



OFFICE OF FAIR TRADING

Report of the Director General's Inquiry into Pensions

Volume Two

Research undertaken by the OFT
for the Pensions Inquiry:

- ◆ Consumer Survey
- ◆ Structured Interview Process
- ◆ The Potential for Minimising Consumer Detriment in Pensions
 - ◆ International Comparisons

July 1997

APPENDIX A

Consumer Survey

July 1997

1 Introduction

- 1.1 The survey was carried out by purchasing question space on Research Surveys of Great Britain Ltd's random location omnibus survey. A representative sample of just over 3,800 adults, aged 16 or over, throughout Great Britain, was interviewed during the period 6-17 November 1996. Details of the sampling procedure are included in Annex 1. This Annex also assists readers to estimate confidence intervals around the survey results shown¹.

2 Summary of Main Findings

- 2.1 Almost as many people in employment expected to change jobs before retirement as expected to stay in the same one until retirement (paragraphs 3.2, 3.3).
- 2.2 Almost a third of respondents thought single pensioners receive a weekly basic state pension within about £5 of the true figure of £61.15 (paragraph 4.2).
- 2.3 Over a quarter of respondents thought a married pensioner couple, living together, receive a weekly basic state pension within about £8 of the true figure of £97.75 (paragraph 4.3).
- 2.4 More than three-quarters of respondents incorrectly thought all pensioners were entitled to the full basic state pension (paragraphs 4.5, 4.6).
- 2.5 Half the respondents knew that the amount of the basic state pension changes in line with inflation, whereas a quarter believed it increased at the whim of the government and an eighth in line with average earnings (paragraph 4.8).

¹ As with all surveys based on samples of the population, we cannot be certain that the figures obtained are exactly the same as if we had interviewed the entire population. However, statistical theory enables us to assess the reliability of our survey estimates by drawing margins of error, or confidence intervals, around them.

- 2.6 A quarter of respondents *below* pensionable age expected all, or the majority, of their income in retirement to come from the basic state pension. Half of the respondents aged *at or above* pensionable age actually get a majority or all of their income from the basic state pension (Table 1, paragraph 4.10).
- 2.7 After the State Earnings Related Pension Scheme (SERPS) had been briefly explained to them, over a third of both pensioners and non-pensioners did not know whether they were in SERPS or had contracted out of it. Women were far more likely not to know than men (paragraphs 5.5, 5.6).
- 2.8 More than 45% of both pensioners and non-pensioners either had no pension arrangements, other than the basic state pension, or did not know what they were (paragraph 6.2).
- 2.9 Among non-pensioners, a third of men and more than one-half of women, had no pension arrangements (paragraph 6.8).
- 2.10 Nearly a third of non-pensioner employees had no pension arrangements in place (Table 3). Over half of part-time employees, one-third of those who were self-employed and one-fifth of full-time employees had no pension arrangements (paragraphs 6.5-6.7).
- 2.11 One in five non-pensioners had a personal pension plan compared with only one in twenty pensioners (paragraph 6.2).
- 2.12 Pensioners were much more likely to have had only an occupational pension scheme (47%) than non-pensioners (28%) (paragraph 6.2).
- 2.13 Women who were in full-time employment or self-employed were significantly more likely to have no pension arrangements than men in similar types of employment (paragraph 6.14).

- 2.14 The median personal contribution made by non-pensioners into a personal pension plan was £40 per month. Three-quarters paid £80 per month or less (paragraph 7.2).
- 2.15 One in six non-pensioners had, at one time, stopped paying into a personal pension plan. The most common reason, given by one-third of these respondents, was that they could not afford the contributions (paragraphs 7.8, 7.9).
- 2.16 Nearly three-quarters of non-pensioners in occupational schemes were required to contribute towards that pension. The median personal contribution was £55 per month (paragraphs 8.4, 8.6).
- 2.17 Almost two-thirds of non-pensioners said their occupational pension would be mainly based on their salary and length of service and just under one-quarter mainly on the level of contributions paid in and the performance of a fund invested on their behalf (paragraph 8.2).
- 2.18 Almost a quarter of non-pensioners in a contributory occupational pension scheme did not know how much they contributed to that scheme (paragraph 8.5).
- 2.19 Of full-time or part-time employees in an occupational pension scheme, 57% did not know how much their employer contributed towards it (paragraph 8.8).
- 2.20 Half of those able to state the contributions they and their employer made to their occupational pension scheme had, altogether, £120 or less paid into it each month (paragraph 8.10).
- 2.21 Of non-pensioners in an occupational pension scheme, 16% were making additional voluntary contributions (AVCs). A similar percentage of pensioners who had been members of occupational pension schemes had made AVCs (paragraphs 8.12, 8.13).

- 2.22 A quarter of respondents in an occupational pension scheme at the time of the survey, and a fifth of those who were not, had left such a scheme in the past. A change of employer was the most common reason given for having left an occupational pension scheme (58%) while 5% of respondents who had left an occupational pension scheme had done so to take out a personal pension plan instead (paragraphs 8.15, 8.16).
- 2.23 A third of full-time employees expected to receive, in retirement, between half and two-thirds of their pre-retirement income. This compared with a quarter of those who were self-employed and a fifth of part-time employees (paragraph 9.3).
- 2.24 One in five full-time employees, one in four self-employed respondents, and one in three part-time employees did not know what proportion of their pre-retirement income to expect once they retired (Table 7).
- 2.25 Current non-pensioners were considerably less likely than current pensioners to expect (or receive) no sources of income, other than from pensions, in retirement (Figures 13 and 14).
- 2.26 Over half the pensioners thought their total income in retirement was about the same as they had expected. A third said it was less than they had anticipated and one in twelve said it was higher (paragraph 9.9).
- 2.27 About three-quarters of non-pensioners with personal pension plans, occupational pension schemes or both thought their pension arrangements were well-designed for their purposes, compared with only 12% of those with no pension arrangements other than the basic state pension (paragraph 10.6).
- 2.28 A fifth of respondents with only a personal pension plan said their pension arrangements were not well-designed for their needs (paragraph 10.8).

- 2.29 Of non-pensioners, 44% had ever sought or received advice about their pension arrangements compared with 22% of pensioners (paragraph 11.1).
- 2.30 Of non-pensioners, 82% with only personal pension plans had sought or received advice, compared with 51% of those in occupational pension schemes and only 21% of those who did not have any pension arrangements or did not know what they were (paragraph 11.2).
- 2.31 The most commonly mentioned sources of advice for non-pensioners were representatives of insurance, pensions or financial services companies and independent financial advisers/ insurance brokers. Pensioners had most commonly sought advice on their pension from their employer (paragraphs 11.5, 11.6).
- 2.32 Independent financial advisers/ insurance brokers were most commonly cited by both pensioners and non-pensioners as providing unbiased advice on pensions (paragraphs 11.16, 11.18).
- 2.33 More than 90% of respondents said they had, as yet, encountered no problems with their pension arrangements (paragraph 12.1).
- 2.34 Of the small number of problems that had occurred, those concerning personal pension plans were most commonly about bad advice or lack of information, difficulty in transferring funds, inefficiency by the providing company and not being able to keep up payments (paragraph 12.3).
- 2.35 Citizens' Advice Bureaux and employers were most commonly cited as places or people to see in order to get resolved any problems arising with pension arrangements. Less than 10% of respondents mentioned any particular ombudsman scheme for this purpose (paragraph 12.7, Table 10).

- 2.36 The government was seen as having an inescapable responsibility to provide a pension covering basic need. However, non-pensioners in particular were realistic enough to realise that this was unlikely to satisfy their personal lifestyle ambitions (paragraph 13.4).
- 2.37 Roughly half the respondents agreed or strongly agreed with the statement '*I have found all the information I have seen, and the advice I have received, on pensions very confusing*'. A quarter of respondents disagreed or strongly disagreed (paragraph 13.7).

3 Job expectations

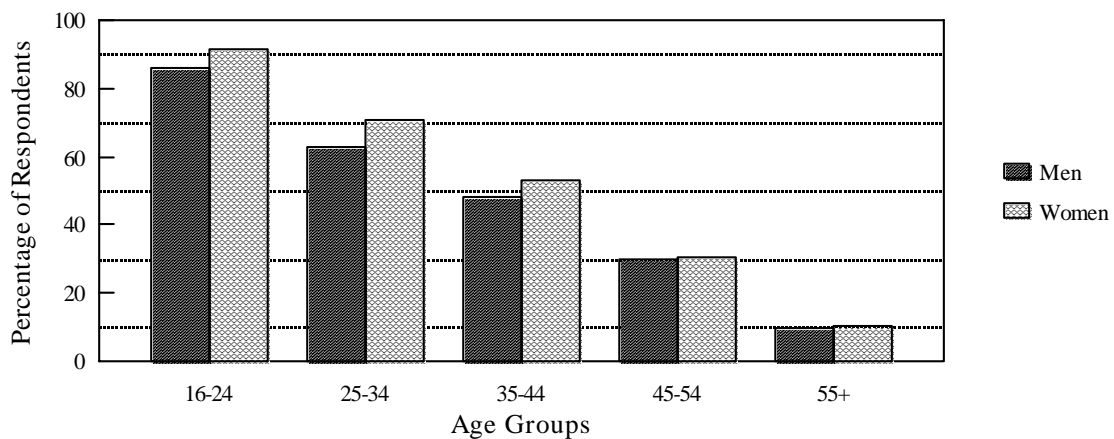
- 3.1 Respondents who considered themselves to be employed (either self-employed or a full-time or part-time employee) were asked to select the most appropriate of five different statements regarding their future job expectations. These were:
- Stay in same job until retirement;
 - Change jobs;
 - Lose job;
 - Leave work to look after family/ home;
 - Take other career break.
- 3.2 Of these respondents, 44% expected to stay in the same job until they retired. The corresponding percentage was significantly higher for men (47%) than for women (41%). Also, the self-employed were significantly more likely to expect to stay in the same job until retirement than employees. Predictably, the expectation of staying in the same job until retirement increased with age of respondent, for example only 11% of those aged 16-24 expected to do so compared with 87% of those aged 55-64.

3.3 Almost as many people (39%) expected to *change* jobs before they retired. The corresponding figure for those aged 16-24 was 69% compared with only 4% for those aged 55-64. Roughly equal proportions of respondents (4% to 5%) expected to leave work to look after their family or home; to take some other type of career break; or to lose their job altogether. Of those expecting to leave work to look after their family or home, 95% were women.

3.4 Figure 1 shows the proportion of non-pensioner employees who expected that they would be most likely to either change their job, lose their job, leave work to look after their family/home, or take some other career break. The data are displayed separately for men and women at different age groups. In each case, the difference between 100% and the height of the bar is the percentage of the relevant population who thought they were most likely to stay in the same job until retirement or who did not know which situation was most likely to happen. The height of the bars may be considered an indication of the proportion of respondents for whom the availability of flexible pension arrangements, without cost penalties, would be highly desirable.

Figure 1

% of non-pensioner employees expecting to change jobs, lose their job, leave work to look after family/home, or take other career break before retirement.



Sample sizes: Men 126; 307; 264; 209; 117; Women 98; 292; 257; 223; 76

- 3.5 Clearly there is a very strong relationship between the age of respondent and the likelihood of leaving their current job before retirement: the older the respondent the less likely they were to think they would leave their current job before they retired. Men were also a little less likely than women, within all age groups, to think that they would leave their current job before retirement. The difference was most apparent for men and women aged 25-34, the age group within which women's fertility rates (births per 1,000 women in the age group) are highest. Women who were aged below 35 were more inclined than older women to say they were most likely to leave work to look after the family/home or take some other career break.

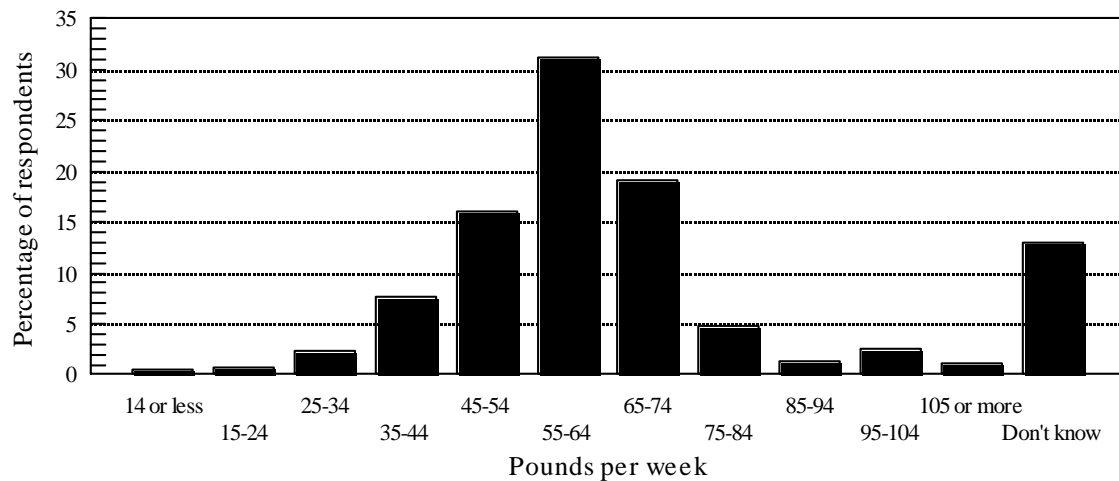
4 The basic state pension

- 4.1 Those interviewed were asked how much money per week, to the nearest whole pound, they thought the basic state pension amounted to for a pensioner living alone, and for a married pensioner couple living together. The exact, correct answers at the time of fieldwork were £61.15 for a single pensioner and £97.75 for a married pensioner couple.
- 4.2 Figure 2 shows that nearly one-third of respondents, unprompted by the interviewer in any way, thought that single pensioners receive a weekly basic state pension within about £5 of the true figure of £61.15. The most common response (the mode) was £60, given by 16% of all respondents; 13% of respondents said they didn't know how much a single pensioner receives and felt unable to give an estimate. Of the remaining 56%, roughly equal numbers of respondents opted for figures lower than £55 and higher than £64, including some wildly inaccurate estimates at the upper end. The mean of the values given, calculated over all respondents attempting an answer, was £60.62, very close to the true figure. There were no significant differences in the mean values calculated for men and women or for the different socio-economic groups, but the mean (£59.41) for people below pensionable age was significantly lower than for those at pensionable age or above (£64.83). Respondents who

considered themselves to be white² were significantly less likely to give a *don't know* response to this question (13%) than non-whites (26%). Whereas 96% of respondents who considered themselves to be white had been born in the United Kingdom this applied to a little less than half (47%) of those who did not.

