
Information on pensions

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US/UK Conference
20 July 2005**

Coverage

1. Fact-based policy analysis
2. Effective Message Research
3. Workplace Information Pilots
4. Pension Increase Pledge

1. Fact-based policy analysis

1. Introduction

- “Informed choice” programme
- Empower individuals to plan for future
- Understand what drives behaviour
- Share our approaches

1. Fact Based Analysis

- DWP researching/piloting range of issues
- Working with partners key
- E.g. Work Place Information Pilots
 - Range of partners
 - Partners critical to design

1. Learning Lessons

- UK building its own evidence base
- Also studying experience of others
- US leads the way on behavioural economics
- Many lessons we can - and are - learning
- E.g. Working with Prof Bernartzi

2. Effective Message Research

2. Pensions Information

- 68% people find pensions complex
- 50% don't understand their options
- Range of pilots testing provision of information
- Touch on a couple today:
 - Effective Message research; and
 - Workplace information pilots

2. Effective Message Research

- Published June 2005
- Keys aims of research:
 - explore people's information needs
 - test different ways to convey messages
 - Make recommendations on what works

2. Effective Message Research: Qualitative Findings

Scepticism about pensions had increased

Due to:

- Perceived low rates of return
- Lack of personal control
- Lack of transparency
- Limited awareness and understanding
- Preference for other methods of saving

2. Effective Message Research: Recommendations

To overcome scepticism, information should be:

- credible and balanced
- targeted
- in accessible language
- presented in logical, coherent order
- delivered in manageable format

2. Effective Message Research: Conclusions

- Formidable barriers to encouraging pension take up
- Information alone unlikely to overcome all barriers
- But good quality information has valuable role
- Lessons applied: ‘Pensions Education Fund’
 - funds innovative ways to reach employees/self-employed
 - research used to develop selection criteria

3. Workplace Information Pilots

3. Workplace Information Pilots

- Effective message research: how to present
- Also piloting workplace access to information
 - Findings not due for a couple of months
 - Have powers to require some employers to provide access
 - Pilots will inform decision on use of powers

3. Workplace Information Pilots

- Employers, pension providers and IFAs involved
 - Carefully designed to test a range of options:
 - Pensions Information Pack
 - presentation by authorised individual
 - one to one interview with Stakeholder provider to discuss *information*
 - 1 to 1 interview with IFA giving limited *advice*.
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3. Workplace Information Pilots

- Serious research which took 2 years to complete
- Drew on US and UK evaluation evidence
- Working together with many stakeholders
- Information Pack developed in partnership with ABI led consortium
- Findings not yet available

3. Workplace Information Pilots

- 100 employers participated
- 4,000 employees received information/advice
- Delivered despite workplace difficulties
 - Multiple sites
 - Shift patterns
 - No suitable venue: used pub & farm kitchen

4. Pension Increase Pledge

4. Maximising Membership

- Information unlikely to provide whole answer
- Testing range of ways to maximise scheme membership
- Automatic Enrolment (Ian Patton)
- Personal Accounts
- Pension Increase Pledge
- Again, learning lessons from abroad

4. Pension Increase Pledge

- From autumn, UK will pilot Pension Increase Pledge (PIP)
- Inspired by US SMarT scheme
- Developed for UK with Prof Bernartzi
- Employees commit to stepped annual increases in pension contributions at trigger points, e.g. pay rises
- Used inertia in US to increase savings overtime
- Testing whether success replicable in UK context

4. Pension Increase Pledge

- Partnership with pension providers & employers
- Long term pilot: 4-5 years
- Encouraging those already saving to save more
- Initial findings: September 2006

Conclusion

- Evidence-based policy making key
- Working with partners to test range of approaches
- Learning from abroad
- Go with grain of behavioural economics
- Key results soon