THOMSONS ONLINE BENEFITS &
THE LONDON SCHOOL OF ECONOMICS
AND POLITICAL SCIENCE

RESEARCH PUBLICATION:

'The impact of a total reward approach on workplace pension engagement'

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Contents

Appendices

Foreword

With auto-enrolment (AE) compelling employers and employees to pay a minimum level into their workplace pension, the UK Government has set a new baseline for pensions. However for most employees, AE contributions won't be high enough to provide the level of retirement income they require. Coupled with the fact that AE drives apathy, rather than engagement, members are unlikely to appreciate, or act on this need, by themselves.

Compounding this is the implementation of the Retail Distribution Review (RDR). This has removed the employer's ability to offset pension advisory services through product commissions. With this payment option consigned to history, 1000's of small and mid-sized employers, who are unable to afford to pay fees to their advisers, had begun to select 'consultancy charging' to fund the support, communication and tools needed to help employees take ownership of their pensions.

However, a recent announcement from Steve Webb, the Pensions Minister has resulted in a total ban on the use of consultancy charging for any AE pension scheme. Although not yet confirmed, we see it as inevitable that this ban will be also extended in 2013 to include all qualifying pension schemes. In one fell swoop, the Minister has disenfranchised the vast majority of employers who simply can't afford to pay fees to an adviser to support employees, at the time they most need it. These are also the same employers that cannot afford to pay higher contributions for their employees and this double whammy will only further damage the prospects of a happy retirement for UK workers.

With this in mind, Thomsons wanted to commission research investigating the impact on the value to employees' pension outcomes at retirement that is driven by employers' investment in communication, support and modelling tools. We already knew that these investments were improving their employees' engagement with their pensions, but we also wanted to prove that such investment also improves member outcomes - and we were certainly not disappointed by the results.

This research clearly demonstrates the value to an employee of the investment in communication, support and tools made by their employer. This is supported not only in terms of improved attitudes regarding workplace pensions, but also in terms of improved member outcomes at retirement brought about by changing behaviours, such as paying more than the minimum contribution into their pension scheme – the fundamental goal in all retirement planning.

My experience over three decades has shown that employees have struggled to understand what they need to do in order to save adequately for later life without the support of pension advisers. Employees have, and will always need, regular support and education to reach the happy financial outcome in later life that we all want, Up until today the evidence has been anecdotal, but now our research proves the case.

With the demise of final salary pension schemes, and the advent of AE, we are at the dawn of a new two-tier pension nation, with a higher income in retirement being the ultimate prize. The prize winners will be those employees who are lucky to work for an employer who can both afford and who has the vision to pay fees for the right level of pension support for their employees throughout their working lives. They will be able to look forward to a well-funded retirement.

By contrast, the losers will be employees working for those employers that can't afford to pay the fees required to adequately support their retirement planning. They will be left to fend for themselves and will not realise until too late that their pension provision is woefully inadequate. This unfortunate majority are far more likely to have an unhappy time in retirement as a result of this financial pressure and almost certainly will need to work -beyond state retirement age, towards their 70's.

Welcome to two-tier pension Britain!

**Michael Whitfield, Chief Executive Officer,
Thomsons Online Benefits**

Abstract

The objective of the research was to determine whether using a total reward model, as provided by Thomsons Online Benefits (hereafter Thomsons) to their clients, results in higher employee engagement levels with a workplace pension scheme.

To investigate this proposition, we surveyed two groups of employees with access to a workplace pension scheme – employees of Thomsons' clients and employees of other companies.

The research considered 'pension engagement' from three perspectives; as a personality trait, as an attitude, and as a behaviour. In other words it looked at the extent to which people are prepared to defer their income, positively value a pension, and act upon those intentions.

The authors found that those respondents whose employers use a total reward model were more engaged with their pension when looked at from each of these three perspectives. In particular, respondents who worked for a company with a total reward model had much more positive attitudes to pensions, were more likely to be a member of their workplace pension scheme (irrespective of salary level) and were much more likely to pay in at least 4% of their salary to a pension scheme.

Some policy implications and areas for future research were also identified.

Dr Sandy Pepper,
London School of Economics and Political Science

1.0 Introduction

Pension engagement: An employee's appreciation of their workplace pension as an appropriate option for their retirement saving and the resultant actions they take in respect of that benefit.

The defined benefit pension, outside the public sector, is under unprecedented pressure (NAPF, 2013). This shift from a defined benefit model (which requires no self-control or engagement with decision-making) to one of defined contribution, in which self-control and making the right decisions become vital, highlights the increasing importance of the issue of pension engagement. Additionally, if employers are compelled by law to contribute to their employees' pensions, it makes sense to communicate the value of this part of their remuneration as clearly as possible in order to attract and retain talented employees. Much recent research into pensions has concentrated on the impact of passive decision-making and how to design default choices to 'nudge' people into making better pension decisions. Nudge theory, popularised by behavioural economists such as Richard Thaler and Daniel Kahneman, argues that one can effectively influence decisions by how choices are presented.

In contrast, this research focuses on understanding what lies behind a more active engagement with pension decision-making. To be effective, in a voluntary pension system, any approach to pension saving needs to understand both the passive and active drivers of pension engagement.

Total Reward: All of the tools available to the employer that may be used to attract, motivate and retain employees. Total rewards include everything that employees value in the employment relationship (WorldatWork, 2013).

While there have been repeated calls for the need for better financial education and advice (OECD, 2012) there is some disagreement about the effectiveness of financial education in driving pension behaviour. Engaging with this debate, this research looks at the impact of total reward systems on pension engagement, and makes the proposition that better communication will result in improved pension engagement.

Academic opinion on the impact of education on pension behaviour is mixed:

Benartzi & Thaler (2007) and Choi et al., (2002) have emphasised how hard it is to raise participation and contribution rates through financial education. Dahan et al. (2009), when looking at the decision-making process among senior economists, show that even those whom one might expect to be very financially literate fail to practice what they preach. In contrast other research is more optimistic (Lusardi & Mitchell, 2007, Lusardi et al., 2009).

2.0 Theoretical framework and methodology

While the term 'pension engagement' is referred to frequently in practitioner and business press, it is a concept that has received little academic attention. In a broad sense, the term 'pension engagement' usually refers to the extent to which individuals both understand and think about their pension choices, as well as acting upon that understanding. Our research aims to clarify this concept, and defines pension engagement as the extent to which people are prepared to defer income, positively value a pension, and act upon those intentions. In other words it considers pension engagement as encompassing three facets: personality traits, attitudes and behaviour. We develop a model that looks at these three aspects of pension engagement and suggest the connections between them. Further, the impact of knowledge and communication upon pension engagement is considered.

FIGURE 1: THE PENSION ENGAGEMENT MODEL

DEFINITION:

The extent to which people are prepared to exercise self control (trait), positively value a pension (attitude) and act upon those intentions (behaviour)

PROPOSITIONS:

P1
That the level of employee pension engagement will be higher in companies operating a total reward model (through the impact of better communication)

P2
That higher levels of trait and attitudinal engagement will be positively correlated with higher levels of behavioural engagement as measured by the % contributing to a company pension scheme and the % level of employee contributions made

TRAIT

Measured by:
(I) Self control
(II)Procrastination

ATTITUDE

Measured by:
(I) Subjective value placed on a pension

BEHAVIOUR

Measured by:
(I) % contributing to pension scheme
(II) % level of contributions made

MODERATED BY: TOOLS AND INFORMATION = TOTAL REWARD APPROACH FROM THOMSONS

The key characteristics of the samples:

Two parallel samples were conducted, one with 454 employees working for companies who operate a total reward system (who were clients of Thomsons, hereafter referred to as the Thomsons group) and a control group of 500 respondents, recruited through an external research company, who were eligible for a company pension (hereafter referred to as the non-Thomsons group).