Figure 2

Weekly State pension (£) for a single pensioner



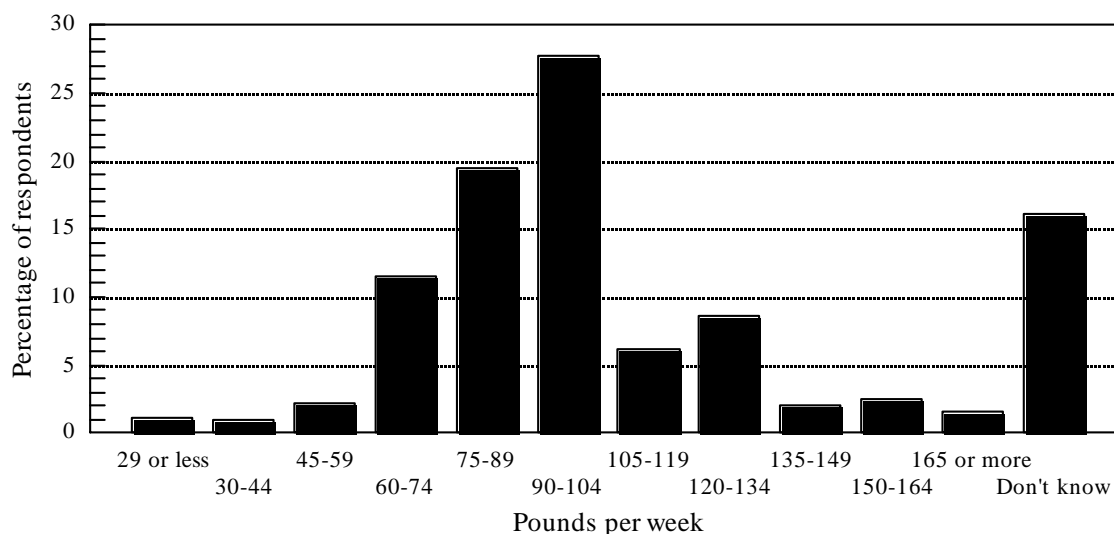
Sample size: 3,839

4.3 Figure 3 demonstrates that over one-quarter of respondents thought that a married pensioner couple, living together, receive a weekly basic state pension within about £8 of the true figure of £97.75. Leaving aside the *don't knows* (16% of respondents), the most commonly given responses were £90 and £100, each answer given by 9%. Of those respondents who were not within about £8 of the correct answer, almost two-thirds gave a figure below £90 and just over a third said above £104. However, some of the values offered were outrageously high, perhaps wishful thinking! The mean of the values given by respondents who attempted an answer was £94.73, about £3 down

² Other racial or ethnic alternatives given in the survey for respondents' self-evaluation, collectively described as 'non-white' in this report because of small sample sizes in the individual categories, were : black-Caribbean; black - African; black-neither Caribbean or African; Indian; Pakistani; Bangladeshi; Chinese; none of these.

Figure 3

Chart 3: Weekly State pension (£) for a pensioner couple



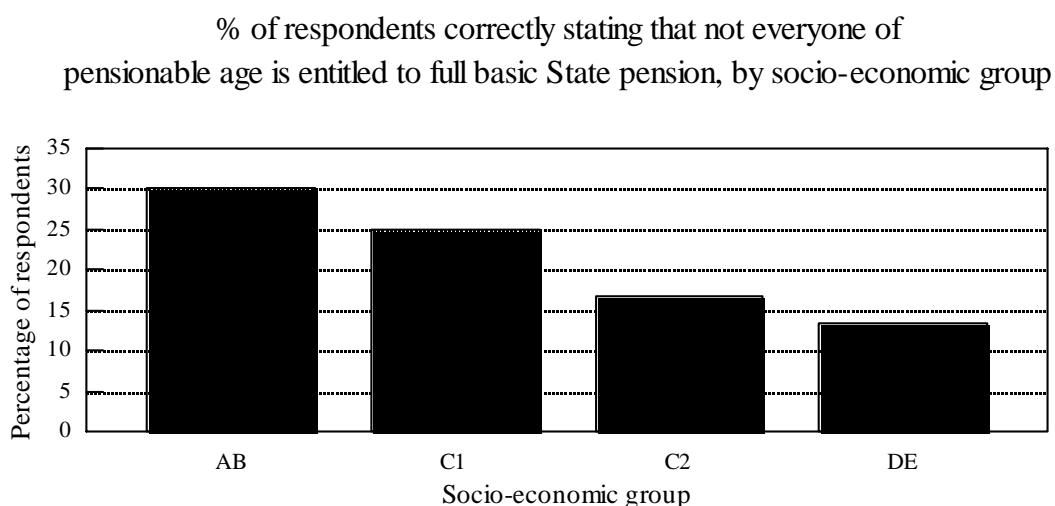
on the true figure. However, the median³ value (£90) is rather lower than the mean. This is because the small number of very high answers have influenced the mean, but have no undue effect on the median. The mean calculated for those at or above pensionable age is slightly higher (at £96.79) than for those below pensionable age, but the difference is not statistically significant. Again, white respondents were less likely to give a don't know response (15%) than non-white respondents (29%).

4.4 Leaving aside the respondents who gave a *don't know* response to: (a) the question about a single person's weekly state pension only (1.4%); (b) the question about a married couple's state pension only (4.6%); (c) both questions (11.5%), there is a significant positive correlation between the answers given to the two questions. This means that, if a respondent gave a low figure for a single pensioner's weekly basic state pension they were also likely to give a low figure for a married couple's weekly basic state pension. Similarly, if a high answer was given to one question, the answer to the other question was also likely to be high.

³ The middle value after the answers have been ordered by size.

- 4.5 Respondents were asked whether or not they thought that all people of pensionable age, that is aged 60 or above for women and 65 or above for men, are entitled to a full basic State pension. In fact, the entitlement is based on an individual's National Insurance contributions record. Contributions or credits equivalent to 44 years for a man and 39 years for a woman would entitle contributors to a full basic state pension. A formula is used to determine the amount of pension paid out to those whose contributions fall below the levels stated above, subject to a minimum of a quarter of the full pension.
- 4.6 Over three-quarters of respondents (77%) incorrectly said *Yes* and only one in five respondents gave the correct response of *No*. These proportions did not vary a great deal according to the age or sex of respondents, nor according to whether or not the respondents had actually reached pensionable age. However, those in socio-economic groups AB (higher or intermediate managerial, administrative or professional) and C1 (supervisory or clerical, and junior managerial, administrative or professional) were significantly more likely to give the correct answer than other socio-economic groups (manual workers, pensioners etc.) - see Figure 4.

Figure 4



Sample sizes: 584; 1,046; 863; 1,346

- 4.7 Respondents were then asked how they thought the change, from one year to another, in the amount paid out as the basic state pension is currently decided upon. Between 1948 and 1975, the pension was changed in line with average earnings. Between 1975 and 1980 it was uprated in line with retail prices or average earnings, whichever was higher. Since implementation of the 1980 Social Security Act, pensions are uprated annually in line with the Retail Prices Index (inflation).
- 4.8 Respondents were asked to select their answer from four different alternatives. Almost half the sample correctly opted for the amount of the basic state pension being varied according to the cost of living or the Retail Prices Index . A further quarter thought the amount of the basic State pension was decided at the whim of the Government. Some cynics may consider there to be some truth in this statement too! About one in eight respondents thought the pension was varied in line with changes in average earnings. A small proportion (4%) thought that the European Commission laid down the rules for changing the pension. The remainder of the respondents (7%) said they did not know. Those aged 16-24 were least likely to have selected the correct answer. Non-white respondents were also significantly less likely to select the right answer than white respondents.
- 4.9 Respondents below pensionable age were asked how much of their total personal gross income in retirement they *expect to come* from the basic state pension after they reach pensionable age. Respondents at or above pensionable age were asked the question in a slightly different way: how much of their total personal gross income *comes* from the basic state pension. The results are shown in Table 1.

TABLE 1: EXPECTED PROPORTION OF INCOME IN RETIREMENT COMING FROM BASIC STATE PENSION (column percentages)

	<i>Below pensionable age</i>		<i>Pensionable age</i>	
	<i>%</i>	<i>cumulative %</i>	<i>%</i>	<i>cumulative %</i>
<i>Sample Size</i>	3,027	3,027	812	812
All of it (100%)	11%	11%	24%	24%
Majority of it (61-99%)	14%	25%	26%	50%
Roughly half (40-60%)	25%	50%	21%	71%
Minority of it (less than 40%)	35%	85%	20%	91%
Don't know	15%		9%	

4.10 In a way, Table 1 compares expectations with reality. Rather than the expectation that one-quarter of the current non-pensioners will receive all or the majority of their personal gross income in retirement from the basic state pension, the real position is that half of those currently at or above pensionable age actually do so.

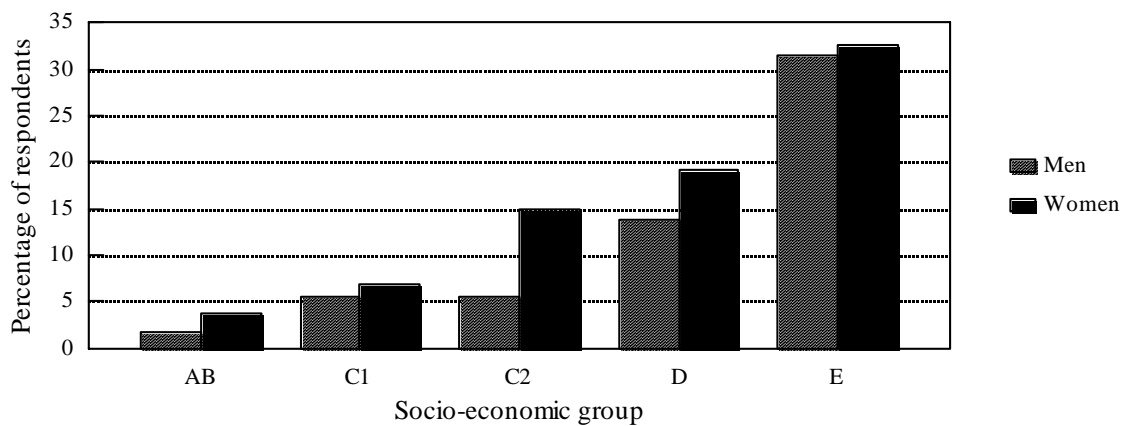
4.11 By superficially comparing the data for respondents below pensionable age with those for respondents at pensionable age or above, one might conclude that people below pensionable age have too rosy a view of their future income from sources other than the basic state pension. But there is also a timing difference to consider. We do not know what the expectations of those currently at or above pensionable age might have been before those people reached pensionable age. Expectations may not necessarily be unrealistic, it could just be that times have changed. When the people currently below pensionable age reach that age, their economic situation may be very different from those currently at pensionable age or above. Those below pensionable age may already have made, or intend to make, some of their own arrangements for providing an income in retirement. This tendency may well be greater than it was in the past.

4.12 As further evidence of the effect of the timing difference outlined in the previous paragraph, the Department of Social Security's simulation model⁴ of pensioners' incomes predicts that the proportion of pensioners' gross income which comes from the basic state pension will fall from an average of 44% in 1994 to 28% in 2025, largely because of anticipated growth in income from personal pensions and from the State Earnings Related Pension Scheme (SERPS).

4.13 There was a strong socio-economic group effect on the responses give - see Figure 5. Although, overall, 11% of those below pensionable age said that they expected all of their income to come from the basic state pension, this figure was 3% for socio-economic groups AB, 6% for C1, 10% for C2 and 23% for groups DE. Perhaps those in higher socio-economic groups were more likely to expect to receive income from occupational or personal pension schemes or to have made other provision for their retirement.

Figure 5

% of respondents below pensionable age who expect to get all of their retirement income from the basic State pension, by sex and socio-economic group



Sample sizes: Men 235; 397; 354; 256; 157
 Women 225; 475; 363; 306; 259

⁴ Curry C. (1996). PENSIM: A Dynamic Simulation Model of Pensioners' Incomes. Department of Social Security: Government Economic Service Paper No. 129.

- 4.14 Within socio-economic groups there was also an income effect. The higher the level of personal income, the more likely non-pensioner respondents were to say that they expected to get a minority of their income in retirement from the basic state pension. For example, within groups AB 32% of those with incomes below £5,000 expected to get a minority (less than 40%) of their income from the basic state pension, compared with 53% of those with incomes between £5,000 and £20,000, and 74% of those with incomes of £20,000 or more. Similarly within socio-economic group C1, whereas 37% of those with personal incomes less than £15,000 expected to get a minority of their income in retirement from the basic state pension, 60% of those with personal incomes of £15,000 or more did so.
- 4.15 Women were twice as likely as men (20% and 10% respectively) to say they did not know how much of their income in retirement would come from the basic state pension. Non-white respondents were also more inclined to give a *don't know* response than white respondents.
- 4.16 For those at pensionable age or above, although overall 24% said all of their income came from the basic state pension, for socio-economic groups AB the corresponding figure was 5%, for C1 it was 8%, for C2D 20% and for E 58%. Within these socio-economic groups, generally women and those on lower incomes were more likely to say that all their income came from the basic state pension than were men or those on higher incomes.

At this point in the survey, each respondent was asked one of two sets of questions. The relevant question set was determined according to whether or not the respondent was actually in receipt of a pension. This division into pensioners and non-pensioners is explained in the footnotes. Most of the questions asked of the two groups were very similar, with only slight changes of tense made to the wording of the questions asked of pensioners as compared with those asked of non-pensioners. A few questions, however, were asked only of one of the two groups.

5 SERPS (State Earnings Related Pension Scheme)

- 5.1 When asked what the letters *S.E.R.P.S.* stand for, 62% of people in receipt of a pension⁵ (termed *pensioners* for the remainder of this report) and 57% of those not yet retired⁶ (termed *non-pensioners* henceforth) did not know. Only 13% of pensioners and 21% of non-pensioners gave correct or virtually correct answers.
- 5.2 Several other answers included correct meanings of one, or some, of the five letters but not all of them, - for example 8% of pensioners and 5% of non-pensioners mentioned *pensions* but no other relevant words; 8% of pensioners and 6% of non-pensioners gave answers which were incorrect in all respects.
- 5.3 Among non-pensioners, male respondents, those aged 25 or over, those with a highest educational qualification at 'A' level or above, and those in socio-economic groups ABC1 were more likely to give correct, or virtually correct, answers than females, those aged below 25, those whose highest educational qualification was equivalent to 'O' level or below, and those in socio-economic groups C2DE. Non-white

⁵ This includes people above pensionable age (872 weighted respondents) **minus** those who did not consider themselves best described as retired but instead said they were self-employed, a full-time employee, or a part-time employee (40 weighted respondents). It also includes people below pensionable age who had already retired (117 weighted respondents) or were otherwise in receipt of a pension other than the state retirement pension (39 weighted respondents).

