



do your
employees
need to
rethink
retirement?

our survey
results 2014.

WEALTH at work

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I would like to thank the many clients and contacts who contributed to this survey and trust you will find the results interesting and informative.

The Budget changed the face of retirement income options for members of defined contribution (DC) schemes, with perhaps the most radical pension proposals of our lifetime. It is clear that both employers and employees will need to be prepared for these pension changes for what will bring a whole new world of choice on how to generate income in retirement.

Our results show employers believe a minority of scheme members are making sufficient retirement savings but it is encouraging to see that many employers consider professional retirement planning as crucial for employees. Findings also suggest that many employers currently don't have the functionality in-house to facilitate the new pension rules and will need to look at alternative options to ensure flexibility can be delivered to employees. We believe that employers will also need to reconsider what support they are going to provide their employees in the years before retirement and not only at the point of retirement if retirement income is to be maximised.

I very much welcome your feedback in relation to any of the results or issues raised. Please do not hesitate to contact me if you wish to discuss further.

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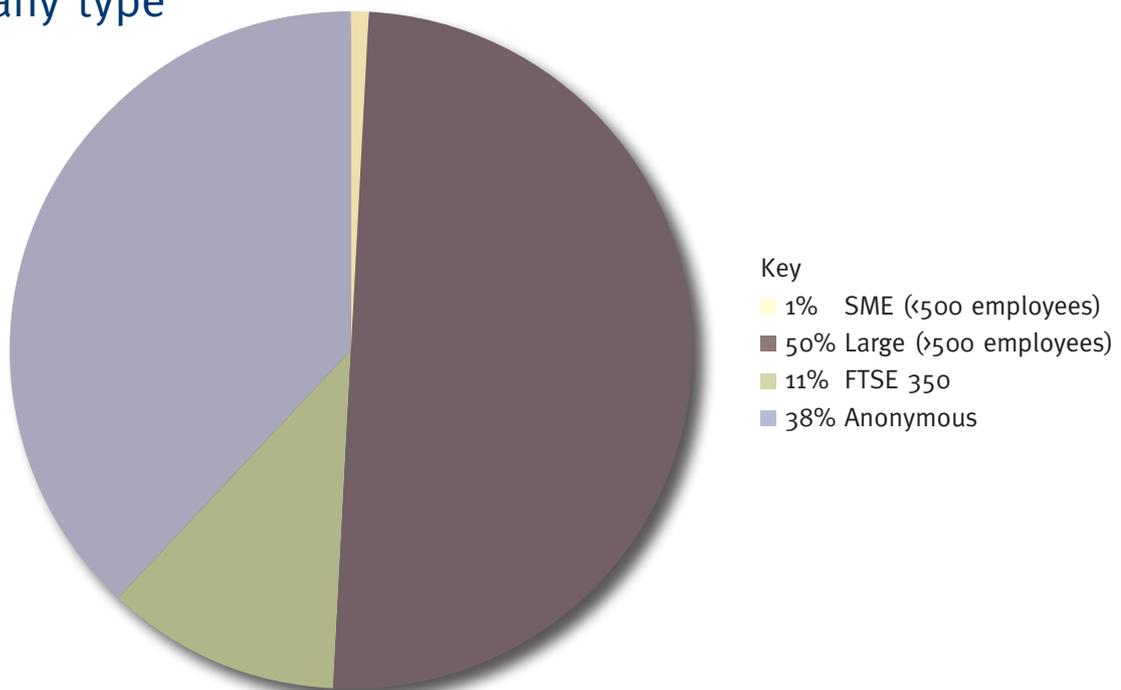
“pension changes will bring a whole new world of choice on how to generate income in retirement.”

aims of the survey.

In the current economic climate and after the most seismic change to pensions legislation in a generation, more employers now see professional retirement planning for their staff as fundamental to their business.

But what are their retirement income options? And, are employees aware of and understand the choices available to them? The aim of this survey was to understand the approaches and opinions of a range of UK companies in recognising the growing need to support employees at retirement.