The Thomsons group had a slightly higher proportion of men than the non-Thomsons group, was higher earning and less likely to work part-time. Full details are provided in appendix 1. The questionnaire and full data is set out in appendix 2.

Influence of age and salary of the samples on engagement:

When looking at the results split by age, as one would expect, the young were less likely to be enrolled in a pension. However, this was less pronounced for the Thomsons group, who were more likely to be making contributions at any age.

Looking at the results according to salary, while one would obviously expect income to have a positive impact on pension engagement, it is interesting to note that at every salary band, the Thomsons group was more likely to be a member of the company pension compared to the non-Thomsons group.

In terms of attitudes to pensions, as measured by Q3, while there was a pattern of increasing positive attitude to pensions as incomes increased for the Thomsons group, this was not the case for the non-Thomsons group. In general both groups were more likely to feel the provision they were making for their retirement was adequate as their income increased.

It is worth noting, as an indication of the subjective nature of affordability, that for those earning more than £100,000, 22.2% of the Thomsons group and 28.6% of the non-Thomsons group felt that their retirement income would not be adequate but that they were saving what they could afford to.

3.0 Key results

This section outlines whether or not the propositions were supported, and some of the key findings of the research. The full set of results and data are reported below in section 4.

PROPOSITION 1:

The proposition that pension engagement would be higher in companies operating a total reward model was supported. Pension engagement, measured as a trait, attitude and behaviour, was higher in the Thomsons group than the non-Thomsons group.

PROPOSITION 2:

The proposition that higher levels of trait and attitudinal engagement will be positively correlated with higher levels of behavioural engagement was supported for both groups but the link between attitudes, traits and behaviour was stronger for the Thomsons group.

- **Correlation between attitudes and behaviour:** In general there was a strong positive correlation between attitudes to pensions and behaviour, the link being more robust for the Thomsons group.

For both groups there was a strong correlation between positive attitudes to pensions (Q3) and the decision to contribute to their company pension scheme (Q12). The correlation between attitudes and behaviour in terms how much respondents contribute to their pension scheme (Q26) was statistically significant for the Thomsons group only.

- **Correlation between traits (self-control and inertia) and behaviour:** For the Thomsons group there was a statistically significant correlation between those who described themselves as 'savers' and the amount, as a percentage, they put into their pension. Looking at the Thomsons group, of those who described themselves as savers 43% contributed 6% of their salary into their pension, of those who described themselves as spenders just 7.8% made contributions of 6% or more.

TRAITS

The Thomsons group were more inclined to defer income (in Q4 & Q5 the Thomsons group were between 18% and 21% more likely to prefer pension saving over a pay rise), less likely to express a 'myopic' preference for the present over the future (Q15). While the Thomsons group are less likely to describe themselves as savers (Q11), if they do describe themselves in this way, they are more likely to save a higher percentage of their income in a pension than the non-Thomsons group.

Summary of key results

In general it was found that Thomson client employees have a much more positive attitude to their pensions and, crucially, are more likely to take the positive concrete actions that result in higher saving.

ATTITUDES TO PENSIONS

Respondents from the Thomsons group were 32.3% more likely than those from the non-Thomsons group to recommend a pension (Q3), 14.5% more likely to believe that a pension is the best way to provide for retirement (Q7), and more likely to be positive about deferring income (Q15).

The net-promoter score (Reichheld, 2003): The Thomsons group had a net-promoter score of 20.5 in contrast to the non-Thomsons group whose score was -10.2, a difference of 30 percentage points. As the highest level demonstration of the employee's attitude towards workplace pensions, this significant difference in responses between the Thomsons and non-Thomsons groups demonstrates the improvement in engagement that the Total Reward model achieves.

BEHAVIOUR

Respondents of the Thomsons group were, irrespective of salary level, more likely to be contributing to their company pension scheme (76.7% of the Thomsons group v. 60.6% of the non-Thomsons group). The Thomsons group was more likely to pay in at least 4% of their salary to the pension scheme (61.8% of the Thomsons group v. 41.6% of the non-Thomsons group).

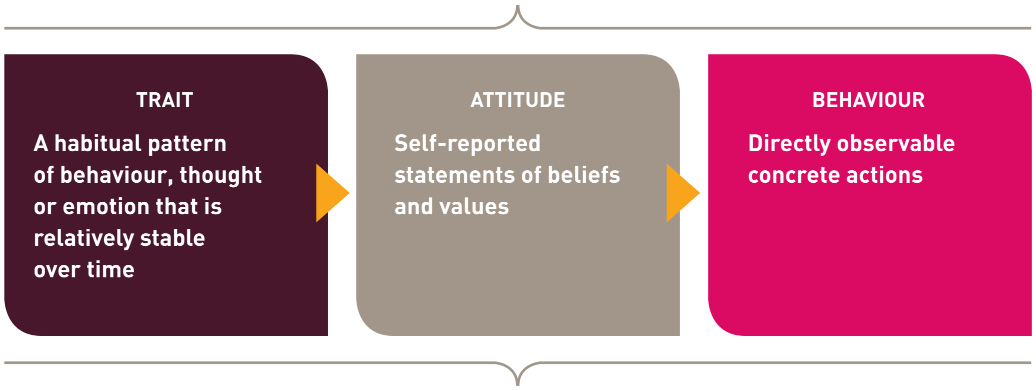
We believe that this is particularly important with regards to auto-enrolment and the fact the Thomsons group are more likely to be paying in more than the required minimum.

KNOWLEDGE (INCLUDING KNOWING WHAT YOU DON'T KNOW)

Despite the fact that the Thomsons group were more negative than the non-Thomsons group when judging their own level of pension knowledge, they were much more likely to know the most basic details about their pension and more likely to understand the tax benefits of a pension. 25% of the non-Thomsons respondents (compared to 10.9% of the Thomsons group) did not know how much their employer was contributing to their pension. The Thomsons group, however, was less likely to know how much the basic state pension was, and both groups were very uniformed about the investment returns in their pension.

4.0 Data and results in more detail

FIGURE 2: RESULTS ACCORDING TO TRAIT, ATTITUDES AND BEHAVIOUR.



In line with the theoretical model used, questions were designed to address pension engagement as a character trait, an attitude and a behaviour. The discussion below looks at the results in this order, comparing the two groups (the 'Thomsons group' who work for a company using a total reward model, and the 'non-Thomsons group') according to their traits, attitudes and behaviour.

It then goes on to establish whether there are any correlations between traits, attitudes and behaviour. Finally it looks at the different subjective and objective levels of financial knowledge between the two groups and its impact on pension engagement.

4.1 Trait measures of pension engagement

The first perspective from which pension engagement was considered was as a personality trait, defined as a habitual pattern of behaviour, thought or emotion that is relatively stable over time. Two questions (Q4 & Q5) sought to measure both the preference of respondents to defer consumption, and the impact of different assumptions about investment growth on respondents' choices. The Financial Service Authority (now replaced by the Financial Conduct Authority) has recently advised that 5% rather than 7% should be the intermediate value used to indicate investment returns. Two hypothetical scenarios were presented, asking respondents to choose what to do with a pay rise – enjoy the money now or put it into a pension.

The Thomsons group are more inclined to defer income and more likely to disagree with statements that suggest a 'myopic' preference for the present over the future.

The figures were presented as a possible annuity, the only difference being that in Q4 investment growth was assumed to be 5% while in Q5 investment growth was assumed to be 7%. In both questions the Thomsons group was more likely to choose to defer, and for both Thomsons and non-Thomsons group the assumption of lower investment growth had a significant negative impact on the attractiveness of putting the raise into a pension.