⁶ This includes people below pensionable age (3,128 weighted respondents) **minus** those who had already retired (117 weighted respondents) or were otherwise in receipt of a pension other than the state retirement pension (39 weighted respondents). It also includes people above pensionable age who did not consider themselves best described as retired but instead said they were self-employed, a full-time employee, or a part-time employee (40 weighted respondents).

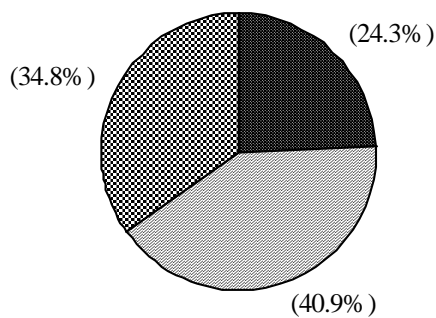
respondents were more likely to give a *don't know* response (71%) than white respondents (57%).

5.4 Among pensioners a similar pattern emerged with male respondents, those in socio-economic groups ABC1, and those with highest educational qualification equivalent to 'O' level or above being more likely to give a correct answer than female respondents, those in socio-economic groups C2DE and those whose highest educational qualification was below 'O' level or equivalent.

5.5 Having explained to respondents what the letters *S.E.R.P.S.* actually stood for, the interviewer then asked whether they were in the State Earnings Related Pension Scheme or whether they had contracted out of it.⁷ The results are shown in Figures 6 and 7. Perhaps not surprisingly, the proportion of pensioners who said they had contracted out of SERPS (41%) was significantly higher than for non-pensioners (36%). However, over a third of both pensioners and non-pensioners did not know whether they were in SERPS or had contracted out of it.

Figure 6

Whether non-pensioners had opted out of SERPS

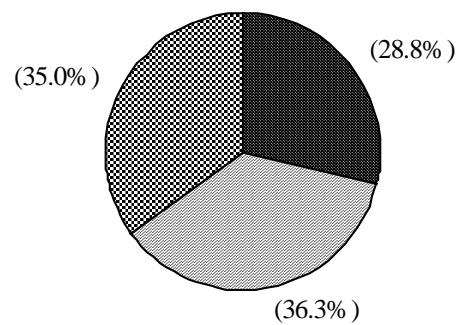


■ In SERPS ■ Contracted Out ■ Don't know

Sample size: 2,914

Figure 7

Whether pensioners had opted out of SERPS



■ In SERPS ■ Contracted Out ■ Don't know

Sample size: 925

⁷ In the case of pensioners, the question asked was 'Were you in the State Earnings Related Pension Scheme at the time you retired, or did you contract out of it?'

5.6 Among the non-pensioners, there were several interesting demographic variations in the responses given. Women were far more likely than men to say they didn't know whether they were in SERPS or not (women 43%, men 27%). There was also an age effect: respondents aged 16-24 were far more inclined to give a *don't know* response than other non-pensioners. Within the overall figure of 35% *don't knows*, the corresponding figure for those aged 16-24 was 61%, compared with 27% for older non-pensioners. About a third those aged 16-24 were in full-time employment and their level of *don't knows* was quite a bit lower, at 40%, but three in ten of those aged 16-24 were students and their level of *don't knows*, unsurprisingly, reached 80%. Those in socio-economic groups DE were also far more likely than other socio-economic groups to say they didn't know whether they were in SERPS or not (47% compared with 30% respectively). Over half of the non-pensioners in group DE had described their working status as either looking after their home/family or unemployed. Respondents born outside the UK were significantly more likely to have given a *don't know* response (44%) than those born in the UK (34%). Those non-pensioners who were self employed or a full-time employee were more likely to say they had opted out of SERPS than others. Within the overall 41% of non-pensioners who had opted out, 59% of the self-employed and 47% of full-time employees had done so. *Don't knows* were also lower for these two groups with one in five giving this response. Those with higher education qualifications were also more likely to have contracted out of SERPS than those whose highest educational qualification was at 'A' level or below.

5.7 Among pensioners, women were far more likely than men to have given a *don't know* response to the question as to whether they were in SERPS or contracted out of it at the time they retired (46% compared with 19%). Within the different socio-economic groups, although there was little difference in the proportions saying they had been in SERPS, the lower groups were more likely to say they didn't know whether or not they had been in SERPS and less likely to have contracted out of it than the higher group - see Table 2.

TABLE 2: WHETHER OR NOT PENSIONERS HAD CONTRACTED OUT OF SERPS AT THE TIME OF THEIR RETIREMENT (row percentages)

	<i>Sample size</i>	<i>In SERPS</i> %	<i>Contracted out</i> %	<i>Don't know</i> %
All pensioners	925	29	36	35
AB	163	27	51	22
C1	193	28	41	31
C2	159	33	34	33
DE	410	28	27	45

6 Other pension arrangements

6.1 Non-pensioners were then asked about their arrangements for their future pension, specifically what pension arrangements they currently had excluding the basic state pension. They were shown four options from which to select a response:

- have personal or private pension only⁸;
- have occupational, company or employer pension only⁹;
- have both company and personal schemes;
- have no pension arrangements other than state pension.

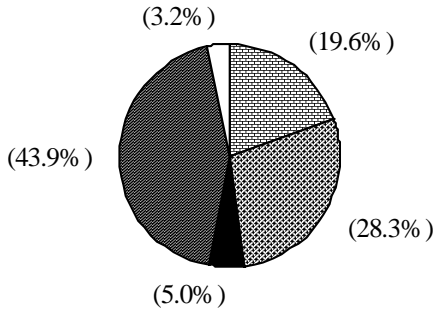
Pensioners were asked a slightly different question: which of these four options they had had before they retired. Responses for each type of respondent are shown in Figures 8 and 9:

⁸ Further described as 'A way of making your own pension arrangements by saving with an insurance company, building society, bank, friendly society, unit trust etc. It is a plan set up independent of any company or occupational scheme.'

⁹ Further described as 'A scheme arranged by an employer to provide employees with a pension and/or other benefits when they retire from work. It is funded by employer's contributions and/or deductions from salary.'

Figure 8

Current pension arrangements
: Non-pensioners

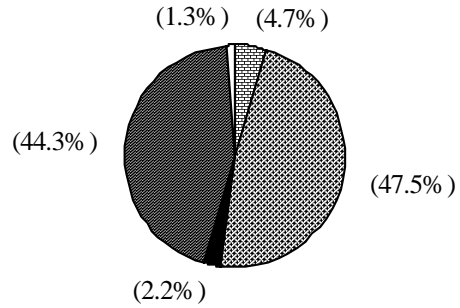


■ Personal only ■ Occupational only ■ Both
■ None □ Don't know

Sample size: 2,914

Figure 9

Pre-retirement pension
arrangements: pensioners



■ Personal only ■ Occupational only ■ Both
■ None □ Don't know

Sample size: 925

6.2 Overall, more than 45% of both non-pensioners and pensioners either had no pension arrangements other than the basic state pension or did not know what pension arrangements they had. Pensioners were much more likely to have had only an occupational pension scheme (47%) than non-pensioners (28%). One in five non-pensioners had a personal pension plan compared with only one in twenty pensioners having had such a plan before they retired. The proportion of non-pensioners with both personal and occupational pension plans (5%) was over twice as large as that for pensioners (2%).

Non-pensioners

6.3 Among non-pensioners, there were very strong demographic differences in the proportions of respondents with the various categories of pension arrangement. The

most important determinant in the type of arrangements made for retirement appeared to be the working status of the respondent.

- 6.4 Not surprisingly, students and the few on Government Training Schemes were least likely to have any pension arrangements at all. Over 90% of these either had no pension arrangements or did not know whether they had any or not. Those respondents who were looking after their family or home, unemployed, or long-term sick and disabled exhibited similar propensities: taken together, nearly three-quarters had no pension arrangements. Of this last-mentioned group, those aged below 25 were less likely to have pension arrangements (89% none, 6% don't know) than older respondents (68% none, 3% don't know).
- 6.5 About half (51%) of the part-time employees had no pension arrangements. Of part-time employees aged 16-24, 85% had no such arrangements compared with about 45% for older part-time employees. Part-time employees aged 35 or above were twice as likely to have occupational pension schemes only than personal pensions only. However, those aged 25-34 were equally likely to have one as the other. Part-time respondents aged over 35 were more likely to have both personal and occupational pension schemes (6%) than those aged 25-34 (1%).
- 6.6 Just over one-third (34%) of self-employed respondents had no pension arrangements. The corresponding percentage was 39% for the self-employed in socio-economic groups C2DE compared with 29% for those in groups ABC1. A further 55% of self-employed people claimed to have personal pension schemes only. Those in socio-economic groups ABC1 were more likely to have occupational schemes only (9%) or both occupational and personal pension plans (9%) than those in groups C2DE (2% and 1% respectively).
- 6.7 Full-time employees were least likely to report that they had no pension arrangements in place (22%), although the corresponding percentage was 56% for full-time employees aged 16-24. Just under half (48%) of full-time employees had

occupational pension schemes only, 21% had personal pension plans only and 8% had both occupational and personal pension plans. Although there were no significant differences in the propensity of male and female full-time employees to have either a personal pension plan only or be a member of an occupational pension scheme only, female full-time employees were less likely to have *both* types of scheme (5%) than were males (10%) and more likely to have no pension arrangements at all (29%) than males (18%). Just under a third (31%) of full-time employees aged 16-24 had an occupational pension scheme only and one in 10 had a personal pension plan only. Older full-time employees were a little more likely to have both personal and occupational schemes and less likely to have no scheme at all than younger ones. Among full-time employees aged 25 or over, those in socio-economic groups AB were significantly more likely to have occupational pension schemes only (65%), and less likely to have only personal pension plans (16%) or no plans at all (4%) than those in groups C1C2DE (49%, 25% and 9% respectively).

6.8 Other things being equal, the sex of the respondent did not appear to have such a major effect as working status on the propensity of respondents to have pension arrangements. However, there is obviously a relationship between working status and sex. In our survey, for example, nearly all those describing themselves as looking after the family/home and over four-fifths of part-time employees were women. Conversely, over three-quarters of the self-employed and two-thirds of the full-time employed were men. Given the analysis of pension arrangements by working status in the paragraphs above, it is hardly surprising that while 33% of men had no pension arrangements, 55% of women had none.

6.9 Similarly while 11% of non-white respondents said they did not know what their pension arrangements were, the corresponding percentage was only 3% for white respondents. This difference, and other apparent differences, between white and non-white respondents may be due to significant differences in the working status of the two groups interviewed in the survey. Non-white respondents were found to be significantly more likely to be students (22%) or unemployed (17%) than white

respondents (7% and 8% respectively), and significantly less likely to be in full-time employment (31% of non-whites, 45% whites). Non-white respondents in the survey were also more likely to be single as opposed to married, to have a degree, and to have been aged 16-24 than white respondents.

6.10 Table 3 looks only at those non-pensioners who were in employment (self-employed, full-time or part-time) and cross-analyses the results from the question about SERPS with those from that about other pension arrangements and a later question¹⁰ on additional voluntary contributions (AVCs). It shows the percentage distribution of non-pensioner employees' pension arrangements.

TABLE 3: SUMMARY OF PENSION ARRANGEMENTS OF NON-PENSIONER EMPLOYEES

		<i>In SERPS</i>	<i>Contracted out</i>	<i>Don't know</i>	<i>Total</i>
Personal only		6.0%	14.8%	3.2%	24.0%
Occupational only	Pays AVCs	1.5%	3.7%	0.4%	5.7%
	Pays no AVCs or don't know	12.1%	14.2%	5.7%	32.0%
Both personal & occupational	Pays AVCs	0.6%	1.0%	0.2%	1.7%
	Pays no AVCs or don't know	1.7%	2.6%	0.8%	5.1%
None		7.2%	9.4%	13.2%	29.9%
Don't know		0.1%	0.6%	0.9%	1.6%
Total		29.3%	46.3%	24.4%	100.0%

Sample size: 1,969

6.11 In summary, the most common pension arrangements held by non-pensioner employees in the survey were to:

¹⁰ See Section 8 on occupational pension schemes for details.

- a have a personal pension plan only and be contracted out of SERPS (all 15%, men 18% women 11%);
- b be a member of an occupational pension scheme only, contracted out of SERPS, pay no additional voluntary contributions (all 14%, men 16% women 12%);
- c have no pension arrangements and not know whether in SERPS or not (all 13%, men 9% women 18%);
- d be a member of an occupational pension scheme only, in SERPS, pay no additional voluntary contributions (all 12%, men 12% women 13%);
- e have no pension arrangements, contracted out of SERPS (all 9%, men 8% women 12%)
- f have no pension arrangements, in SERPS (all 7%, men 5% women 10%).

6.12 Only in category d was there no significant difference in the percentages for male and female employees. Men were significantly more likely than women to have a personal pension plan while being contracted out of SERPS and to be a member of an occupational scheme only while being contracted out of SERPS and paying no additional voluntary contributions. Women were significantly more likely than men to have no pension arrangements, whether in SERPS, contracted out of it, or not knowing whether they were in SERPS or not. Generally speaking, women employees were less likely to have pension arrangements and less likely to have contracted out of SERPS than their male counterparts.

6.13 These differences may be due, in large part, to the different employment patterns of men and women - see Table 4. Female employees were much more likely than male employees to have been working part-time and less likely to have been working full-time or to have been self-employed. Whereas half (51%) of the part-time employees had no pension arrangements, a third (34%) of the self-employed and less than a quarter (22%) of full-time employees had none.

TABLE 4: EMPLOYMENT PATTERNS OF MALE AND FEMALE EMPLOYEES

(column percentages)

	<i>Men</i>	<i>Women</i>	<i>All</i>
<i>Sample size</i>	<i>1,023</i>	<i>946</i>	<i>1,969</i>
Self-employed	17.1%	6.4%	12.6%
Full-time	76.2%	48.9%	64.6%
Part-time	6.7%	44.7%	22.9%

6.14 There were no significant differences in pension arrangements between male and female part-time employees. However among the self-employed, women were significantly less likely than men to have a personal pension plan only and more likely than men to have no pension arrangements at all. Among full-time employees, women were significantly more likely than men to have no pension arrangements at all and less likely than men to have contracted out of SERPS.

Pensioners

6.15 Although, overall, 47% of pensioners had had an occupational pension scheme running before they retired and another 45% had had no pension scheme at all, a different picture was evident for those in socio-economic group E (state pensioners or widows, casual or low-grade workers) from those in other socio-economic groups. 88% of those in socio-economic group E had had no pension arrangements and 9% had had occupational pension schemes compared with 30% of those in the other groups with no pension arrangements and 60% with an occupational pension scheme. It should be noted that socio-economic group is determined by the occupation of the head of household.