Company type



Key Findings

- Only 15% of employers believe their employees are making sufficient retirement savings.
- 88% consider professional retirement planning including financial education crucial for their employees.
- 40% of employers believe that their employees will not know where to seek regulated financial advice from.
- Only 23% of participants believe that their employees are well equipped to understand what level of income they will get from their company schemes at retirement.
- 58% of participants believe that their employees are unaware of their retirement income options such as annuities, income drawdown or a combination of both.
- 53% of participants believe that their employees aren't aware of the advantages and disadvantages of each retirement income option.

about the survey.

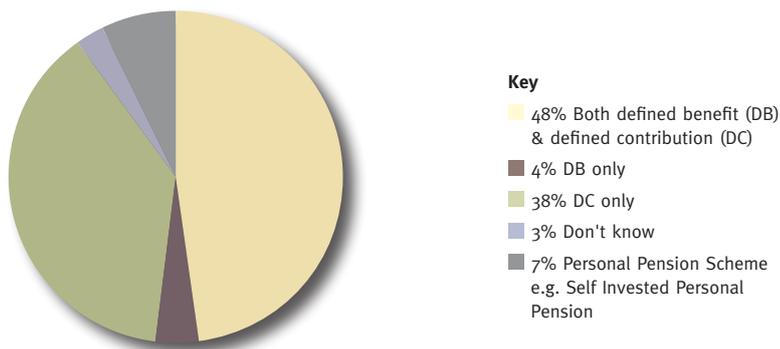
This research was conducted online over 1 month, throughout October 2014. The survey targeted key HR, Reward & Benefits and Pension professionals. In total, the research received 105 responses. 11% of respondents were from the FTSE 350, 50% were from companies with 500 employees and more, 1% were from SMEs and 38% of respondents chose to remain anonymous.

Please note, figures have been rounded up and down to ensure results total 100%.

part one: company pension scheme(s).

With various pension schemes in place, it is important for employees to understand what their pension scheme offers and the importance of saving for retirement.

What type of pension scheme(s) do you currently have in place?

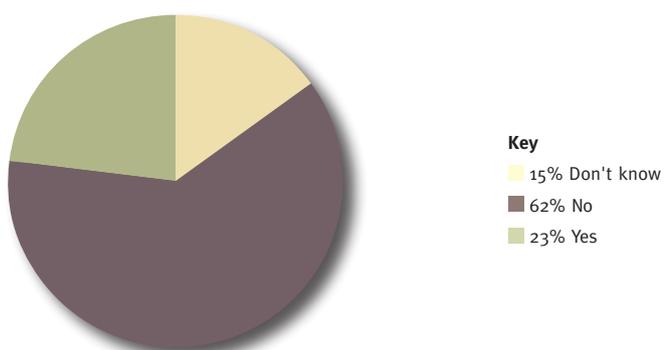


38% of companies asked operate a defined contribution (DC) scheme, and 48% of participants had both a defined benefit (DB) and DC scheme. With multiple schemes in place, options and choices are likely to be more complex for scheme members to understand and manage.

Key considerations:

- Do your employees know what type of pension scheme they have?
- If your employees have more than one type of scheme, do they understand the difference?
- Do your employees know how their schemes work together, for example using an additional voluntary contribution to provide the tax free cash element of a DB scheme?

Even though you will have provided information through valuations and statements, do you believe your employees understand what level of income to expect from their company scheme(s) at retirement?

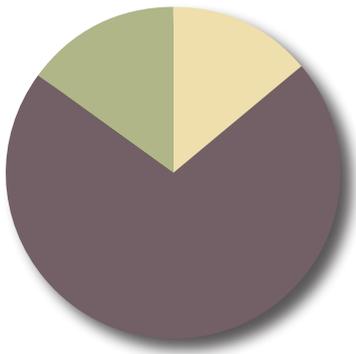


Despite all of the hype about the pension changes in the 2014 Budget, 62% of participants believe that their employees won't understand what level of income to expect from their company schemes at retirement. Only 23% of participants believe that their employees are well equipped to understand what level of income they will get from their company schemes at retirement.