Table 1: The percentages of people choosing to defer income or put an offered pay rise into a pension (questions 4 and 5)

	Thomsons group (1)	Non-Thomsons group (2)
Q4 (5% investment growth assumption)	65.9%	55.8%
Q5 (7% investment growth assumption)	75.3%	62.2%

A later question again sought to measure agreement or disagreement with statements expressing a 'myopic' preference for the present over the future. On all three statements, the Thomsons group were more likely to express disagreement. For example in Q15A respondents were asked how strongly they agreed or disagreed with the statement: 'I would rather have a good standard of living today, than save for retirement in a pension scheme'. The mean score (ranked from 1 = strongly agree, to 5 = strongly disagree) was 3.11 for the Thomsons group and 2.81 for the non-Thomsons group.

Although respondents in the Thomsons group are less likely to describe themselves as savers (Q11), if they do describe themselves in this way, they are more likely to save a higher percentage of their income in a pension than the non-Thomsons group (Q26). In other words there is a statistically significant correlation between Q11 as a trait level marker and behaviour for the Thomsons group, but not for the non-Thomsons group.

4.2 Attitudinal measures of pension engagement

Secondly, pension engagement as an attitude was considered. Q3 was based on the net-promoter score devised by Reichheld (2003) and asked: 'How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme (with 0 being least likely to recommend and 10 most likely)?'

Reichheld argues that satisfaction is an unreliable measure for actual consumer behaviour and that the question that asks how likely a consumer is to recommend a product to a friend or colleague is a much better indication of loyalty and growth.

While the mean score for the Thomsons group was 7.54 v. 6.77 for the non-Thomsons group (a statistically significant difference), these mean scores conceal a very different pattern in the responses given to Q3 by the two groups.

The scoring method of the net-promoter score is to calculate the percentage of respondents who respond with 9 or 10 (promoters) and subtract the percentage of those who respond with 0 – 6 (detractors) to find the net-promoter score.

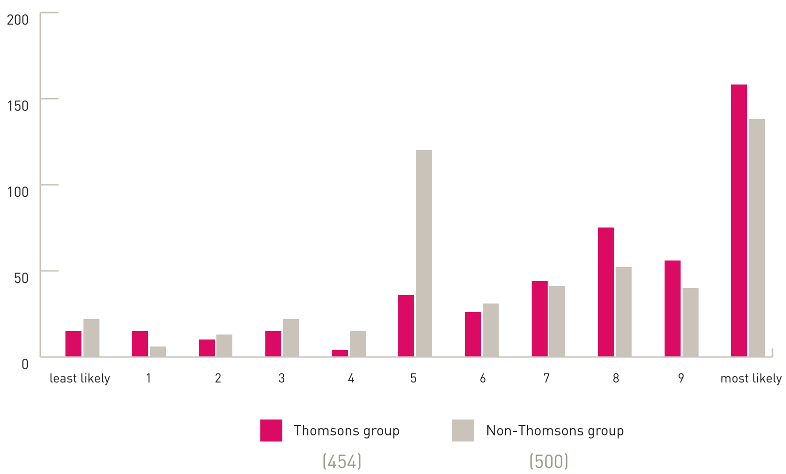
Using this method, the net-promoter score of the Thomsons group was 20.5 compared to the non-Thomsons group whose score was -10.2, a gap of 30 percentage points.

Respondents from the Thomsons group are much more likely than those from the non-Thomsons group to recommend a pension, and to believe a pension is the best way to provide for retirement.

Attitudes as measured by Q7 were also higher for the Thomsons group compared to the non-Thomsons group. 55.9% of the Thomsons group said that they believed that a pension is the best way to provide for retirement compared to 48.8% of the non–Thomsons group.

CHART 1

Q3: 'How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme (with 0 being least likely to recommend and 10 most likely)?' (Thomsons and non-Thomsons groups)



4.3 Behavioural measures of pension engagement

The final investigation into pension engagement was to measure it in terms of concrete behaviour. In this research we considered two measures of pension engagement as a behaviour; the overall percentage of those contributing to a pension at all (Q12), and the actual amount, as a percentage of their salary, that the respondent contributed (Q26).

The results showed that respondents of the Thomsons group were more likely to be contributing to their company pension scheme (76.7% v. 60.6% of the non-Thomsons group).

The picture of how much (as a percentage) was contributed was more complex, and for both groups the modal employee and employer contribution was 4-5% of salary.

However, when looking at all respondents (i.e. including those who were not contributing to a pension at all) the Thomsons group were more likely to pay in at least 4% of their salary to a pension scheme. 61.8% of the Thomsons group compared to 41.6% of the non-Thomsons group were contributing 4% or more to their pension. This difference was primarily due to the fact that a higher proportion of the Thomsons group were contributing to a pension in the first place. Full details are in appendix 2.

There was a statistically significant correlation between personality traits and attitudes to pensions and actual behaviour for both groups.

4.4 Correlation between attitudes and behaviour, and traits and behaviour

The model used in this research to investigate pension engagement suggested that it would be plausible for there to be a link between trait, attitudinal and behavioural aspects of pension engagement. In other words one could expect those whose personality traits showed more self-control and less procrastination, and those who expressed a more positive attitude towards pensions, would be more likely to save in a pension, and more likely to save a higher percentage of their income. This link was supported by the data for both groups, but more strongly for the Thomsons group.

4.4.1 Attitudes and behaviour

The principle measure used to capture attitudes to pensions was Q3, the net-promoter question, which asked how likely it was that the respondent would recommend to a colleague that they should contribute to the company pension scheme. For both the Thomsons and the non-Thomsons group there was a strong positive correlation between attitudes, as measured by Q3 and behaviour as captured by Q12 (participation in the company pension scheme): the more likely a respondent would be to recommend a pension, the more likely it was that they contributed to a pension themselves [1].

[1] Pearson correlation, which provides a numerical summary of the direction and strength of a linear relationship, was significant at the 0.01 level (2-tailed)

CHART 2

Q3 v. Q12: How likely are you to recommend to a colleague that they contribute to the company pension scheme? Split by pension membership status (Thomsons Group)

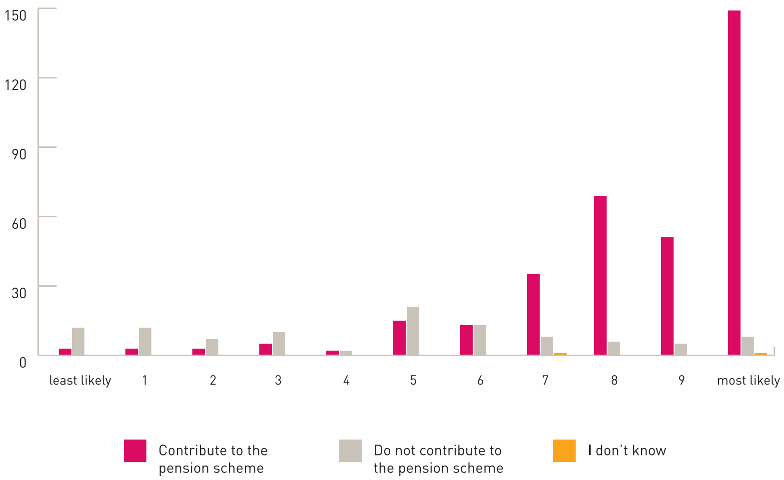
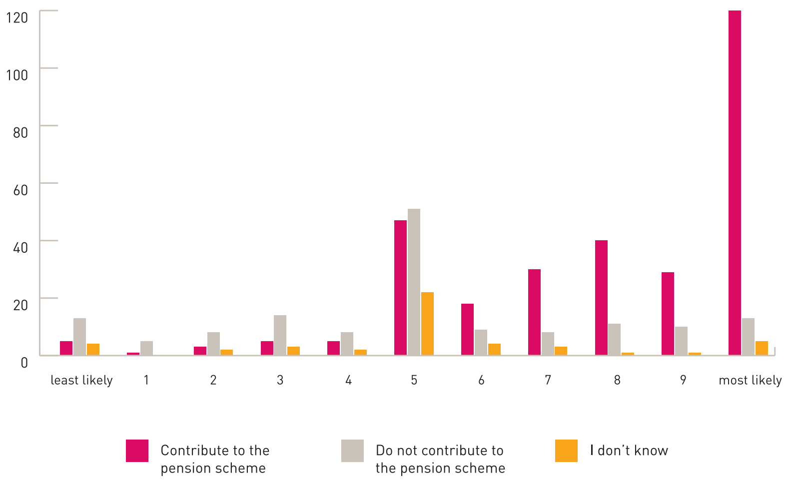


CHART 3

Q3 v. Q12: How likely are you to recommend to a colleague that they contribute to the company pension scheme? Split by pension membership status (Non-Thomsons Group)



For the Thomsons group there was also a statistically significant correlation between positive attitudes to pensions (as captured by Q3) and their actual behaviour (as captured by Q26, which asks how much respondents contribute, as a percentage of their salary, to the pension scheme). This was not true for the non-Thomsons group.