6.16 Within those in socio-economic groups A,B,C1,C2 and D, male respondents had very different patterns of pension arrangements from female. Half of the women in socio-

economic groups A,B,C1,C2, and D had had no pension arrangements before retiring compared with only 6% of men. Of such males, 81% had had occupational pension schemes (women 43%); 8% had had personal pension plans (women 4%) and 5% both types of scheme (women 1%).

7 Personal pension plans

Personal contributions

- 7.1 Non-pensioners with a personal pension plan were asked how much per month they, personally, contributed to that plan or plans. About 10% of people claimed not to know how much they paid, and another 11% said they did not pay anything. It is conceivable that someone else pays their premiums for them, or that they had stopped paying into the plan for some reason. Alternatively, as more than half of these people had opted out of SERPS, they may have their National Insurance rebate paid by the Department of Social Security into an Approved Personal Pension without making any contribution themselves. Another 5% of respondents refused to answer the question.
- 7.2 Of those that declared they paid a non-zero amount into a personal pension plan each month, the average amount was £78. However, the average is not particularly good at summarising the data in this instance because it gives undue influence to a few very high values. The median value was £40 per month, and three-quarters of respondents paid £80 per month or less. Personal contributions obviously depend on the level of income of the respondent. Leaving aside the zeros, *don't knows* and refusals, the median monthly payment was £30 for those with incomes of less than £10,000; £40 for incomes between £10,000 and £19,999; £50 for incomes between £20,000 and £29,999; and £100 for those with incomes of £30,000 or more.

Employer contributions

- 7.3 Excluding the self-employed, those non-pensioners with a personal pension plan who were in full-time or part-time employment were asked about how much per month, if anything, their employer paid towards that personal pension plan. Nearly two-thirds said their employer paid nothing, one in five respondents did not know how much their employer paid, one in eight gave a non-zero amount, and a small proportion refused to answer. Of those who felt able to give an answer, more than four-fifths (83%) said their employer paid nothing towards their personal pension plan.
- 7.4 Of the one in eight non-pensioners who said their employer paid something into their personal pension plan, nearly half the employers paid less than £45 per month.

Total contributions

- 7.5 A total monthly contribution figure was calculated for those non-pensioners with a personal pension plan who were able to give a figure (regardless of whether it was zero or above) for **both** their own monthly contribution and their employer's monthly contribution. The most common figure for respondent's contribution plus employer's contribution was £40 per month (10% of the valid sample), with slightly fewer having £50 or £30 paid in to their plan. Half the valid sample had £40 or less paid into their personal pension plan, either personally, by their employer, or by both together. The average value was around £80, but less than a quarter of respondents' personal pension plans had more than this amount paid into them per month

Defined benefit or defined contribution?

- 7.6 Respondents were then asked whether the size of the personal pension plan they would receive, or were already receiving in the case of pensioners, would be based mainly on the size of their salary and length of service (defined benefits scheme) or

mainly on the value of the contributions paid in and on the performance of a fund invested on their behalf (defined contributions scheme). Over four-fifths (83%) of non-pensioners said that their personal pension would depend mainly on the value of contributions paid in and on the performance of a fund invested on their behalf. The equivalent figure for pensioners was 73%, but this figure is based on only 61 respondents because very few pensioners had had personal pension plans. In fact, *all* personal pension plans are defined contribution schemes, so most respondents were correct in their response to this question.

- 7.7 Of non-pensioners and pensioners, 9% and 20% respectively thought that the size of their personal pension would be mainly based on salary and length of service. A small percentage of respondents (3%) thought that their personal pension would be based roughly half and half between, on the one hand, salary and length of service and, on the other, contributions and the performance of an invested fund. It seems likely that both these sets of respondents do not understand the nature of their pension arrangements. A similar percentage of respondents said they didn't know the answer.

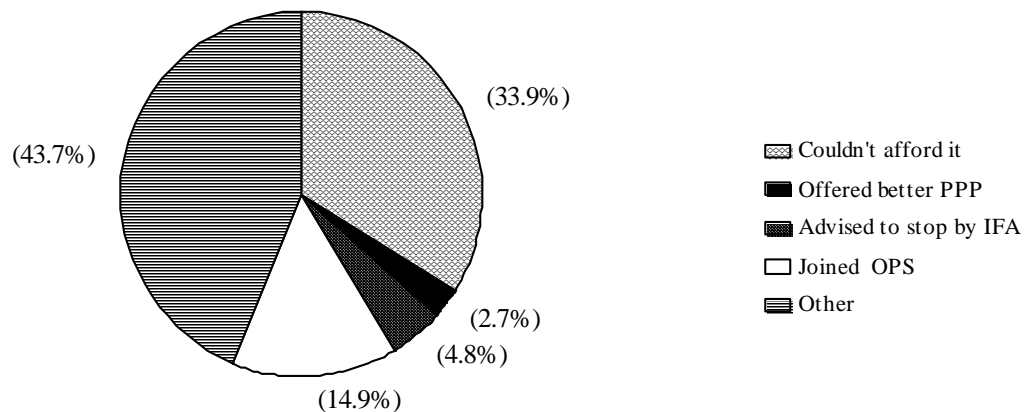
Stopping plans

- 7.8 Respondents were asked whether they had ever stopped paying into a personal pension plan. Among non-pensioners, 16% said that they had. The corresponding percentage was much higher with non-pensioners who currently had a personal pension plan (32%) and with those who currently had both personal and occupational pension arrangements (26%). Among pensioners who had had a personal pension plan before they retired (just 61 people in our survey), 22% said that they had stopped paying into a personal pension plan before they retired.
- 7.9 Non-pensioners were asked for the main reason *why* they had stopped paying into a personal pension plan - the responses are shown in Figure 10. The most common reasons given were not being able to afford it (34%) or becoming a member of an occupational pension scheme (15%). Other common reasons given included being

advised to stop by an independent financial adviser; leaving employment for various reasons such as to have a family or redundancy; and being offered a better personal pension plan. Only 14 pensioners had stopped paying into a personal pension plan but the main reasons for doing so appeared to follow a similar pattern as for non-pensioners.

Figure 10

Main reason given by non-pensioners for stopping last personal pension plan



Sample size: 475
Don't know (not shown) less than 1%

8 Occupational pension schemes

Defined benefit or defined contribution?

8.1 Respondents who were members of occupational pension schemes were asked whether the size of the occupational pension they would receive, or were already receiving in the case of pensioners, would be based mainly on the size of their salary and length of service (defined benefits scheme) or mainly on the value of the contributions paid in and on the performance of a fund invested on their behalf (defined contributions scheme). Occupational pension schemes can take either form.

- 8.2 Almost two-thirds (63%) of non-pensioners said that their occupational pension would be mainly based on salary and length of service, and just under a quarter (24%) said it would be based mainly on the value of contributions paid in and the performance of a fund invested on their behalf. The remainder were split evenly between those who did not know and those who thought the size of their occupational pension would be based roughly half and half between, on the one hand, salary and length of service and, on the other, the value of contributions and the performance of an invested fund. Those in the socio-economic groups ABC1 were significantly more likely to say that their occupational pension would be mainly based on salary and length of service (71%) than those in the groups C2DE (53%) who were more likely to have their occupational pension based on contributions and an invested fund.
- 8.3 Of pensioners, 70% said their occupational pension was mainly based on their former salary and length of service and 21% on value of contributions paid in and the performance of an invested fund. As for non-pensioners, pensioners in socio-economic groups ABC1 seemed more likely to have an occupational pension based on salary and length of service than those in groups C2DE, but the difference was not so marked.

Contributory or non-contributory?

- 8.4 Nearly three-quarters (71%) of those in occupational pension schemes were required to contribute to that pension and just over a quarter (27%) were in non-contributory schemes. The equivalent percentages for pensioners were 77% contributed, 20% did not contribute and 2% had had both types of scheme before they retired.

Personal contributions

- 8.5 Non-pensioners in an occupational pension scheme to which they were obliged to contribute were asked how much they paid into their scheme each month, excluding any additional voluntary contributions they may have elected to pay. Almost a quarter

did not know how much they paid per month and 3% refused to answer. Curiously, another 3% said they did not pay anything into their contributory pension scheme. Perhaps someone else paid the money on their behalf.

- 8.6 Among those contributing a non-zero amount, there was a very wide range of responses, ranging from a single pound to over £1,000! The average, inflated by a few extremely high monthly figures which should, perhaps, be taken with a pinch of salt, was £103 per month. The median, which probably summarises the data rather better in this case, was £55. Three-quarters of these respondents were paying £90 per month or less. Not surprisingly, the greater the respondent's income, the greater the monthly contribution to their occupational pension. Generally speaking, older respondents and those in the higher socio-economic groups appeared to be paying more per month than younger people and those in the lower socio-economic groups. Men were also paying a little more than women.

Employer contributions

- 8.7 Non-pensioners who were members of occupational pension schemes, whether contributory or non-contributory, were asked how much per month their employer was paying into their occupational pension. For the purposes of analysis, only the responses of people who said they were in full-time or part-time employment have been taken into consideration. This means that small numbers of the self-employed, the unemployed, and those looking after family or home etc. have been omitted, even though they claimed to be members of occupational pension schemes. Full- and part-time employees actually comprised almost 90% of those claiming to be members of occupational schemes.
- 8.8 Of full-time or part-time employees in occupational pension schemes, 57% did not know how much their employer was paying in on their behalf (71% for part-time employees and 54% for full-time employees). Another 3% refused to answer the question.

8.9 Of the 328 respondents who volunteered a figure for their employer's contribution, 10% said their employer did not pay anything. The answers of the remainder varied from £1 to £999 pounds per month! The average of the values given was £87 and the median rather lower at £55. The median for part-time employees, at £15 per month, was much lower than for full-time employees (£60 per month).

Total contributions

8.10 A total monthly contribution figure was calculated for those non-pensioners who were members of an occupational pension scheme and in full-time or part-time employment if they were able to give a figure (regardless of whether it was zero or above) for *both* their own monthly contribution and their employer's monthly contribution. The most common figure for respondent's contribution plus employer's contribution was £120 per month (8% of the valid sample). Half the valid sample had £120 or less paid into their occupational pension scheme, either personally, by their employer, or by both together. The average value was around £197, but only a quarter of respondents' occupational pension schemes had more than this amount paid into them per month.

8.11 A crude analysis¹¹ of total contributions and income data suggests that about two-thirds of respondents had an amount corresponding to less than 10% of their annual income paid into their occupational pension scheme each year. Nine in every ten respondents had less than 20% of their total income paid into their scheme.

Additional voluntary contributions (AVCs)

8.12 Of non-pensioners who were in an occupational pension scheme, 16% were making additional voluntary contributions (AVCs). Just under one-fifth of these people were making free-standing AVCs, that is the money was not paid through their employer. Those paying AVCs were more likely to have higher incomes, be aged 45 or above

¹¹ For those full-time and part-time employees able to give both personal and employer monthly contribution figures (regardless of whether either was zero) and indicating into which income band they fell, the total monthly contribution figure (personal plus employer) was multiplied by 12 and then expressed as a percentage of the mid-point of the relevant income band.

and in the higher socio-economic groups. Among those in occupational pension schemes, men (18%) were more likely to be paying AVCs than women (12%).

- 8.13 Of pensioners who had been members of occupational pension schemes, 17% had made additional voluntary contributions. One in eight of these had made free-standing AVCs. Only 9% of women pensioners who had been members of occupational pension schemes had made AVCs compared with 23% of such men. Pensioners in socio-economic groups AB were more likely to have made AVCs than those in lower socio-economic groups.

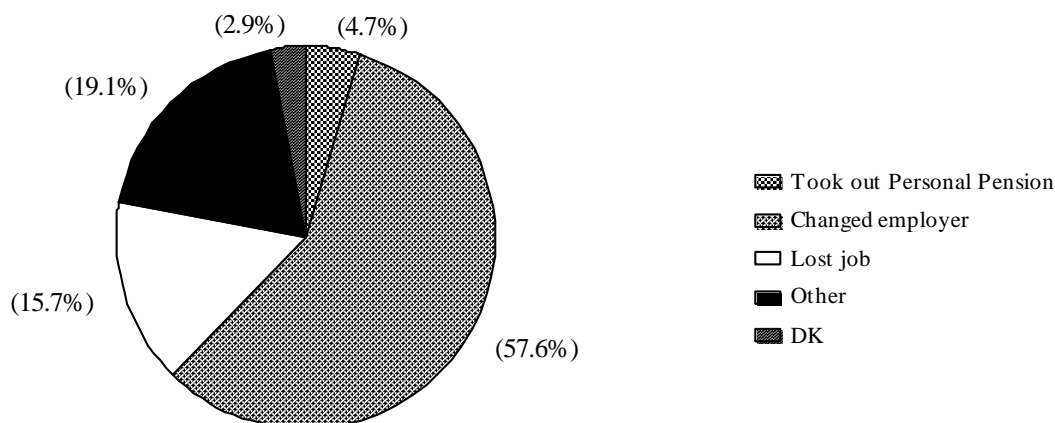
Leaving occupational pension schemes

- 8.14 In order to ascertain whether respondents had ever left an occupational pension scheme, non-pensioners who were not currently in an occupational scheme were asked whether they had *ever* belonged to one. Those who *were* currently in an occupational pension scheme were asked, instead, whether they had been in any *previous* occupational pension schemes before their current one.
- 8.15 Of those with a current occupational pension scheme, 27% had been in previous schemes; 20% of those who were not currently in an occupational pension scheme had been in one at some time. Taking these two groups together, three-quarters (74%) had been in one earlier occupational scheme; 16% had been in two earlier schemes; and 4% didn't know how many previous occupational pension schemes they had been in.
- 8.16 Non-pensioners who had left previous occupational pension schemes were asked, thinking about the last time they had left such a scheme, what the main reason had been for them doing so. The results are shown in Figure 11: 58% said they had left because they had changed employer; another 16% said they had lost their job; and 5% said they had opted out and taken out a personal pension plan instead. Other common answers included leaving work to have children and leaving work for other reasons. Those in higher socio-economic groups were more likely to say they had left the

scheme because they had changed employer and less likely to say it was because they had lost their job than those in the lower socio-economic groups.