Key considerations:

- Do your employees understand what level of income to expect from their company schemes at retirement?
- How does your company aid and assist this understanding?
- Would employees do more if they realised what their options were? For example, contributing more than the company 'limits'.

Do you believe your employees are making sufficient retirement savings through their contributions?



Key

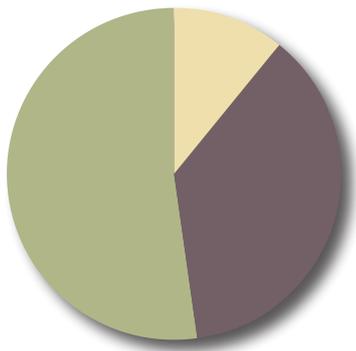
- 14% Don't know
- 71% No
- 15% Yes

71% of participants believe that their employees aren't saving enough for their retirement through their scheme. This may be due to a lack of employee understanding or knowledge about their allowances and savings options or not having enough income to make the monthly contributions required to get a better retirement income.

Key considerations:

- Do employees know how to work out what they should be saving into their pension to get a good retirement income?
- Is it beneficial for you as an employer to help employees maximise their retirement savings to ensure they are able to afford to retire?
- Do employees have access to salary sacrifice and understand the benefits of it?

Do you believe auto enrolment has helped your employees understand the importance of saving for retirement?



Key

- 11% Don't know
- 37% No
- 52% Yes

52% of participants believe auto enrolment has aided employees' understanding of the importance of saving for retirement. This is an increase of 13% from 2013. Conversely, 37% didn't think that auto enrolment had helped their employees understand the importance of this.

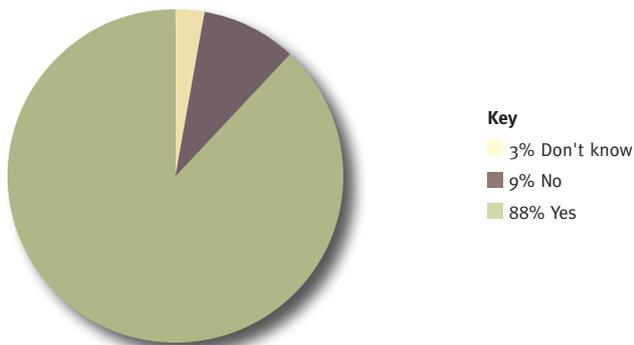
Key considerations:

- Is your auto enrolment scheme the only retirement option for your employees?
- Has auto enrolment been explained through a financial education programme?
- Do you have good take up rates in your auto enrolment scheme?

part two: retirement planning.

Employees may have a number of pension scheme(s) from various employers, personal pensions or other investments such as company share scheme(s) or a Workplace ISA, which can be used towards funding an income in retirement. With more choices open to employees, retirement planning including financial education is important to ensure all savings are considered and retirement income is appropriate and tax efficient.

Do you consider professional retirement planning including financial education for employees to be critical?

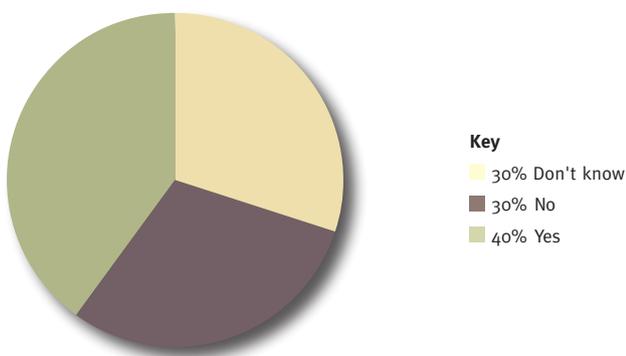


In the current economic climate and with new pension freedoms and choice available more employers see professional retirement planning for their employees as a critical service. 88% of participants agree that retirement planning including financial education is critical. This is an increase of 6% from 2013. It is important that organisations recognise the growing need for financial education about retirement matters and provide the necessary help and support so that their employees are better equipped to understand and consider all of the options available to them. This is not only about how income can be generated from the pensions they have, but also how other sources of income such as shares, ISAs and property may contribute to retirement income.