A possible explanation for this lack of relationship between contributions and positive attitudes could be inferred from the occupations in the non-Thomsons group, among which education and health were dominant.

This implies that a proportion of the non-Thomsons group were eligible to join a defined benefit pension scheme, where there would be no flexibility (and no point) in varying the amount of the individual pension contribution. In contrast, the Thomsons group were only eligible to join a defined contribution scheme.

CHART 4

Q7 v. Q26: Do you believe that a pension is the best way to provide for your retirement? Split by pension contribution percentage (Pension Members, Thomsons Group)

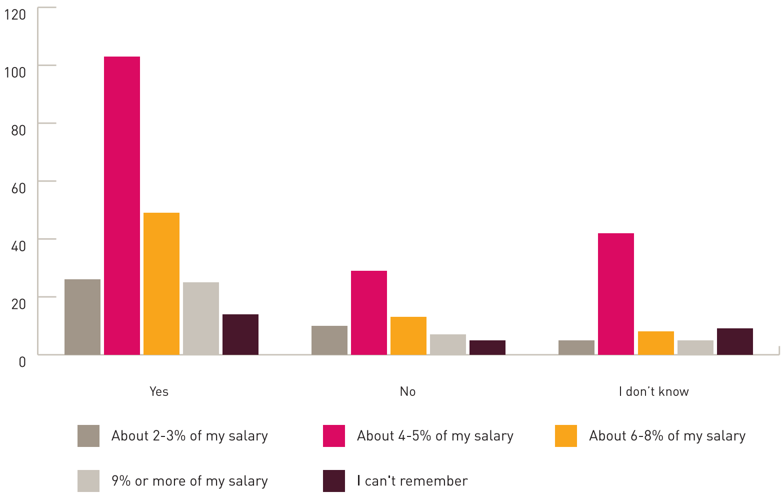
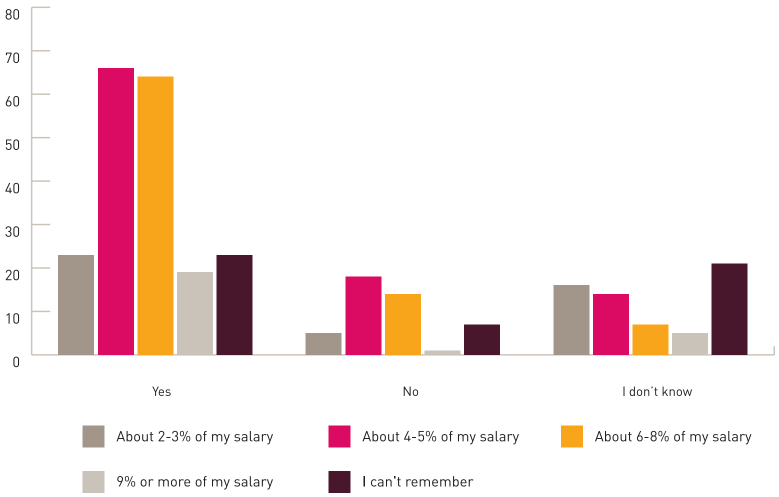


CHART 5

Q7 v. Q26: Do you believe that a pension is the best way to provide for your retirement? Split by pension contribution percentage (Pension Members, Non-Thomsons Group)



For both groups, those who believed a pension was the best way to provide for retirement were, to a statistically-significant level, more likely to be saving into a pension scheme themselves. Attitudes, as measured by Q7 ('Do you believe that a pension is the best way to provide for your retirement'), were positively correlated with behaviour as measured by participation or non-participation in a company pension scheme (Q12) [2].

4.4.2 Traits and behaviour

For the Thomsons group only there was a statistically significant correlation between those who described themselves as 'savers' (Q11) and the amount they put into their pension (Q26). From the Thomsons group, of those who described themselves as savers, 43% put 6% or more of their salary into their pension. Of those who described themselves as 'spenders' only 7.8% put 6% or more into their pension. There was no clear pattern between those that described themselves as savers or spenders in Q11 and the decision concerning whether or not to contribute to a pension (Q12).

[2] Pearson correlation, which provides a numerical summary of the direction and strength of a linear relationship, was significant at the 0.01 level (2-tailed)

4.5 Knowledge and its impact on pension engagement

The logic behind the research proposal was that a total reward system would more effectively communicate the value of pensions. This improved communication could be expected to increase basic level awareness of the details of the company pension scheme, along with a more general improvement in financial literacy, and thus might be expected to positively impact attitudes and ultimately behaviour when it came to pension choices.

Questions were asked to measure respondents' subjective evaluation of their own knowledge, while objective knowledge was assessed through fact based questions. Finally respondents were asked to subjectively evaluate how useful they found the information they received from their employer.

Awareness of pension participation:

The Thomsons group were significantly more likely to know whether or not they were contributing to a pension and the amount of both their own and their employer's contributions. 25.1% of the non-Thomsons group (compared to 10.9% of the Thomsons group) did not know how much their employer was contributing to their pension.

While the results looking at financial knowledge and the impact of communication were mixed, at the most basic level of knowledge – the awareness of whether one was contributing or not to a company pension, what your own contributions were and what your employer contributed on your behalf – the Thomsons group was noticeably better informed.

The Thomsons group were significantly more likely to know whether or not they were contributing to a pension and the amount of both their own and their employer's contributions. 9.4% of the non-Thomsons group (as opposed to 0.4% of the Thomsons group) did not even know if they were members of their workplace pension.

16.8% of the non-Thomsons group (versus 8.0% of the Thomsons group) did not know how much their own (employee) pension contributions were, and 25.1% of the non-Thomsons group (versus 10.9% of the Thomsons group) did not know how much their employer was contributing on their behalf.

4.5.1 Subjective knowledge

In general the Thomsons group were slightly more negative about their own level of financial awareness. This did not, however, map on well with objective measures of knowledge (discussed in the section below). It is possible that this can be explained as a result of the Thomsons group being more likely to 'know what they don't know'.

Pensions are a notoriously complex financial product, and this difference between the two groups, where the Thomsons group is less likely to rank their knowledge highly, despite being better informed when their objective knowledge was tested, may be a case of 'known unknowns'.

In other words, the increased level of knowledge shown by the Thomsons group, counter-intuitively results in them being more pessimistic about their own understanding.

Table 2. Q21: How would you describe your level of pension knowledge?

	Thomsons group (1)	Non-Thomsons group (2)
Very knowledgeable	2.2%	7.4%
Reasonably knowledgeable	32.4%	36.8%
A little bit knowledgeable	47.6%	38.4%
Not at all knowledgeable	17.8%	17.4%

Q21 asked respondents to describe their level of pension knowledge. The Thomsons group was less likely to describe themselves as very or reasonably knowledgeable and slightly more negative about their own understanding of various aspects of pension knowledge (Q18).

Table 3. Q18: For each of the following statements, please indicate how strongly you agree or disagree with respect to your pension scheme (1= strongly agree, 5 = strongly disagree, so the lower the score the "better".)