Figure 11

Main reason given by non-pensioners for leaving last occupational pension scheme



Sample size: 672

8.17 Those who had left occupational pension schemes in the past because they had changed employer or because they had opted out in order to take out a personal pension plan were asked whether all or part of their pension rights had been transferred into a new pension arrangement. A third (32%) of these respondents said that all or part of their pension rights had been transferred into a new pension arrangement and nearly two-thirds (64%) said they had not. The remaining 4% did not know. Those in socio-economic groups AB were significantly more likely to have transferred all or part of their pension rights (41%) than those in groups DE (20%). Men (36%) were more likely to have had their pension rights transferred than women (26%), but the difference was not statistically significant.

8.18 Pensioners who had been members of an occupational pension scheme before they retired were similarly asked whether they had ever belonged to any *previous* occupational pension schemes other than their final one - 18% said they had. The

corresponding percentage was rather higher in socio-economic groups ABC1 (22%) than in groups C2DE (13%). As for non-pensioners, about three-quarters of these people had been members of one previous scheme. Nearly three-quarters of pensioners who had left a previous occupational pension scheme *prior* to retirement said that changing employer had been their main reason for doing so. A further 12% said they had lost their jobs.

- 8.19 Of the 55 pensioners who had left a previous occupational scheme because they had changed employer or taken out a personal pension plan, one-fifth had transferred all or part of their pension rights into their new pension arrangement.
- 8.20 Combining the data from several questions enabled an analysis of how many occupational pension schemes respondents had *ever* been in. Of non-pensioners and pensioners, 47% and 50% respectively had been members of one or more occupational pension schemes. At the time of the survey, nearly three-quarters (71%) of non-pensioners who had ever been a member of an occupational pension scheme were still members of one, 16% had only a personal pension plan, and 12% had no pension arrangements at all. Table 5 shows, for those who had ever been a member of an occupational pension scheme, how many schemes they had been in, including the current one if appropriate.

TABLE 5: NUMBER OF OCCUPATIONAL PENSION SCHEMES OF WHICH RESPONDENTS HAD BEEN MEMBERS (column percentages)

	<i>Non-pensioners</i>	<i>Pensioners</i>
<i>Sample sizes</i>	1,378	440
1 scheme	72.4%	81.5%
2 schemes	18.9%	13.4%
3 schemes	4.5%	2.4%
4 or more schemes	1.6%	1.4%
Don't know	2.6%	1.3%

8.21 Over 90% of both pensioners and non-pensioners who had ever been members of an occupational pension scheme had been members of two schemes or less. However, pensioners were significantly more likely to have been a member of just one scheme than non-pensioners. Table 6 shows the non-pensioner data in Table 5 analysed by age group of the respondent.

TABLE 6: NUMBER OF OCCUPATIONAL PENSION SCHEMES OF WHICH NON-PENSIONER RESPONDENTS HAD BEEN MEMBERS, BY AGE (column percentages)

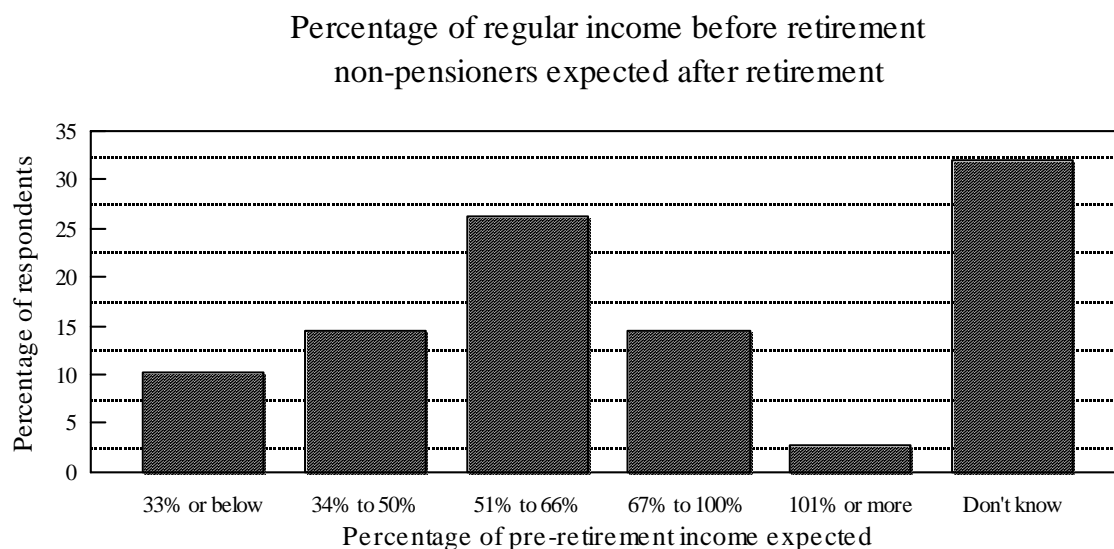
	<i>Age of non-pensioner</i>				
	<i>16-24</i>	<i>25-34</i>	<i>35-44</i>	<i>45-54</i>	<i>55 or over</i>
<i>Sample sizes</i>	70	415	415	330	148
1 scheme	91.2%	78.5%	66.8%	68.0%	69.3%
2 schemes	4.6%	14.4%	23.5%	21.9%	21.1%
3 schemes	1.4%	4.1%	4.8%	5.2%	5.4%
4 or more schemes	0%	0.4%	2.2%	2.0%	2.4%
Don't know	2.8%	2.6%	2.7%	2.8%	1.8%

8.22 Not surprisingly the percentage of non-pensioners who had been a member of only one occupational pension scheme is highest (91%) among those aged 16-24. The corresponding percentage was lower (78%) for those aged 25-34, and it then levelled off at about 68% for those aged 35 or over. Almost one-third of those aged 35 or over had been members of two or more occupational pension schemes.

9 Income in retirement

9.1 Non-pensioners were asked about how much of their regular income *before retirement* they expected to receive after they retired. They were invited to choose their response from one of five options displayed. The responses were as shown in Figure 12. Overall, one-third felt unable to give an answer. Of those who selected an answer, the most common response was *between one-half and two-thirds* of pre-retirement income, with just under half as many respondents opting for each of the answers *between one-third and a half* and *between two-thirds and their whole income*.

Figure 12



Sample size: 2,914

9.2 The answers given to this question varied a great deal depending on the declared working status of the respondent. Over half (57%) of those who were looking after

their family or house, or on a Government Training Scheme were unable to give an answer, as were 42% of those who were unemployed, students, or long-term sick or disabled. Table 7 shows that there were different patterns among those who were employed at the time of the survey.

TABLE 7: PERCENTAGE OF PRE-RETIREMENT REGULAR INCOME EXPECTED TO BE RECEIVED AFTER RETIREMENT (column percentages)

	<i>Full-time employee</i>	<i>Self- employed</i>	<i>Part-time employee</i>
<i>Sample size</i>	1,330	259	471
0-33%	8%	19%	18%
34-50%	17%	13%	14%
51-66%	34%	26%	20%
67-100%	19%	14%	9%
101% or more	2%	4%	3%
Don't know	21%	24%	36%

9.3 Of full-time employees, 34% expected to receive between half and two-thirds of their pre-retirement regular income, compared with 26% of the self-employed and 20% of part-time employees. The corresponding figure was higher for full-time employees in an occupational pension scheme (39%) than for those with no pension arrangements at all (24%).

9.4 Of full-time employees, 19% expected to receive between two-thirds and their whole pre-retirement regular income, compared with 14% of the self-employed and 9% of part-time employees. Of full-time employees in an occupational pension scheme, 22% expected to receive, from that scheme and other sources, between two-thirds and their whole pre-retirement regular income, compared with 20% of full-time employees

with personal pensions only and 9% of full-time employees with no pension arrangements at all.

- 9.5 Just 8% of full-time employees thought they would receive one-third or less of their pre-retirement regular income once they had retired. The corresponding percentage was higher for the self-employed (19%) and part-time employees (18%).
- 9.6 Of full-time employees, 21% felt unable to pick an answer compared with a quarter of the self-employed and 36% of part-time employees.
- 9.7 Looking at those non-pensioners who had only a personal pension plan, Table 8 shows there was a wide variation in the expectations of retirement income among those with similar incomes and paying similar contributions. Sample sizes are quite small for this analysis so the results should be treated with caution. The percentages in the table are in respect of those people who were able to state the size of their monthly contribution to their personal pension plan, that is those who were unable, or refused, to answer the question about monthly contributions have been omitted. In order to keep sample sizes at a tolerable level, levels of monthly contributions have been grouped together for each of the income categories.

TABLE 8: EXPECTATIONS OF RETIREMENT INCOME AS A PROPORTION OF REGULAR PRE-RETIREMENT INCOME, BY THREE LEVELS OF INCOME AND DIFFERENT SIZES OF MONTHLY CONTRIBUTIONS TO PERSONAL PENSION PLAN (column percentages)

<i>Current income:- monthly contribution to personal pension:</i>	<i>less than £10,000 £20 or less</i>	<i>£10,000 to £19,999 £21 to £60</i>	<i>£20,000 or more £21 or more</i>
<i>Sample size</i>	70	105	81
One-third or less (33% or below)	6%	11%	11%
Between a third and a half (34% to 50%)	16%	23%	13%
Between a half and two-thirds (51% to 67%)	26%	27%	40%
Between two-thirds and whole income (68% to 100%)	19%	17%	18%
More than income before retirement (100% plus)	3%	2%	3%
Don't know	30%	20%	16%

9.8 It should be borne in mind that the survey did not reveal how long respondents would be likely to pay their contributions before they retired. Furthermore, respondents may be expecting sources of regular income in retirement over and above their pension arrangements.

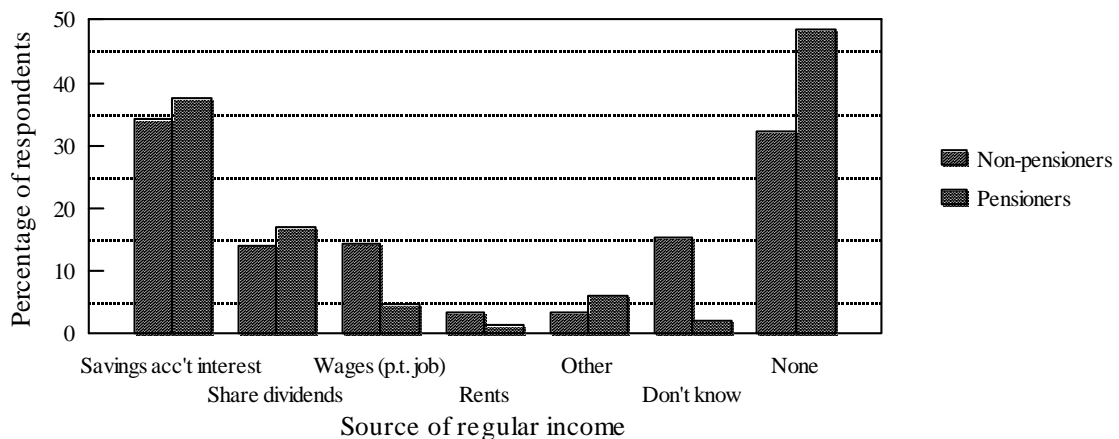
9.9 Pensioners were asked whether the total income they receive in retirement from all sources is smaller, about the same as, or larger than they thought it would be. Over half the respondents (54%) said their total income in retirement was about the same as they thought it would be, about one-third (32%) said it was smaller than anticipated, and 8% said it was larger. The remaining 6% did not know.

9.10 Those in socio-economic groups ABC1 were less likely than those in lower socio-economic groups to say their income was smaller than expected (19%) and more likely to say that it was as they had expected (65%) or larger than expected (10%). Those who had personal pension plans, occupational pensions or both within the ABC1 group were even less likely to say their income was smaller than expected (14%). On the other hand, 45% of pensioners in group E said their income was smaller than expected, with 60% of *married* pensioners in this group holding the same view.

9.11 Non-pensioners were asked what *regular* sources of income, other than from pensions, they expected to receive after they retired. Pensioners were asked a slightly different question: what *regular* sources of income, other than from pensions, they had received since retiring or expected to have in the future. In each case, the interviewer showed the respondent four specific categories of regular income to choose from plus *other* and *none* options. If the respondent chose any option other than *none*, the interviewer probed for further sources by asking 'Anything else?'. The responses are given in Figure 13.

Figure 13

Expected sources of regular income in retirement:
pensioners and non-pensioners shown separately



Sample sizes: Non-pensioners 2,914; Pensioners 925

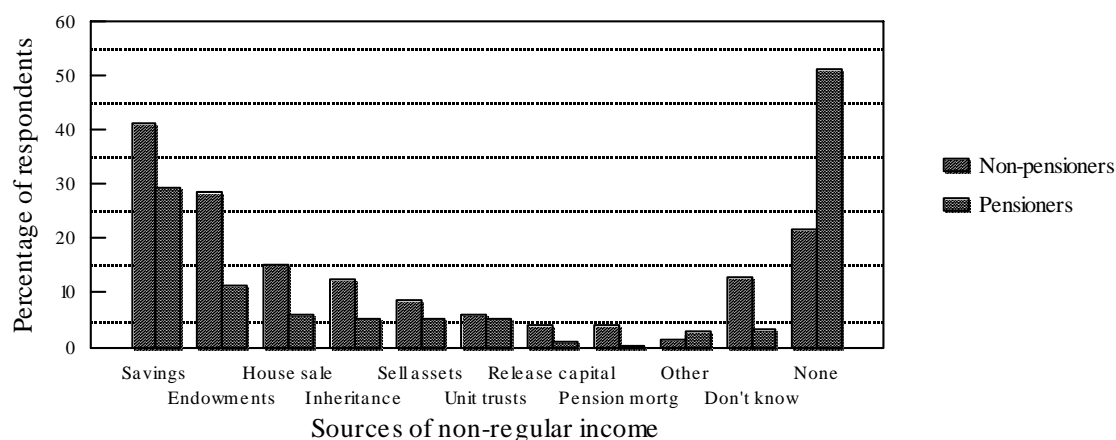
- 9.12 Clearly the most commonly expected regular income in retirement, other than from pensions, was interest from savings accounts with just over a third of pensioners and non-pensioners expecting income from this source. One in seven non-pensioners and one in six pensioners expected to receive dividends from shares. Just 2% to 3% of both pensioners and non-pensioners expected to obtain income from rents. Here the similarities between pensioners and non-pensioners ended.
- 9.13 Significant differences emerged between the sources of regular income expected by pensioners and non-pensioners - 14% of non-pensioners expected to obtain wages from a part-time job, compared with only 5% of pensioners. Perhaps this is wishful thinking on the part of those who have not yet retired: the reality experienced by pensioners is rather different - 6% of pensioners and 3% of non-pensioners selected the *other* source of regular income option.
- 9.14 Not surprisingly, 15% of non-pensioners said they did not know what sources of regular income they would receive once they retired. The corresponding figure for pensioners was much lower, at 2%, showing that those who had already retired had a firmer idea of their current and future sources of regular income. Just under a third (32%) of non-pensioners expected to receive no sources of regular income other than their pension compared with nearly half (48%) of pensioners. Summing the *don't knows* and those expecting to receive *no sources of regular income* other than the pension, the percentages for pensioners (51%) and non-pensioners (47%) are not dissimilar. Perhaps the differences observed in the levels of *don't knows* and those with *no other sources of income* between non-pensioners and pensioners is simply a firming up of the *don't knows* to become *no other sources of regular income* as non-pensioners become pensioners.
- 9.15 As one might expect, there were strong demographic patterns in the results. Those aged 16-24 were least likely to state that they expected no sources of regular income other than their pension (16%), with 30% of those aged 25-34 giving this response and 40% of those aged 35 or over. However, younger respondents and those in the

lower socio-economic groups were more likely to have given a *don't know* response than older people. Within each of these age groups there were strong socio-economic group patterns. Those in the higher socio-economic groups were more likely than those in the lower groups to have sources of regular income of virtually all types, and less likely to say they expected to have no such sources or not know what sources of regular income they were likely to receive. For example, among non-pensioners aged 35 or over, 32% of those in groups ABC1 expected to receive no sources of regular income other than their pension, compared with 42% of those in C2, 51% in group D, and 61% in group E.