Key considerations:

- Employees pay into their pension for many years; it is important they understand how much to save and get support when they make sometimes irreversible financial decisions about accessing their pension savings.
- Access to pension savings has been widened considerably and there are more decisions to make; how will you help employees understand which choices are right for them?
- The removal of the default retirement age means it is in the interest of both the employer and employee to ensure retirement choices are understood and 'good' retirements are achievable.

Do you believe your employees consider their total savings and investments as part of their retirement planning?



Employees may have a number of pension schemes from various employers and / or other investments, such as company share schemes or a Workplace ISA which could be used towards funding an income in retirement. 40% of participants believe their employees consider their total wealth when planning for retirement, 30% believe that their employees do not consider other sources of wealth and 30% not knowing either way. As more employees have a combination of pension scheme types and other savings and investments to use to support their retirement, they will need to have a better understanding of how to take income from these investments to maximise tax efficiency.

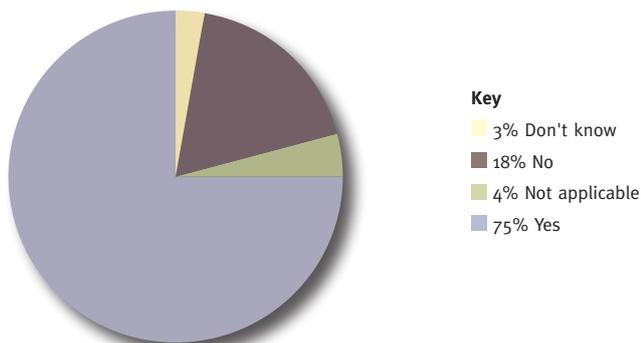
Key considerations:

- Do you provide more than one type of savings option to employees e.g. Workplace ISA and pension scheme?
- Do you communicate the options and benefits in a consolidated way or treat them separately?
- Do you encourage employees to think about saving for their retirement?
- What support will work best for your organisation to ensure guidance and help is readily available to employees at retirement?

part three: new legislation.

The 2014 Budget changed the face of retirement options for members of DC schemes, with perhaps the most radical pension proposals of our lifetime. New pension changes will come into force from April 2015 and remove many restrictions on how pension benefits can be taken by those aged 55 and over. The changes included the introduction of the 'Guidance Guarantee' which is to be made available to all who retire with a DC pension pot.

Are you aware that there may be a legal obligation for pension providers or scheme trustees to signpost individuals to guidance between four to six months before their intended retirement date?

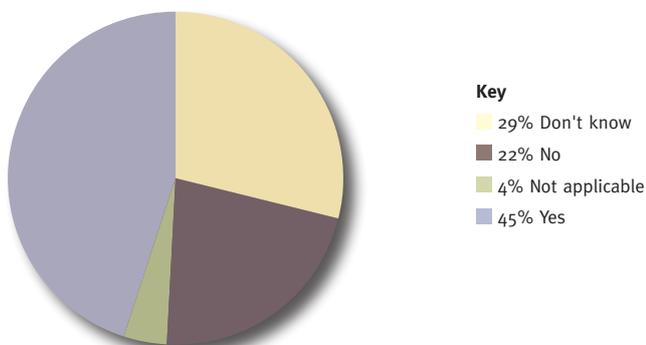


75% of participants are aware that there may be a legal obligation for pension providers or scheme trustees to provide the Guidance Guarantee 4-6 months before their intended retirement date. However 18% were not aware and as the changes are due to be implemented in April 2015 this is something that should be addressed without delay.

Key considerations:

- Have you taken the appropriate measures to ensure you are aware of your obligations under the new pension rules?
- Do you think you will have to change your pension communications with your employees?
- Do you know what is covered by the Guidance Guarantee?
- Will the Guidance Guarantee really be enough to help employees? Will it help to avoid taxation issues and the limitations of the new annual allowance, or aid understanding of their existing DB or DC scheme rules to make good decisions about what to do next?

Do you intend to have the resources and systems in place to provide 'pension flexibility'? For example if an employee chooses to take an amount from their pension every year, do you have the administrative procedures to cope with this demand?

