Department for Work and Pensions

Research Report No 447

Evaluation of Automatic State Pension Forecasts

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A report of research carried out by IFF Research Ltd on behalf of the Department for Work and Pensions

Corporate Document Services

First Published 2007.

ISBN 978 1 84712 232 2

Printed by Corporate Document Services.

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Acknowledgements

We are grateful to the individuals who took part in this research and gave up their time to share their views on retirement planning with us. We would also like to express our thanks to Jeremy Vincent at the Department for Work and Pensions (DWP) for his key role in the design and planning of this study and Rob Hardcastle, also at the DWP, for his help and support throughout the fieldwork and analysis stages of the project.

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Summary

Introduction

Between December 2004 and December 2006, the Department for Work and Pensions (DWP) sent about 16 million Automatic Pension Forecasts (APFs) to people aged between 20 and 64 years.

The APF includes a letter stating the individual's estimated State Pension[1] and two leaflets – 'A Quick Guide to State Pensions', covering the key facts about State Pensions and 'Plan Your Retirement Now!', outlining some options for saving for retirement.

The aims of issuing APFs are to inform people of the estimated amount of State Pension they will receive, improve understanding of pensions more generally and enable them to make informed choices about the different options for saving for retirement and plan accordingly.

IFF Research was commissioned to undertake research to help determine the impact of sending out these APFs.

The APFs were sent out in tranches to different segments of the population, in the following order[2]:

- women aged 50-59;
- men aged 50-64;
- women aged 20-49;
- men aged 20-49.

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1 This is calculated on the basis of their existing and assumed future payment/credit of National Insurance (NI) contributions.

2 Self-employed people were not covered in this research. Around 1.5 million APFs were sent to the self-employed between May 2003 and May 2004.

This report covers the findings for all segments. An earlier report covered the findings from the first two segments, men and women aged between 50 years and State Pension age (SPA)[3].

The research comprised a large-scale telephone survey across the four segments. In total, 8,731 interviews were conducted between May 2005 and September 2006 with people who had been sent an APF. In addition, 2,959 interviews were conducted with a 'control' sample of non-recipients[4].

Respondent profile

Most of the main personal characteristics and circumstances of the interviewees were recorded at the time of interview. Gender, age and socio-economic status (as measured by ACORN category[5]) were known prior to interview and these were used to 'match', as far as possible, the APF recipients and control samples.

It was not possible to match the two samples precisely against the host of variables recorded. However, there were few significant differences between the people sent an APF and the control sample in terms of their personal circumstances. The only exceptions to this were labour market status and pension provision:

- respondents in the APF sample were slightly more likely to be working and in full-time employment (30+ hours per week) than those in the control sample. Over four in five (84 per cent) of respondents in the APF sample were working, 65 per cent full-time, compared with 80 per cent and 53 per cent respectively for the control group sample. This was due to a higher proportion of older men (aged 50+) in the control group being retired (25 per cent compared to 17 per cent APF sample) or not working because they had caring responsibilities or for other reasons (13 per cent compared with nine per cent in the APF sample);

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3 Bunt, K., *et al.* (2006) '*Evaluation of Automatic State Pension Forecasts for the over 50s*,' DWP Research Report No. 374.

4 For the first three segments this comprised those rejected from the APF mailing for a number of reasons (including wrong name/sex/date of birth, invalid NI number, incomplete marriage history/controlled earnings record or contribution credit record). As there were significantly fewer such rejection records for the fourth segment (men aged 20-49) the control sample for this segment was obtained from an external provider and then checked against DWP databases to ensure they had not received an APF.

5 ACORN is a geo-demographic classification of the UK population based on postcode. It groups the entire population into five broad categories (and up to 56 sub-categories) by analysing significant social factors and consumer behaviour, based on Census and other key data sources.

- respondents in the control sample were more likely to have any pension provision beyond state provision and to have an occupational pension. Most (91 per cent) had any pension provision beyond state, with 87 per cent having an occupational pension, compared with 75 per cent and 68 per cent respectively for the APF sample. This was due to higher proportions of women in the control group having an occupational pension than those in the APF group (87 per cent compared to 65 per cent in the APF sample). Just eight per cent of the control sample had no alternative provision, compared to nearly a quarter (24 per cent) of the APF sample.

The implications of these differences are apparent in some of the findings around pensions knowledge and retirement planning actions reported later.