- 9.16 Socio-economic group differences were even more marked for pensioners than for non-pensioners. Of those in groups AB, 17% received or expected no regular income other than their pension compared with 38% in group C1, 56% in groups C2D and 72% in group E. There was also a significant difference between sources of regular income for men and women. Of male pensioners, 38% had or expected no sources of regular income other than their pension compared with 55% of women. Of male pensioners, 48% received or expected to receive interest from savings accounts and 25% from share dividends. The corresponding percentages for female pensioners were 30% and 12% respectively.
- 9.17 Non-pensioners and pensioners were then asked about other sources of income they expected to receive, or had already received, in retirement other than pensions and the sources of regular income asked about previously. The interviewer showed the respondent eight specific categories of non-regular income to choose from plus *other* and *none* options. As for the questions on regular income, if the respondent chose any option other than *none*, the interviewer probed for further sources by asking 'Anything else?' The results are shown in Figure 14.

Figure 14

Expected sources of non-regular income in retirement:
pensioners and non-pensioners shown separately



Sample sizes: Non-pensioners 2,944; Pensioners 925

- 9.18 There were statistically significant differences between the expectations of non-pensioners and the experience/expectations of pensioners regarding their sources of non-regular income in retirement; 51% of pensioners said they expected no sources of non-regular income at all during their retirement compared with 22% of non-pensioners. However, only 3% of pensioners said they didn't know what their sources of non-regular income would be whereas the percentage was much higher (13%) for non-pensioners.
- 9.19 The sources most commonly expected by non-pensioners were savings (41%), cashing in endowments or having them mature (29%), selling their home or getting a smaller house (15%), and receiving an inheritance from a relative or friend (13%). The percentages of pensioners citing each of these sources was significantly lower than for non-pensioners: 29%, 11%, 6% and 5% respectively. It is easy to draw the conclusion that expectations of income in retirement tend not to be realised, but there is also a difference of timing to consider. Only in the future will we really be able to tell whether the non-pensioners in our survey had realistic views of their income in retirement.

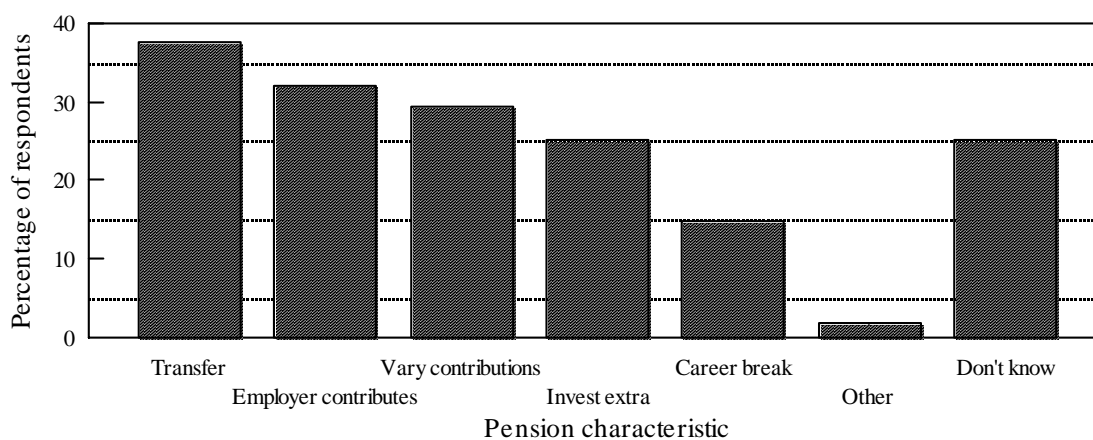
- 9.20 Among non-pensioners, those in the lower socio-economic groups were predictably more likely to expect no sources of non-regular income in retirement. Of those in groups, AB 11% expected no non-regular income compared with 16% of those in C1, 24% in groups C2D and 45% in group E. Within each of these socio-economic groupings, older respondents were more likely to expect no sources of non-regular income than younger respondents. However, older respondents were also less inclined to say they didn't know what sources of such income they would receive. Not unreasonably, it would seem that uncertainty over sources of income in retirement diminishes as the respondents' age increases.
- 9.21 As with non-pensioners, pensioners in lower socio-economic groups were more likely to expect no sources of regular income in retirement. Whereas 27% of those in groups AB expected no such income, the corresponding percentage was as high as 74% for those in group E. There were also significant differences between male and female pensioners, with a higher proportion of women expecting no sources of non-regular income (56%) than men (45%).

10 Requirements of pension arrangements

- 10.1 Both pensioners and non-pensioners were shown a list of five characteristics of pension arrangements and were asked which of them, if any, they felt they needed, or had needed, from their own pension arrangements. Respondents could select one or more options from the list or add one of their own. The results are shown in Figures 11 and 12. Unfortunately, whereas *none of these* replies were recorded for pensioners, this was not done for non-pensioners. As a consequence, one would expect the proportions giving each answer to be higher for non-pensioners than for pensioners: **the results in Figures 15 and 16 are not, therefore, strictly comparable.** It is nevertheless interesting to note that *a pension which my employer contributes to* was chosen by about one-third of both pensioners and non-pensioners, whereas a significantly higher proportion of non-pensioners than pensioners chose each of the other answers.

Figure 15

Percentage of non-pensioners wanting certain characteristics from their pension arrangements

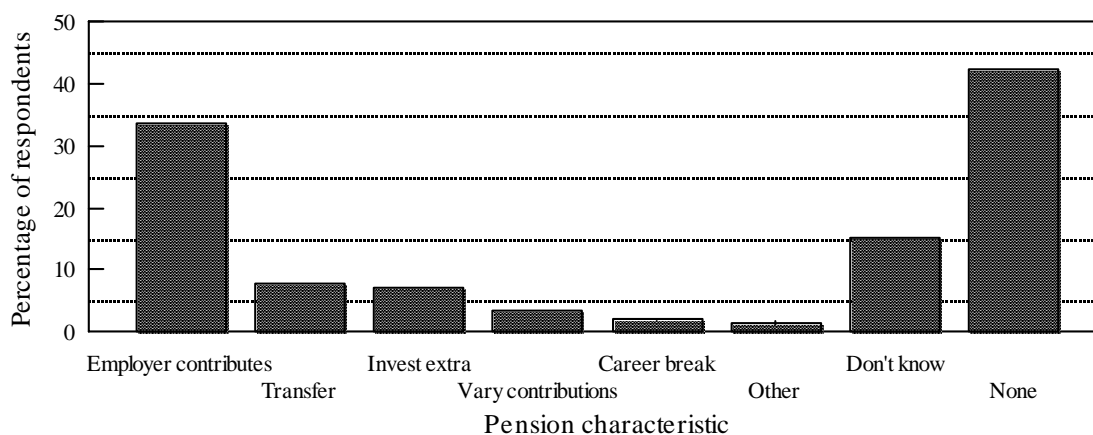


Sample size: 2,914

- 10.2 Among non-pensioners, the most popular requirement of a pension arrangement was that it could be transferred in the event of a change of job (37% selected this answer). Between a quarter and a third of non-pensioners also thought that: their employer should contribute to their pension; it should be possible to make extra contributions from time to time; and the contributions made could be varied. Of non-pensioners, 15% wanted their pension arrangement to enable them to take a career break. One-quarter of respondents said they did not know what they wanted from their pension arrangements.
- 10.3 With regard to demographic considerations, those characteristics which involved an employer, that is, wanting the employer to contribute to the pension arrangement, and being able to transfer funds if a change of job occurred, were most likely to be desired by those in full-time employment. Generally speaking, those non-pensioners most likely to say they needed the features of pension arrangements shown to them tended to be in the higher socio-economic groups, younger, and male.

Figure 16

Percentage of pensioners who said they had needed certain characteristics from their pension arrangements



Sample size: 925

- 10.4 Only small percentages of pensioners (less than 10% overall in each case, but higher for men than for women) said they had needed a pension arrangement which: they could transfer when they changed jobs; allowed them to invest additional sums of money from time to time; allowed them to vary their contributions; or enabled them to have a break in their career. In fact, 42% of pensioners said that they had not needed any of these things from their pension arrangement. This proportion was significantly higher for women (54%) than for men (26%).
- 10.5 Once the support for various features of pension arrangements had been ascertained, respondents were asked whether or not they thought their current pension arrangements were (or *had been* in the case of pensioners) well-designed for their particular needs. Nearly half the non-pensioners (46%) said that their current pension arrangements were well-designed for their needs, one-quarter (25%) said they were not and the remainder did not know. In contrast, although a similar percentage (49%) of pensioners said their arrangements had been well-designed for their needs, nearly 40% said that they had not been well-designed for their needs.

- 10.6 Looking first at non-pensioners, it is apparent that those with personal pension plans, occupational pension schemes or both were most likely to say that their current pension arrangements were well-designed for their needs. About three-quarters of these people thought their arrangements well designed for their particular needs, compared with only 12% of those with no pension arrangements, and 8% of those who did not know what their pension arrangements were.
- 10.7 Among those with personal pensions only, those aged 45 or below were more likely to say that their arrangements were well-designed for their needs (80%) than older respondents (66%). Within those in an occupational pension scheme only, or with a personal pension plan *and* in an occupational pension scheme, those in full-time employment were more likely to say their arrangements were well-designed (82%) than others (64%).
- 10.8 Of those with a personal pension only, 20% said their arrangements were not well-designed for their needs, rising to 29% for such people who were aged 45 or over. Of those in an occupational scheme only, or in both an occupational scheme and a personal pension plan, 14% said their arrangements were not well-designed for their needs, rising to 25% for those who were not in full-time employment.
- 10.9 Of those who had no pension arrangements other than the basic state pension, 37% said that their current arrangements had not been well-designed for their particular needs and a further 51% did not know. Unmarried people with no pension arrangements were even more likely to say they did not know whether or not their pension arrangements were well designed for their needs (59%). Not surprisingly, 81% of those who did not know what their pension arrangements were, did not know whether or not those arrangements had been well-designed for their needs.
- 10.10 Perhaps predictably, the main reason given by non-pensioners for thinking their pension arrangements had not been well-designed for their particular purposes was that they had no current pension arrangements! Among those who had some form of

pension arrangement, small numbers of respondents gave the following reasons for their products not being well-designed for their purposes:

- their occupational pension was frozen;
- the state pension was not high enough;
- their personal pension was no good because they did not pay enough into it;
- that they were charged too much without much enough benefit;
- that it was not easy to transfer or otherwise not sufficiently flexible;
- that they need better advice or don't understand pensions;
- designed for their company not for the individual.

10.11 Returning to pensioners, whereas two-thirds (68%) of those with pension arrangements thought their pension arrangements had been well-designed for their particular needs, only 27% of those with no arrangements, or who did not know what those arrangements were, thought them well-designed. Within each of these two groupings, those in socio-economic groups ABC1 were more likely to say their arrangements had been well-designed for their particular needs than those in groups C2DE. For example, among those who had some kind of pension arrangement, 80% of those in groups ABC1 said their arrangements were well-designed, compared with 53% of those in groups C2DE.

10.12 Reasons for pensioners thinking their pension arrangements had not been well-designed for their particular needs included:-

- the state pension not being high enough;
- having no pension arrangements;
- not paying enough into it;
- occupational schemes not linked to cost of living;
- being charged too much without much benefit;
- needing better advice about, or not understanding pensions.

11 Pensions advice

- 11.1 Respondents were asked whether they had ever sought or received advice from anywhere about their pension arrangements. Of non-pensioners, 44% said they had done so, whereas exactly half this percentage of pensioners had sought or received advice. The difference between the two groups could, to some extent, be explained by the types of pension schemes each group tended to have.
- 11.2 The propensity to seek advice by non-pensioners appeared to depend heavily on the type of pension arrangements which the respondent had in place. Within the overall figure of 44% seeking advice, 82% of those with personal pension plans only, or with both a personal pension plan and an occupational pension scheme, had done so compared with 51% of those with an occupational pension scheme only, and only 21% of those who either had no pension arrangements at all or who did not know what pension arrangements they had. There were also patterns within this last mentioned group according to the respondents' working status. Self-employed persons (45%) and full-time employees (32%) were more likely to have sought advice on their pension arrangements (even though they had none or did not know what they were at the time of the survey) than those who were economically inactive, for example students (4%).
- 11.3 Among pensioners, not surprisingly those who had had pension arrangements were more likely to have sought advice on their pension arrangements (34%) than those who had had none (8%).
- 11.4 Respondents who had sought or received advice on their pension arrangements were asked from where or from whom that advice had been sought or received. They were not prompted by lists of possible sources of advice, but after the spontaneous mention of a source the interviewer probed for further sources by asking 'Anywhere else?'

hence a single respondent could cite more than one source of advice. The results are shown in Table 9.

TABLE 9: SOURCE OF ADVICE USED WITH REGARD TO PENSIONS (column percentages)

	<i>Non-pensioners</i>	<i>Pensioners</i>
Sample size	1,299	198
Insurance/pensions/other financial services company representative	34%	17%
Independent financial adviser/insurance broker	34%	16%
Bank/building society	18%	9%
Employer	14%	41%
Friends, relatives, colleagues	6%	7%
Trade union/staff association	3%	7%
Solicitor/accountant	3%	2%
Citizens' Advice Bureau or similar	*%	2%
Other person	2%	8%
Other source, for example reference book	3%	5%
Don't know	2%	2%

* denotes a value greater than 0, but less than 0.5%.