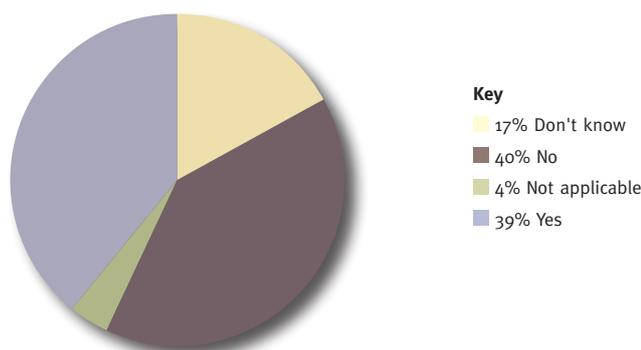


45% of participants believe that they have the resources and systems in place to provide 'pension flexibility' whilst 51% either do not, or don't know if they will have the resources and systems in place.

Key considerations:

- Employers will need to consider if they have the resources in house to handle the anticipated increase in the amount of queries. And if not, what are they going to do about it – will they bring more staff in or find a service provider?
- Do you want employees to access their pension savings from age 55 and how will you manage their requests?
- Will you help protect against employees losing valuable pension benefits by accessing their pension scheme as if it were 'a bank account'?
- Many employers will find that they don't have the functionality in-house or don't want it and will look for a suitable service provider.
- Whatever service is made available, employers will also need to take account of deferred members.

The Guidance Guarantee will 'signpost' individuals to guidance, but it will not offer regulated financial advice. Therefore, do you believe your employees will know where to seek advice from?



57% of participants don't know if their employees will know where to seek advice from, or believe that their employees will not know how to access regulated financial advice.

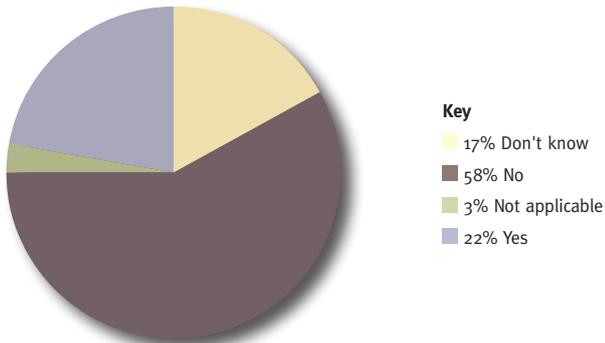
Key considerations:

- The Guidance Guarantee does not offer regulated advice and may come too late to be of real help to employees.
- Have you considered communicating the pension changes well before retirement through tailored financial education including seminars, webinars and online tools?
- Many companies already do this and there is no need to wait until the new rules are in place in April 2015 before helping employees understand the new pension freedom and choices.
- Have you considered helping employees get in touch with a regulated financial adviser?

part four: retirement income options.

One of the biggest financial decisions most people will make in their lifetime is how they will take their income at retirement. Many employees are unaware of their retirement income options such as annuities, income drawdown or a combination of both or how the new pension choices will allow them to access their pension savings. Choosing the right option is important, as some decisions are irreversible and a poor decision can result in a lower income throughout retirement or a higher tax bill than is necessary.

Do you believe your employees are aware of the various income options available to them at retirement?

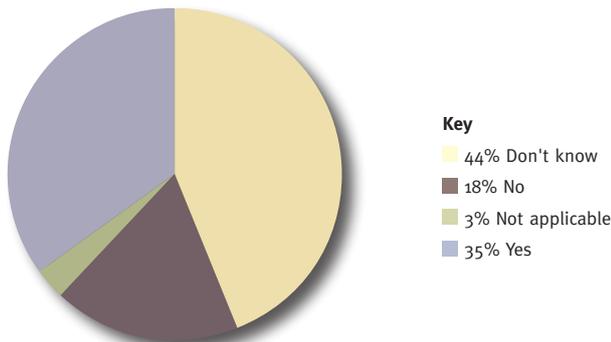


58% of participants believe that their employees are unaware of their retirement income options such as annuities, income drawdown or a combination of both. This is a huge concern as the increase in scope for choice at retirement also brings with it more ways to make costly errors; whether that is paying more, unexpected amounts of taxation or falling prey to pension fraudsters.