	Thomsons group (1)	Non-Thomsons group (2)
Q18A: I have a good understanding of how my company pension scheme works	2.48	2.51
Q18B: I have a good understanding of the investment fund choices	2.99	2.83
Q18C: I have a good understanding of what I'll receive in retirement	2.98	2.72
Q18D: I have a good understanding of the tax advantages of saving via a pension scheme	2.60	2.67

Q18 asked more specifically about respondents understanding of different aspects of their pension, for example, asking about understanding of the tax advantages of pension saving, or investment fund choices. There was a small difference between the mean scores on Q18B & Q18C, and no statistically significant difference between the scores of Q18A and Q18D (measured using an independent sample t-test).

4.5.2 Objective knowledge

While the Thomsons group was more negative about their own levels of understanding in Q21 and Q18, and more negative about the information received from their employer in Q20, this was not born out in objective measures of knowledge. As seen in table 3, the differences in scores for how well they understand the tax advantages of pension saving are statistically insignificant. However, in Q24, which asks what will you be able to use your pension pot towards in retirement, the Thomsons group were much more likely to identify the correct answer.

The non-Thomsons group, however, were much more likely than the Thomsons group to correctly identify the current basic state pension in Q22. This may demonstrate the reduced reliance or value the Thomsons group employees place on the State Pension, as their engagement with their workplace pension increases.

When looking more generally at levels of pension understanding it was notable that pension investment was the area of most confusion for both groups. In Q20 the lowest score for both groups was understanding 'where to invest my contributions'. This confusion was again reflected in Q28, where between 65% and 75% did not know the approximate rate of return generated on their pension saving. It is clear that there are varying degrees of complexity with regards to pension subject matter and that improved understanding of basic areas does not necessarily lead to increased understanding of more complex areas, such as investment options.

4.5.3 Preference for information and its impact on pension engagement

When respondents were asked what they found most useful when deciding what to do about their pension, as might be expected, the first choice among both groups was a one-to-one meeting.

For the Thomsons group the second most preferred mode of communication was a total reward statement followed by modelling and investment tools.

The non-Thomsons group placed total reward statements and letter and printed documentation about more or less equally as their second and third choices respectively.

The least popular option for both groups was videos, webinars and online guides.

In line with many other questions in the survey the non-Thomsons group was much more likely not to provide a positive answer to the question. Over 17% of the non-Thomsons group (as opposed to 3.7% of the Thomsons group) said they found 'none of the above' useful when deciding what to do about their pension.

Table 4. Q19: Which of the following do you find most useful when deciding what to do about your company pension? (Select up to 3)

	Thomsons group (1)	Non-Thomsons group (2)
One-to-one meetings (1)	58.4%	40.2%
Group presentations (2)	34.4%	19.4%
Total reward statements (3)	37.7%	31.8%
Modelling and investment tools (4)	26.7%	8.6%
Videos, webinars and online guides (5)	12.1%	7.6%
Flexible benefits (6)	20.9%	15.6%
Letters, brochures or other printed documentation (7)	29.5%	32.0%
None of the above (8)	3.7%	17.0%
I don't know (9)	0.9%	N/A

Those respondents who selected total reward statements or modelling and investment tools as one of their preferred sources of information were much more likely to be strongly enthusiastic about pensions. This was true for both groups, but the pattern was stronger for the Thomsons group.

CHART 6

Q3: How likely are you to recommend to a colleague that they should contribute to the company pension scheme? (Filtered on Q19: Those selecting Total Reward Statements as the most useful source of information) (Thomsons and non-Thomsons groups)

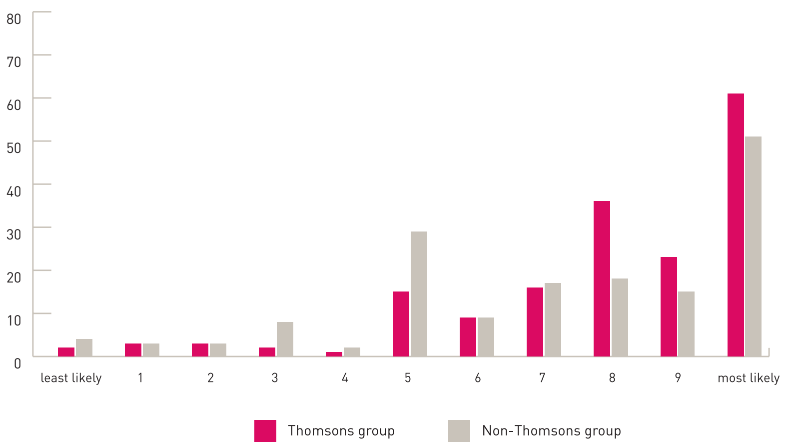
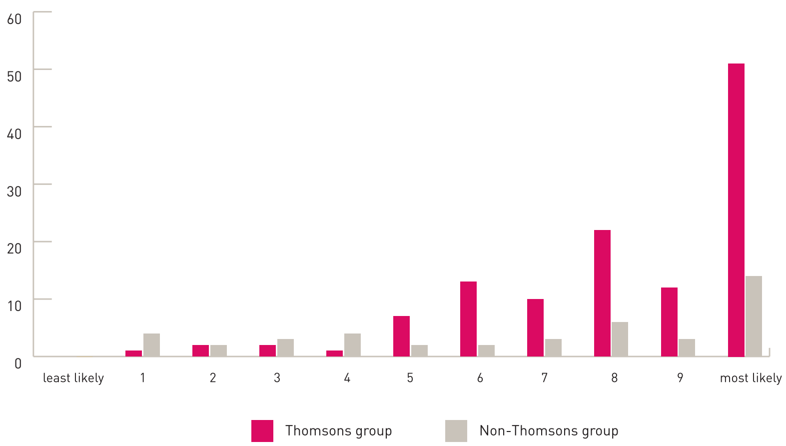


CHART 7

Q3: How likely are you to recommend to a colleague that they should contribute to the company pension scheme? (Filtered on Q19: Those selecting Modelling & Investment Tools as the most useful source of information) (Thomsons and non-Thomsons groups)



5.0 Conclusions

This research sought to establish if using a total reward model leads to higher employee engagement levels with a company pension scheme. It further sought to clarify the concept of pension engagement and examine the links between personality traits, attitudes and actual behaviour with respect to pensions. The authors found that those respondents whose employers operated a total reward model were more engaged with their pensions, in terms of personality traits, attitudes, and actual behaviour. With respect to attitudes, there was a 30 per cent point difference in the net-promoter score (Reichheld, 2003) between the two groups. The Thomsons group, who worked for companies with a total reward system, had a net-promoter score of 20.5, in contrast to the non-client score of -10.2. In terms of concrete behaviour, the Thomsons group were more likely to be a member of their workplace pension (76.7% v. 60.6%) and more likely to pay in at least 4% of their salary (61.8% v. 41.6%). For both groups, attitudes and personality traits were statistically significantly correlated with actual behaviour as measured by the percentages choosing to participate in their company pension scheme and, in some cases, the level of contributions made.

The logic behind the research propositions was that a total reward system would more effectively communicate the value of a pension, thus increasing pension engagement. While the Thomsons group did not, subjectively, rate themselves as better informed, on many (but not all) objective measures they were better informed. A much higher percentage of the non-Thomsons group did not know whether or not they were members of their workplace pension scheme, or what their own or their employer's contributions were. The Thomsons group were better informed about the tax advantages of pension saving, but less well informed about the basic state pension. Both groups remain woefully ill informed of their investment returns. Measures of pension knowledge can be problematic, and the results are controversial in terms of the direction of causality. There is a well-researched consensus that the more financially literate you are the more likely you are to be saving (Lusardi, 2007), but the direction of the relationship is disputed.