11.5 Representatives of insurance, pensions or other financial services companies and independent financial advisers/ insurance brokers were the most commonly cited sources of advice used by non-pensioners, with banks/ building societies and employers some way behind. Within non-pensioners who had sought or received advice on their pension arrangements, those with a personal pension plan only were more likely to have consulted a representative of an insurance, pensions or other financial services company (43%) and less likely to have consulted their employer (4%) than other non-pensioners (29% and 20% respectively). Self-employed people who had sought or received advice were more likely to have consulted a solicitor or accountant (10%) than other non-pensioners (2%).

- 11.6 Pensioners were far more likely to have sought or received advice from their employer than any other source. Company representatives and independent financial advisers/insurance brokers were quite some way behind the employer as a source of advice for pensioners. The difference between sources of advice for pensioners and non-pensioners may be due to the different mix of pension arrangements held in the two groups. Of non-pensioners who had sought advice, 45% had a personal pension plan and 42% were in an occupational pension scheme, whereas for pensioners only 18% had a personal pension plan and 70% were in an occupational pension scheme.
- 11.7 Among non-pensioners, it is pertinent that, of those who sought or received advice, 85% cited only one *type* of advice source. Of these people, 31% cited the representative of an insurance, pensions or other financial services company as that sole source. This is not to say that these respondents necessarily went to only one such company - they may have shopped around several companies. An identical percentage received advice only from an independent financial adviser/ insurance broker. About one in seven respondents cited a bank or building society, and one in ten their employer, as their sole source of advice.
- 11.8 Of the 13% who had sought or received advice from two types of source, nearly half (46%) had contacted an independent financial adviser/ insurance broker as well as some other source. Nearly two-thirds of those who had sought or received advice from at least three sources had mentioned an independent financial adviser/ insurance broker in their sources.
- 11.9 Analysis of those who contacted the representative of one or more insurance, pension or other financial services companies for their advice shows that those with only a personal pension plan were more likely to have got advice from this source (43%) than those with other pension arrangements (29%). There were no important demographic patterns.

11.10 There was a strong socio-economic group effect among those who had consulted an independent financial adviser/ insurance broker. Nearly half those in socio-economic groups AB had sought or received advice from an independent financial adviser/ insurance broker compared to 36% in group C1, 29% in C2 and 22% in groups DE. Within these groups, men were more likely to have consulted such people than women, for example, in groups AB, 53% of men had consulted an independent financial adviser/ insurance broker compared with 40% of women.

11.11 Respondents were asked to say how satisfied they had been with the advice they had received from each of the sources they had cited. They were asked to choose their reply from a five-point rating scale ranging from *very satisfied* to *very dissatisfied*. Following fieldwork, to facilitate comparisons, the responses were allocated a score as follows:

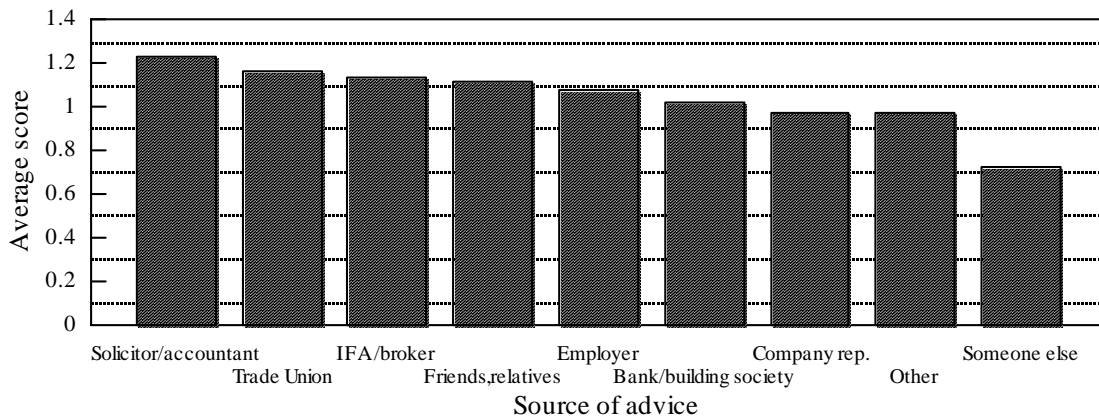
very satisfied	+2
fairly satisfied	+1
neither satisfied or dissatisfied	0
fairly dissatisfied	-1
very dissatisfied	-2

11.12 Average scores were calculated separately for each source of advice. If all respondents had been *very satisfied* (the ideal solution), the highest possible average score of +2 would be achieved. An average score of 1.5 would be achieved if exactly half the respondents were *very satisfied* and half *fairly satisfied*.

11.13 Figures 17 and 18 show the average satisfaction scores separately for non-pensioners and pensioners.

Figure 17

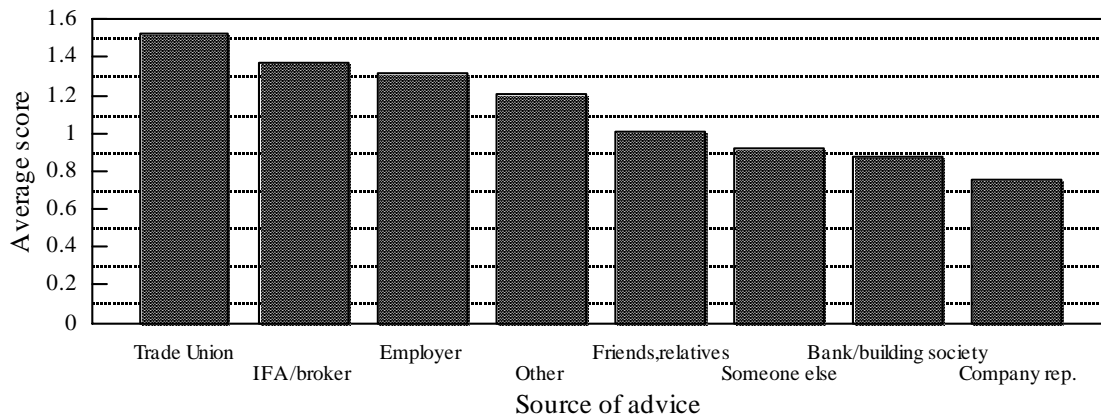
Non-pensioners' average satisfaction scores
for various sources of advice on pensions



Sample sizes: 33; 37; 434; 76; 182; 238; 452; 32; 22
Data omitted for sources cited by less than 10 respondents

Figure 18

Pensioners' average satisfaction scores
for various sources of advice on pensions



Sample sizes: 14; 31; 83; 10; 13; 16; 18; 34
Data omitted for sources cited by less than 10 respondents

11.14 Each source of advice achieved a positive average score demonstrating that, overall, satisfaction outweighed dissatisfaction. Among non-pensioners, advice from solicitors/ accountants, trade unions or staff associations, and independent financial

advisers or insurance brokers got the highest average satisfaction scores, and representatives of insurance, pensions or other financial companies, miscellaneous other advisers and miscellaneous other sources achieved the lowest scores. However, there was not really a great deal of difference between the highest and lowest average scores, perhaps demonstrating that, until people try to draw on their pension arrangements, they will not really know whether or not they have been satisfactorily advised.

11.15 The sample sizes were very much smaller for pensioners and hence are less reliable, but the results appear a little more polarised than for non-pensioners, perhaps because the advice which had been received could be more objectively assessed as pension arrangements in place had come to fruition. Trade unions or staff associations, independent financial advisers/insurance brokers and employers achieved the highest levels of satisfaction with the advice achieved, and representatives of insurance, pensions and other financial companies attained lower satisfaction scores. To put the lowest score for pensioners into perspective, nearly three-quarters of those who had sought advice from company representatives have been *fairly* or *very satisfied* with the advice received and only one in ten had been *fairly* or *very dissatisfied* with their advice.

11.16 Pensioners who had sought or received advice on their pension arrangements in the past were asked to whom or where they would recommend others to go in order to obtain *unbiased* advice on their own pension arrangements. The most popular answer, given by 28% of pensioners, was an independent financial adviser/ insurance broker. The next most frequently given response was to seek advice from one's employer (14%), followed by a bank/building society (10%), and representative of an insurance/pensions/other financial company (8%). One-quarter of pensioners who had sought or received advice on their pension in the past said they did not know who to recommend others to go to in order to obtain unbiased advice.

- 11.17 Pensioners in socio-economic groups AB were more likely to recommend an independent financial adviser/ insurance broker (45%) than those in groups DE (15%). Generally speaking, the lower socio-economic groups were more likely to recommend contacting their employer or the representative of an insurance/pensions/other financial company than those in the higher socio-economic groups.
- 11.18 Non-pensioners were also asked about sources of unbiased advice. The question, asked of all non-pensioners, regardless of whether or not they had sought or received advice about their pension arrangements in the past, was posed as 'In the future, if you needed to seek unbiased advice on your pension arrangements, who or where would you be most likely to seek that advice from?' The most popular answers given were as follows: 28% said they would seek advice from an independent financial adviser/insurance broker; 20% would contact a bank or building society; 13% a representative of an insurance/pensions/other financial company; 11% friends, relatives or colleagues; 11% their employer; and 17% of non-pensioners said they did not know to whom they would turn.
- 11.19 Those with personal pension plans or both personal and occupational pensions were more likely to turn to an independent financial adviser/ insurance broker for unbiased advice than those with other pension arrangements. Of these, 41% would turn to an independent financial adviser/insurance broker compared with 34% of those with an occupational pension only, 18% of those with no pension arrangements at all, and only 8% of those who did not know what pension arrangements they had.
- 11.20 There was also a socio-economic group effect within each of these categories of pension arrangement holders with the higher groups being more likely to recommend an independent financial adviser/insurance broker. For example, among those holding both personal and occupational pensions or personal pension plans only, 57% of those in socio-economic groups AB would contact an independent financial adviser/insurance broker for unbiased advice on pensions compared with 40% of those in groups C1C2 and 28% of those in groups DE. There was also a tendency for

those who had sought advice in the past to be more likely to go to an independent financial adviser/insurance broker than those who had not sought advice previously. Men also appeared rather more likely to contact an independent financial adviser/insurance broker than women.

- 11.21 The pension arrangements actually held also had a major effect on the propensity of non-pensioner respondents to say that they did not know to whom they would turn in order to obtain unbiased advice on pensions. Whereas 9% of those with some kind of pension arrangements (personal, occupational or both) said they did not know who they would go to for unbiased advice on their pension arrangements, this was the case for 23% of those with no pension arrangements at all, and for 53% of those who did not know what their pension arrangements were. Among those who had no pension arrangements, respondents in socio-economic groups DE who had not sought advice on their pension before were even more likely to say they did not know who to turn to (33%).

12 Problems with pension arrangements

- 12.1 Only small percentages of respondents had ever encountered any problems with their pension arrangements: 6% of non-pensioners and 3% of pensioners. Over 90% of respondents said they had encountered no problems and a small number did not know whether they had or not. It should be borne in mind that many of these respondents had no current pension arrangements at the time of the survey. However, 87% of non-pensioners with only personal pension plans and 93% of those with only an occupational pension scheme running still said they had been problem-free. It is, however, possible that problems may only come to light once the respondent needs the pension plan to pay out.
- 12.2 Half the problems experienced by non-pensioners were to do with personal pension plans and just over a third about occupational schemes. The remainder of non-

pensioners' problems were to do with the State Earnings Related Pension Scheme (SERPS). More than 60% of pensioners' problems with pensions were to do with occupational pension schemes and 32% concerned personal pension plans.

- 12.3 The main problems with personal pension plans cited by non-pensioners were: bad advice or lack of information; difficulty in transferring funds; inefficiency by the providing company; not being able to keep up the payments; and the pension being frozen. Rarer problems included: poor returns; being unable to reduce payments; not being able to stop the pension and start it up again; a fund which collapsed; the cost of setting the pension up and the amount taken for paperwork fees; receiving bad service; and the providing company being too pushy. Pensioners mentioned contributing to one company but being paid by another; the company being sold to another; and taking too long to pay out.
- 12.4 Problems with occupational pension schemes had fewer definite themes. Examples from non-pensioners included: taking too much out of wages; company closed down, policy being lost; transfer value limits on additional voluntary contributions; forcibly reimbursed because of children; being defrauded; employer stopped making contributions. To this list pensioners added: their company being taken over; being late in payment; and being paid out too little with the matter being referred to the Occupational Pensions Advisory Service.
- 12.5 Respondents were then asked who they would go to in order to get the matter resolved if they became very unhappy with any aspect of their pension arrangements. Pensioners were asked a slightly different question: to whom they could have turned in order to get the matter resolved if they had been very unhappy with any aspect of their pension arrangements. Respondents were not prompted with lists of possible answers, but were probed by the interviewer with the question 'Anyone else?' after a response was offered.

12.6 These questions were greeted with a whole host of different responses. This analysis will only mention those given by at least 1% of either pensioners, non-pensioners or both.

TABLE 10: WHOM RESPONDENTS WOULD GO TO IN ORDER TO GET THE MATTER RESOLVED IF THEY BECAME VERY UNHAPPY WITH ANY ASPECT OF THEIR PENSION ARRANGEMENTS {column percentages}

	<i>Non-pensioners</i>	<i>Pensioners</i>
Sample size	2,914	925
Citizens' Advice Bureau	20%	13%
Employer	13%	15%
Independent financial adviser	10%	4%
Insurance company	8%	3%
Solicitor	8%	5%
Pensions ombudsman	7%	3%
Ombudsman (unspecified)	5%	2%
Bank or building society	3%	1%
Employer's head office	2%	5%
Trade Union	2%	2%
Dept of (Health and) Social Security	2%	4%
Occupational Pension Advisory Service	2%	1%
Personal Investment Authority Ombudsman	2%	1%
BBC Watchdog	1%	*%
Family/relatives	1%	3%
Member of Parliament	1%	1%
Don't know/None	26%	36%

12.7 Citizens' Advice Bureaux and the respondents' employer featured prominently in the lists of both pensioners and non-pensioners. The top answer for non-pensioners, Citizens' Advice Bureaux, was only mentioned by one-fifth of respondents. Less than 10% of respondents mentioned any particular ombudsman scheme, although perhaps

some of those proposing to visit a Citizens' Advice Bureau would be pointed in the direction of ombudsmen in due course. Among non-pensioners, whereas mention of Citizens' Advice Bureaux was more likely with the lower socio-economic groups (27% of those in groups DE, compared with 13% in groups AB), the reverse is true of ombudsmen. Of non-pensioners in groups AB, 10% mentioned the Pensions Ombudsman compared with only 3% in group DE.