Key considerations:

- Financial education programmes can be implemented within an organisation to ensure that employees understand the options available to them. Financial education should be proactive, interactive and create a deeper and lasting understanding. To help engage your employees, support could be provided through internet tools and helpdesk support leading to regulated advice.

Are your employees aware that they no longer have to purchase an annuity?

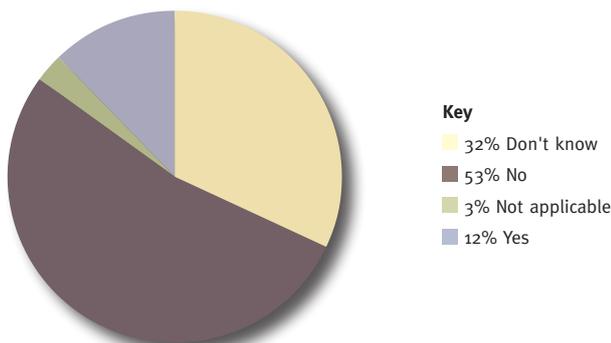


18% of participants believe that their employees aren't aware that they no longer have to purchase an annuity. This is a huge decrease of 67% from 2013 which highlights the interest generated around the new pension freedoms and choices. However 44% of participants indicated that they don't know if their employees are aware that they no longer have to purchase an annuity. If employees are aware then they can understand the advantages and disadvantages of all retirement income options and can make a more informed decision about when and how to retire.

Key considerations:

- Employees need to understand that they do not need to buy an annuity as this may not offer the best income generation. If an annuity is the right option, then it could just be part of the overall solution required by the employee. It is important for your employees to remember that they may not receive the best annuity income from their existing pension provider and that they have the right to explore the open market option for the best annuity deal. Many employees may be able to generate more income by utilising an enhanced annuity based on medical or lifestyle considerations so it is important that all options are understood and communicated by the employer.
- Employees need to be aware that it isn't the only option and in the new pensions world the flexibility they can access may have a dramatic impact on how they retire and when they retire; which will have a knock on effect to employers.

In your opinion, are your employees aware of the advantages and disadvantages of each retirement income option, in order for them to make an informed decision?

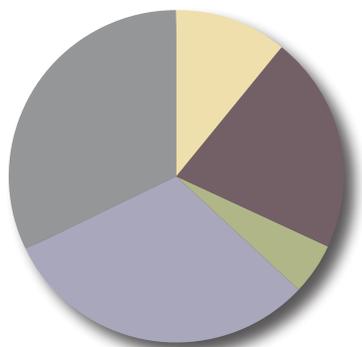


53% of participants believe that their employees aren't aware of the advantages and disadvantages of each retirement income option. This could mean that employees may be missing out on getting the right retirement income and may lose thousands of pounds over the course of their retirement either through not getting as much income as they should have or paying more tax than they needed. Financial education, guidance and advice are all tools available to employers and employees to ensure the risk of making unsuitable and often irreversible choices are minimal.

Key considerations:

- Do your employees understand the retirement options available to them and how they are taxed?
- Do your employees understand the benefits of income drawdown versus annuity, and appreciate which is the most suitable to their circumstances?
- Do they understand phased retirement and how their earned income may be supplemented by retirement income?
- Are you providing adequate guidance and support?

Will any of the following support be provided to your employees at retirement?



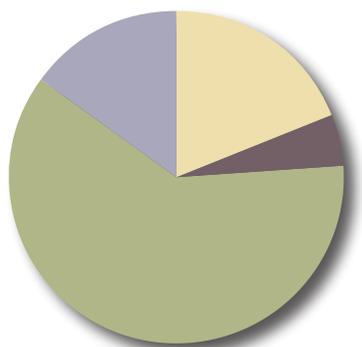
- Key**
- 11% No support
 - 21% Tailored financial education
 - 5% Tailored financial education & regulated advice
 - 31% Tailored financial education, regulated advice & written communication
 - 32% Written communication only

Financial education and advice for employees on their retirement income options should be a core provision for any employer running a DC pension scheme. Even for those who have a DB pension, it is important to understand not only how much income the pension will generate but how this may be supplemented by tax free cash and other savings. In fact, freedom and choice in pensions affects all scheme holders irrespective of type. Our results show that 43% of respondents provide either no support or written communications only, which we believe is not enough given the complexity of choice that many will have to contend with. The remaining participants provide a mixture of financial education, financial education with regulated advice, and financial education, regulated advice and written communications which we consider to be the best level of provision.