The results of this study nevertheless seem to present a positive first step in indicating the effectiveness of a total reward model in generating the most basic level of engagement with a workplace pension – the knowledge that one is a member, what one's own contributions are and what one's employer is contributing on one's behalf.

Pensions are often, and rightly, criticised for their complexity. Blake pithily described the UK pension system as 'an over regulated, over complex, constantly changing leviathan which not even pension professionals fully understand' (House of Lords, 2003 p.56). This complexity clearly makes the job of engaging individuals with pension choices much harder. Motivation theory such as expectancy theory (Vroom 1964) teach us that it is hard to be motivated by something you do not understand, but it is even harder to be motivated by a pension if you are not aware whether you are contributing to one. If employers are compelled to make the costly commitment of contributing to a pension scheme, it seems an expensive waste not to make sure employees are aware of this significant financial contribution.

5.1 Policy implications and further research

To adapt pension systems to demographic trends many countries are reducing pay-as-you-go public pension levels and lifting retirement ages. In this context, funded private pensions will play an increasing role to avoid adequacy gaps (OECD, 2012). The OECD's central policy recommendation is that the design of defined-contribution pension plans needs to be coherent with the overall structure of the pension system. Given that the UK government has decided to place increasing emphasis on a voluntary savings system it is even more important to understand the drivers behind pension engagement, and this study points to the potential positive impact that the use of a total reward model can have on pension engagement.

Further research could seek to clarify the impact of total reward models through a longitudinal study that compared pension engagement on the same group of people pre and post implementation of a total reward model. In terms of policy implications, given that recent guidelines now oblige pension statements to use 5% investment growth to indicate investment returns, it is interesting to note the disincentive impact this might be expected to have on pension saving.

In this survey, the impact was between a 9% and 6% drop in the numbers willing to invest in a pension. There is a long history of well-intentioned government intervention which has had negative unintended consequences.

5.2 Limitations

This was not a longitudinal piece of work, and while we have found convincing evidence of a correlation between total rewards and pension engagement, this does not in itself imply causality.

It should also be noted that there were demographic differences between the two groups. The Thomsons group had a higher earnings profile, were more 'male' and were more likely to work full time – a full breakdown is in appendix 3.

We also did not take into account the impact of the type of pension that the respondents had access to when measuring pension engagement.

One could infer from the list of occupations in the non-Thomsons group, of which health and education were among the most frequent, that many of this group would have had access to a defined benefit scheme.

This is in contrast to the Thomsons group, all of whom would only be eligible for a defined contribution scheme.

Given the general opinion that a defined benefit scheme is superior for the individual (as the employer bears all the investment and longevity risk) while it might be expected that this would increase pension engagement, this should not be assumed.

Finally, the link between knowledge and engagement was complex; while on many (but not all) measures of objective knowledge the Thomsons group scored more highly, they did not feel themselves, subjectively, to be better informed.

While we have interpreted this discrepancy between subjective and objective levels of knowledge as a result of the Thomsons group being more aware of what they don't know, other interpretations are possible.

Appendices

1.Information about the respondents

Summary:

There were a total of 454 respondents in the Thomsons group and 500 respondents in the non-Thomsons group. The non-Thomsons respondents were recruited through an external research company.

The Thomsons group had fewer younger and older respondents than the non-Thomsons group. The Thomsons group is slightly more male than the non-Thomsons group (60% v. 52%), and higher earning. The Thomsons group is also less likely to work part time (6.2% v. 19.2%).

Age

	Thomsons group (1)	Non-Thomsons group (2)
16-25	5.1%	12.8%
26-35	38.3%	30.0%
36-45	28.4%	26.0%
46-55	20.5%	17.2%
56-65	7.3%	13.8%
66+	0.4%	0.2%

At what age did you first contribute to a pension plan?

	Thomsons group (1)	Non-Thomsons group (2)
16-25	46.9%	38.4%
26-35	32.8%	27.2%
36-45	5.7%	13.8%
46-55	2.2%	5.6%
56-65	0.7%	1.4%
66+	11.2%	13.6%
I don't know	0.4%	N/A

Gender

	Thomsons group (1)	Non-Thomsons group (2)
Male	59.9%	52.2%
Female	40.1%	47.8%

Basic Salary

	Thomsons group (1)	Non-Thomsons group (2)
Up to £14,999	1.1%	17.4%
£15,000-£29,999	31.7%	45.8%
£30,000-£44,999	29.7%	25.8%
£45,000-£99,999	33.5%	9.6%
£100,000+	4.0%	1.4%

Do you work full or part time?

	Thomsons group (1)	Non-Thomsons group (2)
Full time	93.8%	80.8%
Part time	6.2%	19.2%

Have you ever had final salary pension scheme?

	Thomsons group (1)	Non-Thomsons group (2)
Yes	34.1%	39.6%
No	62.8%	60.4%
I don't know	3.1%	N/A

Have you ever taken a career break of 12 months of more due to parenthood, sickness or other reasons?

	Thomsons group (1)	Non-Thomsons group (2)
Yes	13.9%	21.8%
No	86.1%	78.2%

2.The questions and results in full

Q3: How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme (with 0 being least likely to recommend and 10 most likely)

Thomsons group (1)	Non-Thomsons group (2)
7.54	6.77

Q4: Alex is 45 years old and not a member of the pension scheme. Alex's employer has offered Alex the choice of either a £5,000 pay rise (per year) or £5,000 paid into the company pension scheme each year. Investing this money over 20 years could generate a pension pot of £187,000 (when Alex will be 65). Please indicate whether you think Alex should take the payment into the pension

	Thomsons group (1)	Non-Thomsons group (2)
5% Investment growth assumption	65.9%	55.8%

Q5: Jo is 45 years old and has to decide whether or not to join the company pension scheme. If Jo saved £104 per week (i.e. £416 a month) into the pension, and this was invested for 20 years, it could generate a pension pot of £230,000 when Jo reaches 65. Please indicate whether you think Jo should join the pension or not

	Thomsons group (1)	Non-Thomsons group (2)
7% Investment growth assumption	75.3%	62.2%

Q6: You are invited to participate in a one-off gamble. Which of the following choices would you prefer?

	Thomsons group (1)	Non-Thomsons group (2)
Preference for a smaller more certain sum	79.3%	68.2%

Q7: Do you believe that a pension is the best way to provide for your retirement?

	Thomsons group (1)	Non-Thomsons group (2)
Yes	55.9%	48.8%
No	22.0%	23.4%
I don't know	22.0%	27.8%

Q8: Have you made a will?

	Thomsons group (1)	Non-Thomsons group (2)
Yes	34.6%	32.8%
No	63.2%	62.6%
I not sure	2.2%%	4.6%

Q9: When do you generally purchase close friends' and family members' birthday presents?

	Thomsons group (1)	Non-Thomsons group (2)
Months in advance	3.1%	8.8%
Weeks in advance	36.1%	45.6%
On the day	53.7%	39.2%
I often forget	1.5%	1.0%

Q11: I am a...

	Thomsons group (1)	Non-Thomsons group (2)
Spender	17.0%	16.8%
Saver	19.4%	32.0%
Bit of both	63.7%	51.2%

Q12: Which of the following statements describes your current participation in your company pension scheme?

	Thomsons group (1)	Non-Thomsons group (2)
I am currently contributing to the pension scheme	76.7%	60.6%
I do not contribute to the pension scheme	22.9%	30.0%
I don't know	0.4%	9.4%

Q10: This question asked employees to provide 2 words they most associate with pensions. We have not published the results here.

Q13: What else are you doing for retirement? (You may pick multiple answers)

	Thomsons group (1)	Non-Thomsons group (2)
Saving into other investments e.g. ISAs	53.7%	45.8%
Expect an inheritance	16.1%	16.8%
Plan to release equity in home	24.7%	15.4%
Rely on the state pension	31.1%	27.8%
Rely on partner's pension and saving	12.1%	11.6%
None of the above	21.4%	24.0%

Q14: What percentage of your annual salary do you think you should ideally be saving for retirement?