- 12.8 Non-pensioners with some form of pension arrangement were less likely to say they did not know to whom they would take a pension problem for resolution (14%) than those who had no pension arrangements (38%), and those who did not know what pension arrangements they had (59%). Among those with no pension arrangements, those in socio-economic groups ABC1C2 were less likely to say they did not know with whom to take up the matter (35%) than those in groups DE (42%).
- 12.9 Pensioners who had had no pension arrangements in place, or who did not know what they had been, were more likely to say they did not know with whom they could have taken up pension problems (48%) than those who had had some form of pension scheme (25%). Among those who had had a pension scheme, married respondents were less likely to say they did not know who they could have contacted in the event of a complaint (20%) than those who were widowed, divorced or single (33%).

13 Attitudes towards pensions

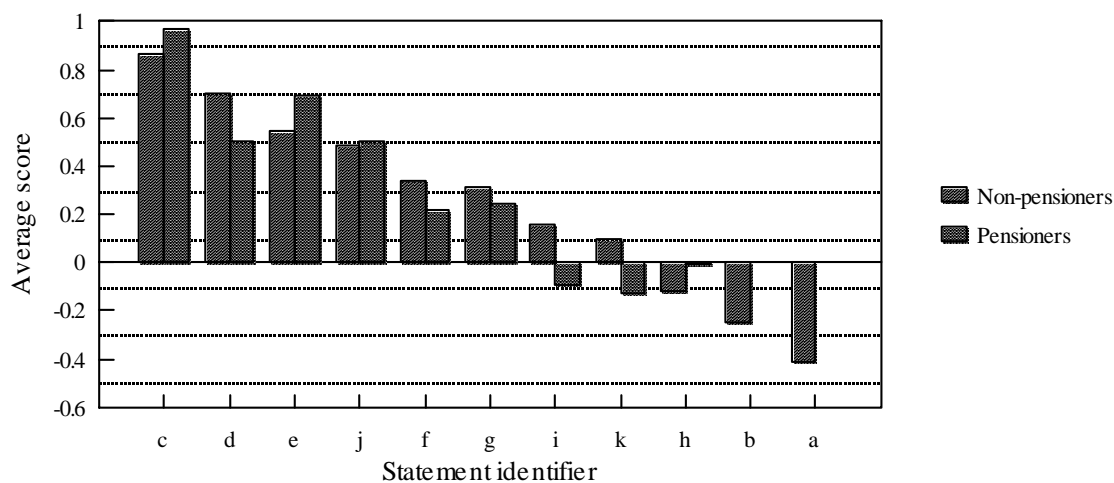
- 13.1 Respondents were asked to indicate the extent to which they agreed or disagreed with a series of statements about pensions. They were read one statement at a time and asked to indicate their level of agreement with it by selecting an answer from a show screen. Possible responses were: agree strongly; agree; neither agree nor disagree; disagree; disagree strongly. In some cases, different wording was used according to whether the respondent was a pensioner or non-pensioner. The statements were as follows:

- a *I'll worry about the size of my pension when I retire, not before. [not asked of pensioners]*
- b *I can work out roughly how much income I'll receive when I retire. [not asked of pensioners]*
- c *The government has a duty to ensure that the state pension alone is adequate for pensioners' needs.*
- d *The responsibility for ensuring that my income in retirement is adequate for the lifestyle I wish to live is mainly mine.*
- e *The government should encourage people to provide something for their own retirement rather than just relying on the state pension.*
- f *I have found all the information I have seen, and advice I have received, on pensions very confusing.*
- g *Pension schemes are designed for people like me.*
- h *I (cannot/could not) afford to contribute to a pension scheme.*
- i *(I can think of/There were) many things I would rather buy with my money than putting it into a pension scheme.*
- j *It (is/was) hard enough to make ends meet now without trying to save up for the future.*
- k *(I am confident that my/My) pension arrangements (will provide/provide) an adequate income (when I retire/now I am retired).*

13.2 Average agreement scores were calculated in respect of each statement, separately for pensioners and non-pensioners. The scoring method used was similar to that used for rating sources of advice in an earlier section, that is, +2 for agree strongly, +1 for agree, through to -2 for disagree strongly. Figure 19 shows the average scores for each statement, with the statements shown in terms of descending size of average score.

Figure 19

Average agreement scores for various statements about pensions



Sample sizes: Non-pensioners 2,914; Pensioners 925

- 13.3 Clearly, the statement which most struck a chord with respondents was that *The government has a duty to ensure that the state pension alone is adequate for pensioners' needs*. Of non-pensioner respondents, 29% agreed strongly with this and a further 44% agreed. Older non-pensioner respondents and those who were not in employment were most likely to agree with this statement. Pensioner respondents were more likely than non-pensioners to agree strongly with this statement (39% did so).
- 13.4 The next most popular statement with non-pensioners was *The responsibility for ensuring that my income in retirement is adequate for the lifestyle I wish to live is mainly mine* (12% agreed strongly and 60% agreed). The apparent contradiction in simultaneously agreeing to this statement and that in the preceding paragraph can be explained by the inclusion in this one of a reference to the level of lifestyle to which the respondent personally aspires. Thus, government was seen as having an inescapable responsibility to provide a pension covering basic need, but non-pensioners, in particular, were realistic enough to recognise that this is unlikely to

satisfy their personal lifestyle ambitions. Non-pensioners in employment were more likely to agree with this statement than other non-pensioners.

- 13.5 There was also a considerable measure of agreement with the statement *The government should encourage people to provide something for their own retirement rather than just relying on the state pension* (12% of non-pensioners agreed strongly and another 53% agreed). Non-pensioners in socio-economic groups ABC1 were more likely to agree with this statement than those in groups DE; 19% of pensioners strongly agreed with this statement.
- 13.6 The statement *It (is/was) hard enough to make ends meet now without trying to save up for the future* achieved a fair amount of agreement too; 17% of non-pensioners strongly agreed and 42% agreed, with similar proportions for pensioners. Not surprisingly, non-pensioners who were unemployed or looking after their family/home were more likely to agree with this statement than those in employment, particularly those who were self-employed or in full-time employment.
- 13.7 Statements f and g *I have found all the information I have seen, and advice I have received, on pensions very confusing* and *Pension schemes are designed for people like me* were marginally less popular with roughly half the respondents agreeing or strongly agreeing with the statements while about a quarter disagreed or disagreed strongly.
- 13.8 Within non-pensioners, women, the unemployed and those looking after their family/home were a little more likely than men and those in employment to agree with the statement about information and advice being confusing. These groups were also a little *less* likely to agree that pension schemes are designed for people like them. Pensioners were fractionally less likely to agree with these statements than non-pensioners.

- 13.9 Levels of agreement with statements i and k were a little different for non-pensioners and pensioners. While, on balance, agreement with the statements (*I can think of /There were) many things I would rather buy with my money than putting it into a pension scheme* and (*I am confident that my/My) pension arrangements (will provide/provide) an adequate income (when I retire/now I am retired)*) just outweighed disagreement for non-pensioners, the opposite was true for pensioners.
- 13.10 Among non-pensioners, younger respondents, those who were unemployed, and those without any pension arrangements were most likely to agree that there were many things they would rather buy with their money than putting it into a pension scheme. Men, younger people, those in employment, and those with personal pension plans or who were members of occupational pension schemes were most likely to agree that they were confident that their pension arrangements would provide an adequate income when they retired.
- 13.11 While non-pensioners were more likely than pensioners to disagree with the statement *I (cannot/could not) afford to contribute to a pension scheme*, and disagreement just outweighed agreement, over a third of respondents in each group agreed or strongly agreed with it. Non-pensioners who were unemployed or looking after their family/home were more likely to agree with this statement than other non-pensioners.
- 13.12 The statements with which the greatest proportion of non-pensioners disagreed (they were not asked of pensioners) were *I can work out roughly how much income I'll receive when I retire.* and *I'll worry about the size of my pension when I retire not before;* 57% disagreed or disagreed strongly with the first of these two while 60% did so for the second. Even then, a sizeable minority of respondents agreed or strongly agreed with these statements: roughly a third in the case of being able to work out their future pensions income and a quarter with regard to worrying about their pension when they retire not before.

- 13.13 Among non-pensioners, those in socio-economic groups AB were more likely than other socio-economic groups to disagree (21% disagreed strongly and a further 56% disagreed) that they would worry about the size of their pension when they retired, not before. In contrast, among those in socio-economic groups DE, 7% disagreed strongly and 37% disagreed with this statement.
- 13.14 Whereas 50% of those who were members of only occupational pension schemes either agreed or strongly agreed that they could work out roughly how much income they would receive when they retired, the equivalent figure was 39% for those with only personal pension plans and 19% for those with no pension arrangement at all. The closer non-pensioner respondents were to retirement age, the more likely they were to agree with this statement.

Annex 1

Part 1: Sampling methodology: random location methods

This survey was carried out by mounting questions on the omnibus survey run by Research Surveys of Great Britain Ltd (RSGB). A fully representative sample of just over 3,800 people aged 16 or over, throughout Great Britain, was interviewed. These interviews took place in the respondents' homes using face-to-face, computer-assisted personal interviewing (CAPI) techniques. Fieldwork took place between 6-17 November 1996.

(i) Sampling frame

The area of Great Britain south of the Caledonian canal was divided into 600 groupings of postcode sectors, called blocks, designed to contain roughly equal populations. The area covered by any particular block was entirely within a single Standard Region, as defined by the Registrar General. The 1991 UK Census Small Area Statistics and the Post Office Address File (PAF) were used to assist with this process.

The blocks were stratified by population density bands, and sorted within these bands into descending order of the percentage of the population within socio-economic group AB (those whose head of household was in a higher or intermediate managerial, administrative or professional occupation). The blocks were then systematically allocated to 25 sub-samples containing 24 blocks each with the intention that each sub-sample would, itself, be a representative drawing from the entire sampling frame.

(ii) Sampling points

Each block, described above, was divided geographically into two halves of roughly equal population, each half containing a grouping of postcode sectors. Within each selected half block, postcode sectors were sorted into descending order of the percentage of the population

in socio-economic group AB so that postcode sectors within a half-block could be systematically worked in sequential waves of fieldwork.

Within each postcode sector, residential addresses were grouped into blocks of 100 addresses, achieved by grouping addresses in adjacent postcodes using the National Grid co-ordinates of the postcode sector.

(iii) Omnibus procedures

In essence, this sampling technique involves selecting, each week, a representative sample of blocks, and within each selected block a representative sample of addresses.

For each wave of fieldwork a set of sub-samples is selected: typically about 130 blocks are used (5-6 sub-samples). Across sequential waves of fieldwork, all sub-samples are systematically worked to reduce clustering effects on questionnaires, like that used for the pensions survey, asked for two (or more) consecutive weeks. Each time a block is selected, the other half of the block is used from that used the last time it was selected, that is the two halves of the block are alternated, again to reduce clustering effects.

A single postcode sector was selected and each interviewer was supplied with two batches of 100 residential addresses, drawn from different parts of the sector. Addresses were then contacted systematically with three doors being left after each successful interview.

Interviewing was restricted to after 2 pm on weekdays, but all day at the weekend. To ensure a balanced sample of adults within effective contacted addresses, quotas were set for men, female housewives, and other females, and within female housewives by presence or absence of children and working status, and within men by working status.

A tenth of the interviews were subsequently validated by supervisors.

Part 2: Data reliability, confidence intervals etc.

As with all sample surveys, we cannot be certain that the results obtained are identical to those which would be obtained by interviewing the entire population. However, if a sample is drawn randomly, statistical theory enables us to assess the reliability of our survey results by drawing confidence intervals around them.

Table A1.1 allows us to estimate for this survey 95% confidence intervals around percentages calculated from differing sample sizes. A 95% confidence interval around a survey percentage means that we run only a 5% (1 in 20) risk that the true *population* percentage lies outside the range from the sample percentage minus the tabulated figure to the sample percentage plus the tabulated figure.

TABLE A1.1: ESTIMATED 95% CONFIDENCE INTERVAL FOR A RANDOM SAMPLE WITH DESIGN FACTOR OF 1.5¹²

<i>Sample size</i>	<i>Percentage observed from Sample</i>									
	<i>5%</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>35%</i>	<i>40%</i>	<i>45%</i>	<i>50%</i>
50	9.3	12.8	15.2	17.1	18.5	19.5	20.3	20.9	21.2	21.3
100	6.5	8.9	10.6	11.9	12.9	13.6	14.2	14.6	14.8	14.9
250	4.1	5.6	6.7	7.5	8.1	8.6	8.9	9.2	9.3	9.3
500	2.9	4.0	4.7	5.3	5.7	6.0	6.3	6.5	6.6	6.6
1,000	2.0	2.8	3.3	3.7	4.0	4.3	4.4	4.6	4.6	4.7
2,000	1.4	2.0	2.3	2.6	2.8	3.0	3.1	3.2	3.3	3.3
3,000	1.2	1.6	1.9	2.1	2.3	2.5	2.6	2.6	2.7	2.7
4,000	1.0	1.4	1.7	1.9	2.0	2.1	2.2	2.3	2.3	2.3

N.B. The table is symmetric about 50%, so, for example, for 55% use the (100-55) that is the 45% column.

¹² A somewhat arbitrary design factor of 1.5 has been applied to the sampling error calculations in order to account for the fact that the omnibus sampling methodology is not believed to be as efficient as simple random sampling. This increases the range of confidence intervals and helps to ensure that we do not wrongly conclude that differences between characteristics are statistically significant when in fact they may not be. This approach may be considered over-cautious by some market researchers.

Confidence interval example

Table 1 of the main text (page 23) shows that 11% of those below pensionable age expected to receive all of their income in retirement from the basic state pension, based on a sample size of 3,027 respondents. Reading off the most appropriate data from Table A1.1, the intersection between the 10% column and the 3,000 row, yields a value of 1.6 percentage points. Thus an approximation of the 95% confidence interval for the 11% figure is therefore from 9.4% (11% minus 1.6 percentage points) to 12.6% (11% plus 1.6 percentage points). We are thus 95% confident that the true population percentage of those below pensionable age who expect to receive all of their income in retirement from the basic state pension lies between 9.4% and 12.6%. There is only a 5% chance that we drew an unlucky sample and the true population figure is outside the confidence interval. Because of the bell-shaped nature of the statistical distribution used to calculate these confidence intervals, it is more likely that the true population percentage will lie closer to the percentage observed from the sample than to either extreme of the confidence interval.

Table A1.1 shows that the larger the sample size, (and the further away the observed sample percentage is from 50%), the narrower will be the confidence interval around a survey percentage. This means that greater reliance can generally be placed on percentages based on larger sample sizes. It also demonstrates why percentages based on sample sizes of less than 100 should be treated with caution.