THAN ONE]

3. DECIDING TO JOIN THE SCHEME [OR NOT]

• The reason for joining [or not]
  What were the reasons why you decided to join the scheme?
Which were the key influences/factors?
TOPIC GUIDES USED IN THE IN-DEPTH INTERVIEWS

• When & how the decision was made
  Can you talk me through how you made the decision…
  Timing (When joined? Soon as eligible?)
  Information beforehand (What? Adequate? Understood?)
  Hearsay?
  Extra information sought
  Advice sought, role of advice
  Discussion (What? Who with? An influence?)
  Other influences?

4. PERCEPTION OF THE SCHEME [KNOWLEDGE/UNDERSTANDING/MISCONCEPTIONS]

How much do you know about the scheme?…
(First, see how much detail is offered spontaneously)

Type of scheme
How it works…
Is it compulsory?

Paying in (who? how? how much?)
– Do you pay in? contribute/non-contribute
– delays in payments? – in contributions being credited, and in pensions being paid
– surpluses/deficits to pension funds… Pension holidays…

Management and administration of the scheme
– who owns the pension fund
– how decisions are made, by whom, etc
– details, eg the limit on self-investment ie back into the company

Information
– sources
– form
– type
– timing
– enough? (frequency, extent, gaps)
– is the information read? and understood?
– access: – knowledge of how/where/who to get information?
  From employer/scheme?
– experiences in trying to get information
[Leave the following until 8 unless mentioned here:]

**Other details/provisions**

Eg rights to:
- transfer to personal pension
- to another occupational pension scheme when change jobs
- make AVCs – to increase pension or dependant’s pension
- information provision
- following divorce
- rights of creditors on bankruptcy

**What if:**
- winding up/closure of the scheme
- merger/takeover/buy-out of employer
- you leave the company? transfer to personal pension/other occupational pension
- you change jobs

5. **WHAT (WILL) GET FROM THE SCHEME (& WHEN)**

[If already a pensioner: prior expectations, and how this aligns with reality]
[If not in a scheme: alternative provision?]

What will happen on retirement?
Pension age?
Paid straightaway?
What receive? Amount? How much?
  Regular and/or lump sum?
  Index-linked?
  Taxed?
  Annual increases in pension?

Life insurance?
Other benefits?

6. **WHAT FEEL ABOUT THIS SCHEME**

a) In general how regarded... A perk of the job? Expected?
   A factor to bear in mind in choosing a job?
   Part of the employment contract?
   What if it was varied?

b) EVALUATION. Perceived advantages and disadvantages
7. **COMPARISON WITH OTHER SCHEMES**

What other types of scheme are there? (knowledge)
- other occupational schemes?
- personal pension schemes?

Relative advantages, disadvantages, expectations. (Misconceptions?) And source of perceptions/knowledge/(mis)understanding.

How do these compare with – your occ. pension scheme? /– your partner’s scheme?

8. **CONCERNS ABOUT THE PENSION SCHEME**

Do you have any worries or concerns
- about the actual scheme?…
- about any aspects of your pension?…

For example, concerns in relation to:-
- **any aspect of 4, 5, 7 above**

Including:
- SECURITY of pension entitlements/whether scheme will exist when you retire and throughout retirement
- CLOSURE/winding up of the scheme
- SURPLUSES/DEFICITS to pension funds… PENSION HOLIDAYS…
- MANAGEMENT – way the money is managed/invested
  - way the employer manages the scheme
  - misuse and loss of funds
- DEFERRED PENSIONS
- TRANSFER to personal pension/other occupational pension
- DELAYS in contributions being credited, and in pensions being paid

INVESTIGATE DISCREPANCIES WITH RESPONSE TO OPCS INTERVIEW

9. **CURRENT FEELINGS ABOUT THE DECISION TO JOIN [OR NOT]**

Positive and negative.
Regrets? about making the decision?
If you were joining the company today would you join their pension scheme?
10. ANY CHANGES IN PERCEPTIONS/FEELINGS ABOUT EMPLOYER PENSION SCHEMES?

What triggered these?
Effect of recent developments:
~ Barber judgment
~ Maxwell Affair
~ Growth in personal pensions

Has this caused you to do anything, such as:
~ check information
~ seek advice
~ change decision

11. WHEN DID YOU FIRST START THINKING OF A PENSION?

What prompted first thoughts?

12. FUTURE PLANS

AVCs?
Decision-making on whether or not to leave the scheme
Given chance to opt out? Thoughts of opting out?
Have you ever left a scheme or thought about it?
[For those not in a scheme: likelihood of joining in the future? Why?
Why not?]

13. IF YOU HAD A PROBLEM ABOUT YOUR OCCUPATIONAL PENSION...

~ what would you do?/have you done?
  If you wanted to find out information?
  Disputes, and who to approach
  Trustees? OPAS? Pensions Ombudsman?