	Thomsons group (1)	Non-Thomsons group (2)
4% or less	9.5%	10.0%
5%-9%	36.8%	27.0%
10%-14%	28.2%	40.8%
15%-19%	13.0%	13.0%
20%-24%	7.0%	5.4%
At least 25%	4.0%	3.8%
I don't know	1.5%	10.0%

Q15: For each of the following statements, please indicate how strongly you agree or disagree with them. (1=strongly agree 5=strongly disagree, so the higher the score the 'better', or the more positively you feel about deferring income)

	Thomsons group (1)	Non-Thomsons group (2)
I would rather have a good standard of living today, than save for retirement in a pension scheme (1)	3.11	2.81
My retirement is so far off, it is not worth worrying about how much to save in to a pension (2)	3.99	3.39
It's not worth saving for retirement in a pension as I might not live that long (3)	4.02	3.34

Q16: Do you feel the provision you are making for your retirement will be adequate?

	Thomsons group (1)	Non-Thomsons group (2)
Yes	26.9%	22.6%
No, but I'm saving what I can afford to	55.1%	49.4%
No, but I prefer to have the money today	7.7%	13.8%
I don't know	10.4%	14.2%

Q17: What other financial commitments do you have?

	Thomsons group (1)	Non-Thomsons group (2)
Mortgage or rent	83.9%	63.0%
Saving for first house	21.4%	18.0%
Paying off debts	35.7%	30.6%
Paying for childcare	25.8%	12.2%
None of the above	8.8%	22.0%

Q18A: I have a good understanding of how my company pension scheme works

	Thomsons group (1)	Non-Thomsons group (2)
1: (Strongly agree and agree)	62.5%	55.0%
2: (Neither agree nor disagree)	15.7%	26.6%
3: (Somewhat disagree and strongly disagree)	21.9%	18.0%

Q18B: I have a good understanding of the investment fund choices

	Thomsons group (1)	Non-Thomsons group (2)
1: (Strongly agree and agree)	41.7%	41.8%
2: (Neither agree nor disagree)	21.4%	30.8%
3: (Somewhat disagree and strongly disagree)	36.9%	27.4%

Q18: Results as a frequency

Q18 was recoded to group the results – all those answering strongly agree (1) and agree (2) were recoded as 1, neither agree nor disagree (3) was recoded as 2 and somewhat disagree (4) and strongly disagree (5) were coded as 3.

Q18C: I have a good understanding of what I'll receive in retirement

	Thomsons group (1)	Non-Thomsons group (2)
1: (Strongly agree and agree)	41.7%	46.4%
2: (Neither agree nor disagree)	22.7%	29.0%
3: (Somewhat disagree and strongly disagree)	35.5%	24.6%

Q18D: I have a good understanding of the tax advantages of saving via a pension scheme

	Thomsons group (1)	Non-Thomsons group (2)
1: (Strongly agree and agree)	56.2%	47.8%
2: (Neither agree nor disagree)	18.4%	29.2%
3: (Somewhat disagree and strongly disagree)	25.4%	23.0%

Q18:

For each of the following statements, please indicate how strongly you agree or disagree with respect to your pension scheme (1 = strongly agree, 5 = strongly disagree, so the lower the score the "better").

	Thomsons group (1)	Non-Thomsons group (2)
Q18A: I have a good understanding of how my company pension scheme works	2.48	2.51
Q18B: I have a good understanding of the investment fund choices	2.99	2.83
Q18C: I have a good understanding of what I'll receive in retirement	2.98	2.72
Q18D: Agree or / disagree - I have a good understanding of the tax advantages of saving via a pension scheme	2.60	2.67

(One respondent answered: 'I don't know' (code 6) for Q18A, B & C and two respondents for Q18D. This was left as a blank and not included in the results, as coding it a 6 or 0 would have skewed the mean score.)

Q19: Which of the following do you find most useful when deciding what to do about your company pension? (Select up to 3)

	Thomsons group (1)	Non-Thomsons group (2)
One-to-one meetings (1)	58.4%	40.2%
Group presentations (2)	34.4%	19.4%
Total reward statements (3)	37.7%	31.8%
Modelling and investment tools (4)	26.7%	8.6%
Videos, webinars and online guides (5)	12.1%	7.6%
Flexible benefits (6)	20.9%	15.6%
Letters, brochures or other printed documentation (7)	29.5%	32.0%
None of the above (8)	3.7%	17.0%
I don't know (9)	0.9%	N/A

Q20: How good is the information you receive from your employer in helping you to understand the following aspects of your pension? (0 = very poor, 5 = very good)

	Thomsons group (1)	Non-Thomsons group (2)
Q20A: Whether the pension is right for me	2.42	2.54
Q20B: How much to pay into my pension	2.60	2.68
Q20C: Where to invest my contributions	1.93	2.28
Q20D: How much I may receive in retirement	2.41	2.58

Q21: How would you describe your level of pension knowledge?

	Thomsons group (1)	Non-Thomsons group (2)
Very knowledgeable	2.2%	7.4%
Reasonably knowledgeable	32.4%	36.8%
A little bit knowledgeable	47.6%	38.4%
Not at all knowledgeable	17.8%	17.4%

Q22: What is the current basic state pension?

	Thomsons group (1)	Non-Thomsons group (2)
£80 per week	15.6%	11.4%
£110 per week	40.5%	50.2%
£150 per week	2.4%	10.0%
Nothing	1.3%	1.0%
I don't know	40.1%	27.4%

Q23: (Thomsons survey): Please try to rank the following types of investment/ asset in order of risk; with 1 being the most risky

Q23 (Non-Thomsons survey): Which of the following types of investment would you say are the most risky? (Please select up to two options)

The results for this question were not usable as the question was asked in such different ways between the two groups. While the Thomsons group were asked to rank assets in terms of risk, the non-Thomson group were asked to select the two most risky, thus making a direct comparison difficult. There is also some indication that the Thomsons group did not correctly understand how to 'drag' the answers into the correct place.

Q24: What will you be able to use your pension pot towards when you come to retire? (Tick all that apply)

	Thomsons group (1)	Non-Thomsons group (2)
A taxable monthly income	39.2%	29.4%
Taxable lump sum up to 40% of the pots value	11.2%	12.0%
A tax free monthly income	18.9%	19.0%
A tax free lump sum up to 25% of the pots value	33.7%	18.6%
I don't know	38.3%	40.2%

Q25: Considering that a pension is a long-term investment, if you had a pension fund of £10,000, what is the maximum loss you could tolerate in a year before you would change how it was invested?

	Thomsons group (1)	Non-Thomsons group (2)
Under £300	25.1%	25.6%
£1,000	36.6%	25.2%
£2,000	12.6%	15.4%
£3,000	3.5%	3.8%
I wouldn't change it	22.2%	30.0%

Q26: Please tick the box that best represents how much you pay into the pension scheme

	Thomsons group (1)	Thomsons group (1) valid	Non-Thomsons group (2)	Non-Thomsons group (2) valid
About 2-3% of my salary	9.0%	11.7%	8.8%	14.5%
About 4-5% of my salary	38.3%	49.7%	19.6%	32.3%
About 6-8% of my salary	15.4%	20.0%	17.0%	28.1%
9% or more of my salary	8.1%	10.6%	5.0%	8.3%
I can't remember	6.2%	8.0%	10.2%	16.8%
Total	77.1%	100.0%	60.6%	100.0%

Q27: Please tick the box that best represents how much your employer contributes to your pension

	Thomsons group (1)	Thomsons group (1) valid	Non-Thomsons group (2)	Non-Thomsons group (2) valid
About 2-3% of my salary	8.1%	10.6%	8.6%	14.2%
About 4-5% of my salary	32.8%	42.6%	15.8%	26.1%
About 6-8% of my salary	19.8%	25.7%	12.0%	19.8%
9% or more of my salary	7.9%	10.3%	9.0%	14.9%
I can't remember	8.4%	10.9%	15.2%	25.1%
Total	77.1%	100.0%	60.6%	100.0%

Q28: Are you aware of the approximate rate of return generated on the investments in your pension scheme over the last year?

