Qualitative research for the development of the new State Pension

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Introduction and background

The new State Pension (nSP) will be introduced on 6 April 2016. The Government aims to provide a firm foundation for retirement saving, and to encourage people to save so they can maintain their living standards in retirement.

The nSP has been designed to clarify savings incentives by ensuring people know what pension to expect from the state and helping people to plan for any additional provision needed.

The Department for Work and Pensions (DWP) commissioned IFF Research to undertake a programme of user research to support the design of the delivery process for the nSP.

This report presents the findings from an open exploration of the ideal customer journey for the nSP. It should be noted that participants were not asked to take practical constraints into account, were unlikely to have a detailed knowledge of the current system and were not necessarily aware of the impact of their suggestions.

This report is intended to provide a starting point for the DWP teams responsible for designing the process.

Methodology

A total of 12 focus groups were held between January and February 2014, with 74 individuals participating in total. Participants were recruited for each focus group based on sharing similar key characteristics: gender; work history; and age/length of time until eligible to claim for nSP. They took place across four locations – Cardiff, Glasgow, Leeds and London.

The group participants were recruited from a research panel of individuals recruited specifically to provide feedback on the nSP process.

In addition ten telephone depth interviews were conducted with British expatriates, including individuals from France, Spain, the USA and New Zealand.

Key findings

A number of key contextual themes were evident from the focus groups, which include low levels of understanding of pensions, support for the idea of simplifying the State Pension, and a high degree of scepticism among younger people about the longevity of the State Pension. It is likely that these themes were important in shaping how people react to the concept of the nSP and delivery process to support this.

Participants were asked to consider what an 'ideal process' for being notified of and then claiming the nSP would look like, in five chronological steps:

- early engagement;

- pre-claim stage;

- making a claim;

- decision on State Pension; and

- post-claim contact with DWP.

A number of triggers were mentioned which made participants think about retirement planning, including milestone birthdays (e.g. 50th birthday), death of parent, paying of mortgage, divorce, redundancy, or starting to think about leaving work. There was the feeling, however, that it would be desirable to receive information about retirement earlier in individuals' lives, although it is difficult to be confident this would necessarily influence behaviour.

There was a preference amongst participants for receiving a letter around five years in advance of State Pension age (SPa) containing information about contributions to date, when they can claim their State Pension, and options for buying contribution years. The rationale for this communication was because it was sufficiently close to SPa for people to engage with it, but provided enough time to take action to increase contributions if necessary.

Participants did not anticipate the application process to be complex and were generally happy to do this online, although a small number stated a preference for a paper-based application. The steps they expected to be involved in the claim application included accessing an online claim form, verifying their identity, completing the online claim form, receiving an acknowledgement of receipt, and receiving a claim outcome.

Participants did raise some security concerns, however, particularly around entering their bank details during the online application. However, most people agreed that they would be happy to input/have on display bank details, so long as they were confident in the security of the online system. There was also the feeling that the verification process must be sufficiently safe, but at the same time not too longwinded or complex.

Many participants had no expectations of on-going contact with DWP/the State Pension after the decision had been made on their application (i.e. once payment has started, they do not envisage needing to have any contact with DWP). Most participants only expected to be contacted by DWP if there were to be any changes to the pension they were being paid.

Underpinning principles for the design of nSP processes

The research indicates that the following should be guiding principles for the design of the nSP process in order to ensure a positive experience for individuals:

- **Security** – concerns over security have to be addressed so that customers are reassured that an online system is secure;

- **Simplicity** – communication and the process itself should be simple and easy to understand, and security mechanisms should avoid multi-stage procedures (there is some tension between this and the principle of security);

- **Support** – suitable support should be provided throughout the process for those who run into difficulties with the 'mainstream' process, and there should be options for those unable to access/use an online system;

- **Language of equals** – while the State Pension is a benefit, DWP needs to be aware that individuals do not necessarily see it as a benefit that they need to claim, but as something they have built up entitlement to;

- **Timely engagement** – it is important to ensure that people are aware of how the changes will affect them, that they understand the eligibility criteria, that they would like to be alerted if they are not on track to qualify, that estimates are available in plenty of time and that it is clear where to get information and advice.

Ensuring that these principles are adhered to will build trust in the nSP and its delivery mechanisms. Delivering on these principles will also help to ensure that as many claims as possible are made through an up-to-date and efficient digital channel that is attractive and easy to use, as well as, crucially, cost effective.

Key considerations

In addition to the underpinning principles, there are a number of other key implications for the design process that have emerged from the research which include:

- a lot of people are comfortable with (and actually expect) an online process for the application, however the research suggests there may still be a need for initial notifications through hard copy letter (those unaware that they need to claim online need to be notified, and those expecting an online process expect an initial letter to notify them of the details for this process);

- the ID verification process is key to perceptions of security;

- in order to encourage the use of an online channel the security system would ideally be a simple 'one-stage' process, otherwise users (who do not expect a sustained engagement with the State Pension) could default to other channels;

- pre-population of the claim form appears to be important – if individuals can just verify records this would be a 'selling point' of an online process over a paper one;

- after submitting their claim, people are usually happy for the majority of contact to take place electronically. The exception is the notification of claim decision which the research suggests many still want in hard copy. However if individuals are given a 'global' choice to opt out of hard copy communication then they may choose not to just to get this notification as a letter;

- expectations are that claims would be processed within a month; and

- although the general mind-set is that individuals' only interaction with the nSP will be as they come to claim it, there is some appetite (particularly among younger people) for a form of 'account' that would allow them to check their nSP entitlement on a regular basis.