Key considerations:

- Financial education can help to ensure that employees understand the options available to them at retirement, and the advantages and disadvantages of each method of generating retirement income.
- Regulated advice takes this to the next level by providing a recommendation as to which of these options are best for that employee and when they should be taken. The Pensions Regulator has published guidance with far more emphasis on making information and education about retirement options available to pension scheme members at a much earlier stage, for example 15 years before a selected retirement date. Having a process for helping members at retirement and communication of the options available are quality features which if implemented, would help to establish a robust retirement process.

In addition to the above, will any of the following be advantageous to help support your employees through their decision making process?



- Key**
- 19% Internet support tools
 - 5% Help desk support
 - 61% Both
 - 15% Other

85% of respondents believe the provision of internet support, help desk support, or a combination of both will be advantageous in helping to support their employees during their decision making process. This is great news as the internet can help to support employees about aspects of their retirement with easy access to resources at work, home or on the go. Helpdesk support can allow employees to ask basic questions about their retirement, and if both are provided alongside financial education and advice, then employees benefit from a fully integrated solution, which can help to ensure that they understand what their retirement options are and help them to understand how they could maximise their income.

Key considerations:

- Have you considered providing online tools such as a pensions calculator or annuity calculator? Such tools can allow employees to see what their pension pot could buy. The use of webcasts and simple animations can also prove to be an easily accessible resource for employees.
- Help desk support - there might not be a huge amount of resource for this within an organisation, therefore using a service provider can allow individuals to contact experts who can go through an employee's options with them.
- Have you considered re-directing budget in favour of interactive financial education, rather than just passive written internal communication?
- Is regulated advice readily available to employees at retirement to help maximise retirement income?

conclusion.



The pension changes will bring greater flexibility for savers to decide how to take income from pension savings. This is fantastic news for those planning retirement, but without the right financial education, guidance and advice, employees could be left incredibly vulnerable to making poor decisions.

It is clear that there are three fundamental questions which employees may have. Firstly, they may ask – what options do I have and what are the advantages and disadvantages of each? Secondly, what is right for me given my personal circumstances? And thirdly, how do I implement my chosen plan? These can be answered in turn by financial education, supported by advice and guidance and then ensuring appropriate service provision is available to implement all options whether that is an annuity, drawdown or simple cash withdrawal, or indeed a combination of options over time.

We are working with many companies to help ensure the three questions above can be answered in a meaningful way for employees. Whilst many providers are raising doubts about the ability to deliver the new rules, it is not a view shared by us as the new rules are a very simple extension to the services WEALTH at work has successfully provided to many leading companies for many years. We are very excited about the new opportunities for both employers and employees and welcome your feedback on this survey.

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Making provision for our financial future is a social responsibility that we must all accept – it empowers us in our retirement and allows us to make the choices that add ‘life to years’ as we add ‘years to life’. Changes in pension legislation and the complexity of the pensions landscape mean that making informed decisions has become ever more difficult. Whilst employers must recognise the significance of their role of supporting the financial planning needs of employees each individual needs the advice and guidance that allows these informed decision to be made.

Looking ahead to 2015, we can expect to see more developments from government and providers that will once again change the landscape of savings - in this context professional advice ceases to be a luxury but a necessity as we plan for a future in which uncertainty appears to be the only certainty.

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Phil Considine is a Senior Lecturer in the Faculty of Business and Law and teaches Post Graduate and executive development programmes. Phil works with a range of private, public and third sector organisations to design and deliver management development programmes. He researches Corporate Social Responsibility and has presented papers on the subject at a number of international conferences.

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