14. SUGGESTIONS FOR CHANGE

Views on what should happen, in relation to any of the above, and in general. Possible changes.
... Advice/info for Pension Law Review Committee?

—END—
EMPLOYER INTERVIEWS

Interview to investigate:
Employer’s perspective on the occupational pension scheme, including any problems or concerns administering it; how they see the members’ concerns; and reaction to any general points raised by the employee.

TOPIC GUIDE

Pension Law Review Committee... public consultations... and research among employees and now employers: the employers’ viewpoint, any problems or concerns in administering the scheme. Confidential, unless you wish us to attribute.

1. BACKGROUND

Thank you for sending details on type of scheme.
Can I just check: – summary of scheme... any gaps – from PROFORMA.

And regarding the contributions:
– when/how often credited
– and how held in the meantime?

Can I just briefly ask you about the management and administration of the scheme?
Who manages, and who administers the scheme?
Who makes the decisions:
– about investments?
– about scheme rules?
Extent to which employer retains decision-making on scheme policy?
When would they delegate or retain powers?

2. WHY OPERATE A COMPANY PENSION SCHEME?

Why do you operate a pension scheme?
And why this type of scheme?
(who do you feel should be responsible for setting up and funding employer pension schemes?)
3. **PERCEPTION OF THE SCHEME**

How do you regard the scheme?
(Are you in it? [If not, why is that?])

How do your employees regard the scheme?
What feedback do you get?
(How many employees are not in the scheme? Why?)
(How does the Union regard the scheme)

How much do you think that your employees understand about the scheme?
What sort of things don’t they understand?

4. **INFORMATION**

What information do you provide?

**Check out facts of information provided** – what, when, format – to:
- prospective members
- scheme members
- other eg Union
- pensioners
- ex-employees with deferred pension

How important is it to provide information to your scheme members?

Do you provide the statutory minimum or do you provide more?
(If more provided: Why?)
Do you wish to provide more? Why? What constraints?

Have you had any feedback from members about the information provided? What sort of issues do they get in touch with you about?

Do you feel that this information is:
- read?
- understood?

Views about new **disclosure regulations**? Will these improve members’ awareness? Access arrangements for scheme members to obtain information – does anyone ever ask for it?

Schemes often provide pensions to spouses/partners; how do you feel about providing information to these people? (Views about providing info to third parties such as these)
5. **RIGHTS**

Do you feel that scheme members have sufficient rights? Should they have any other rights?
Do you think that they perhaps have too many rights? (eg re information provision?/other)

Are there rights they don't have that perhaps they should have?

Any differences in rights for different groups – eg part timers?/women? (Maternity rights?)

Do any of the rights lead to any particular problems for you?

6. **CONCERNS (Unprompted, but probe fully)**

What are members' concerns, if any, about the scheme?
- other employees' concerns about the scheme?
- pensioners' concerns about the scheme?
- your concerns, if any
  a) official line…
  b) speaking personally… about the scheme?

7. **CONCERNS (Prompted)**

Talking to employees… different aspects of pension scheme which can give rise to concerns… for example:

Have any of these been an issue for you?
What are your views/recommendations/solutions on them?

(If not already covered, check we have factual info on what happens regarding any of these aspects – context to whether or not it is a concern)

- **Transfers in and out**, including transfer values
  (What do you think should happen regarding transfer values?)
- **Uses of surpluses** and who funds deficits. Who owns the surplus?
- **Pension holidays**:
  - employer vs employee, how measure, how decide
  - holiday vs increased benefits
• **Security** of the fund  
• **Ownership** of the fund  
• **Trustee** membership and powers – check:  
  – how many trustees  
  – how selected/what type of people  
  – distribution of powers

How much influence do the trustees have in relation to the employer?  
Is there a role for (greater) employee or Union involvement?  
Ever a conflict of interest?  
• **Continued existence** of the fund  
• **Winding up** of company/Mergers/Takeovers & Buyouts/Privatisation  
Can you envisage the scheme ever being discontinued? (Why?)  
• **Using the pension fund for other purposes** eg to fund redundancies  
• **Information**  
  – insufficient  
  – difficult to understand  
  – other

[CHECK OUT CONCERNS ARISING IN EMPLOYEE INTERVIEW, IF ANY]

8. **CHANGES IN EXTENT OF CONCERNS**

Are there more concerns expressed now than there used to be?  
Why have these arisen?  
Check we know about any changes to the scheme – in past, or planned. What are/were the circumstances for changing the scheme?

9. **EFFECT OF RECENT DEVELOPMENTS**

Maxwell  
Barber/Coloroll  
Growth in Personal Pensions  
1992 changes to disclosure of information  
1993 changes in contracted out rebate for personal pensions  
Recent developments in relation to the British Rail pension fund

10. **SUGGESTIONS TO PLRC?**

(also: Have you made any submissions to the PLRC?)

END: Check whether wish all info to remain unattributed or whether happy for the form to be identified in the report.