	Thomsons group (1)	Non-Thomsons group (2)
Negative returns	0.6%	2.0%
Returns of 0-5%	15.7%	16.5%
Returns of 5-10%	7.7%	12.9%
Returns of 10% or over	1.1%	3.0%
I don't know	74.9%	65.7%

Q29: What are the reasons for not contributing to the company pension scheme? (Please tick up to 2 answers)

	Thomsons N=104	Non-Thomsons N=150
Not been invited to join (1)	13	15
Not got around to joining (2)	15	30
Do not trust pension schemes (3)	20	32
Don't understand how it works (4)	32	25
Don't think it will give me income I need (5)	19	24
Cannot afford to pay into a pensions (6)	41	56
Not planning to retire in UK (7)	11	4
Already have sufficient income (8)	5	9
None of the above (9)	0	27

Thomsons group: (Q12) 104 respondents do not contribute to their company pension scheme, 2 did not know.

Non-Thomsons group: (Q12) 150 respondents do not contribute to their company pension scheme, 47 did not know.

3. Correlations and cross-tabulations in full

The following tables provide the data for the cross-tabulated charts in the report. The cross-tabulations have been provided to identify the relationship between traits, attitudes and behaviours.

Correlation 1: Q3 (How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme?) cross-tabulated with Q26 (Please tick the box that best represents how much you pay into the pension scheme) (Thomsons and non-Thomsons groups)

	Non-member	About 2-3% of salary	About 4-5% of salary	About 6-8% of salary	9% or more of salary	I can't remember
0 (least likely)	68.0%	4.0%	16.0%	4.0%	4.0%	4.0%
1	55.6%	22.2%	11.1%	0.0%	0.0%	11.1%
2	62.5%	0.0%	18.8%	18.8%	0.0%	0.0%
3	63.0%	7.4%	18.5%	0.0%	3.7%	7.4%
4	58.8%	11.8%	17.6%	11.8%	0.0%	0.0%
5	54.1%	7.4%	17.0%	6.7%	4.4%	10.4%
6	29.5%	9.1%	22.7%	20.5%	2.3%	15.9%
7	14.3%	16.9%	36.4%	20.8%	2.6%	9.1%
8	9.9%	16.5%	40.5%	18.2%	5.0%	9.9%
9	12.1%	14.3%	39.6%	19.8%	7.7%	6.6%
10 (most likely)	6.3%	6.3%	38.2%	26.0%	13.2%	10.1%

Correlation 2: Q3 (How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme?) filtered for responses 'Total Reward Statements' to Q19 (Which of the following do you find most useful when deciding what to do about your company pension?) (Thomsons and non-Thomsons groups)

	Q3: How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme?										
	0 = least likely	1	2	3	4	5	6	7	8	9	10 = most likely
Thomsons group	1.2%	1.8%	1.8%	1.2%	0.6%	8.8%	5.3%	9.4%	21.1%	13.5%	35.7%
Non-Thomsons group	2.5%	1.9%	1.9%	5.0%	1.3%	18.2%	5.7%	10.7%	11.3%	9.4%	32.1%

Correlation 3: Q3 (How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme?) filtered for responses 'Modelling & Investment Tools' to Q19 (Which of the following do you find most useful when deciding what to do about your company pension?) (Thomsons and non-Thomsons groups)

	Q3: How likely is it that you would recommend to a colleague that they should contribute to the company pension scheme?										
	0 = least likely	1	2	3	4	5	6	7	8	9	10 = most likely
Thomsons group	0%	0.8%	1.7%	1.7%	0.8%	5.8%	10.7%	8.3%	18.2%	9.9%	42.1%
Non-Thomsons group	0%	9.3%	4.7%	7.0%	9.3%	4.7%	4.7%	7.0%	14.0%	7.0%	32.6%

4. Selection of quotations

MEANS TESTING:

'I know I should be saving into a pension and I am, but I'm not particularly confident that during the next 30 years the government won't change the law in such a way that because I have saved I effectively get penalised though aggressive means testing of other retirement benefits or that all my savings will all vanish due to inflation at some point 30 years down the road or that at time I retire the choice of annuities I have on offer will be good value for money. However there's nothing I can do about this either way.' (Thomsons)

COMPLEXITY:

'I would like somebody to explain in layman's term, all about my pension, because I do not understand the T & C's of the pension' (Thomsons)

'I just wish the whole pensions thing was a lot more simple than it is. Excellent survey.' (non-Thomsons)

'I find the rates used to provide illustrations of a pension possible worth / returns to be very confusing and the numbers seem to be getting lower and lower every year, which is worrying for me… It is difficult to track performance over a long period, as the annual statements are not exactly the simplest documents to interpret.' (Thomsons)

'I get the tax free benefit of pension contributions. However, I'd like to understand more about how that pot can be used at retirement, e.g. buying annuities (I don't understand them) v. taking a lump sum. And why accumulate potentially enough in a pot that then means you pay tax back to the government on your retirement income.' (Thomsons)

'I would like to be more knowledgeable but it is so complicated. I also don't believe I will survive on the amount I will receive when I retire. I am struggling financially now and foresee this in the future. I think being younger should enjoy everything you can and retirement is at the wrong time of life' (Non-Thomsons)

'The system is so complicated' (non-Thomsons group)

'I am very interested in pensions, but find the whole matter too complex/time consuming to understand exactly what my options are. Plus I am not sure that what is said today will be applicable when I retire.' (Thomsons)

'I don't know much about pensions, but I would like to.' (Thomsons)

'I've just realised how little I understand about pensions and how little anyone else has been able to tell me to date.' (Thomsons)

'My answers make clear I have very little real understanding of how [pensions] work.' (Non-Thomsons)

TRUST (LACK OF)

'I would have been better off buying shares in firms dealing in pensions than in investing in a pension.' (non-Thomsons)

'I feel that it is difficult to trust the government in relation to pension policy as a result of the Labour Government policy to tax pensions; and it is also very difficult to trust employers in relation to pension funds. My father had a final salary pension scheme which was rendered worthless by the company he worked for as they had raided the pension fund and then declared themselves insolvent.' (Thomsons)

AFFORDABILITY

'Can't currently afford to pay into co pension scheme as single and barely manage on income but will be joining in August when new government scheme is implemented and will just have to cut back somewhere else' (Thomsons)

'Idea of a pension and the details are very overwhelming, I'm trying to avoid paying into one for as long as possible.' (Non-Thomsons group)

RETIREMENT

'It is wrong to be forced into an annuity' (non-Thomsons)

'I know it's essential, a great idea to have a pension. I've no idea how it works or what my investment into the pension means for me at retirement' (Thomsons)'

'I get the tax free benefit of pension contributions. However, I'd like to understand more about how that pot can be used at retirement, e.g. buying annuities (I don't understand them) vs taking a lump sum. And why accumulate potentially enough in a pot that then means you pay tax back to the Government on your retirement income.' (Thomsons)

SUPPORT

'As a manager I have had a presentation from Thomson about pensions which triggered my review of my pension and re-planned contributions etc. to target an early retirement. I think this should be done for all employees – particularly new starts.' (Thomsons)

'I do get information through on the pension, but I don't have the time I would like to sit down and take it on board, hence most of my answers are don't know. I should know and it is important, but struggle...' (Thomsons)

'I really don't have very much knowledge of pensions. I don't understand the investment options etc, I just did the basics of what were simple enough to understand and so I think I am paying 4% of my salary. I only recently joined the scheme.' (Thomsons)

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