The majority (84 per cent) of all respondents were working, with two-thirds (65 per cent) doing so full-time. Men were more likely than women to be working full-time (79 per cent compared to 50 per cent), while women were more likely than men to be working part-time (32 per cent compared to six per cent) or not be working because they were a carer (13 per cent compared to four per cent).

Although the majority of respondents were working at the time of the study, half (51 per cent) had an individual income of less than £20,000 per year with women being more likely to fall into this income bracket (66 per cent compared to 37 per cent among men) reflecting the fact that fewer women than men were in full-time employment.

Over half (57 per cent) of all respondents surveyed were married and living with their spouse at the time of the study. Just under half (48 per cent) had dependent children living with them.

Three-quarters of respondents surveyed had some pension provision in addition to the State Pension and just over half (52 per cent) were currently contributing to a pension. Around two-thirds (68 per cent) had an occupational pension and a quarter (24 per cent) had a personal pension.

A quarter of respondents had no pension provision. This was most marked amongst those aged 20-29; almost half (49 per cent) had no pension provision compared with 18 per cent of those aged 30-39 and 13 per cent of those aged 40+. Women were slightly more likely than men to have no pension provision other than State Pension (27 per cent compared to 21 per cent), but this difference was most pronounced amongst older people; one in five women aged 50+ had no individual pension provision (19 per cent) compared to eight per cent of older men.

Three per cent of the respondents surveyed were already retired and most of those who had not yet retired said they did not plan to work beyond SPA (86 per cent of men and 91 per cent of women said they intended to retire before the age of 66). Most (82 per cent) said they expected their household income in retirement to be mainly derived from some form of pension provision, either private or state. Two in five (37 per cent) planned to rely equally on their own and their partner's pension provision in retirement. A third (32 per cent) were planning to use mainly their own pension provision, while smaller numbers were planning to primarily use their partner's provision (13 per cent). Very small numbers (seven per cent) intended to use mainly other sources of retirement income, although just over a third (37 per cent) had savings other than pensions for their retirement, such as Individual Savings Accounts (ISAs), Tax Exempt Special Savings Accounts (TESSAs) or Personal Equity Plans (PEPs) (ten per cent) or bank or savings accounts (nine per cent).

Most respondents (75 per cent) who had not yet retired felt they would need at least half their current income to live comfortably in retirement, (although only 41 per cent of respondents felt they had at least a reasonable idea of what their income in retirement would be). Over two-thirds (70 per cent) also felt they needed to save more for their retirement, with most of the rest (a further 26 per cent) feeling they needed to save the same amount as they were currently. The younger the person, the more likely they were to feel they had to save more for retirement (20-29 83 per cent, 30-39 74 per cent, 40-49 71 per cent and 50+ 47 per cent) but there was no marked difference by gender.

Over half (55 per cent) of all respondents surveyed felt they had at least a basic knowledge of pensions issues but only nine per cent felt they had a good knowledge[6]. Men were more likely than women to feel they had a good or at least basic knowledge of pension issues (63 per cent compared with 46 per cent among women). Perceived knowledge was also higher amongst older people (61 per cent aged 50+ and 75 per cent of those who were retired compared with 48 per cent of those age 20-29). It was also higher amongst those with any pension provision (61 per cent of those with any pension provision felt they had at least a basic knowledge of pensions, compared with 37 per cent who had no provision beyond state entitlements); further statistical analysis[7] showed pension provision was the primary factor associated with (self-assessed) knowledge of pensions issues.

There were few significant differences between the APF and control groups in terms of self-reported knowledge, but older men in the control group were more likely to claim at least a basic knowledge of pension issues (76 per cent compared to 68 per cent for APF), reflecting the higher proportion of retired people in this group.

6 All respondents were asked to self assess their level of knowledge of pension issues. There were four levels good, basic, patchy or little or no knowledge.

7 Chi-square Automatic Interaction Detection (CHAID) analysis was undertaken to determine which factors were most important in determining respondents perceived knowledge of pension issues (see Section A.4 of Appendix A).

Recall and readership of the APF mailing

The survey interviews were conducted between 13 and 17 weeks after people had received the APF. This time lag was considered to provide the optimal relationship between recall of the forecast and allowing people time to (have started to) take any retirement planning actions as a result of receiving the mailing, if they were going to do so.

Among those who were sent an APF, half spontaneously recalled receiving any information from the government or Pension Service; two-thirds (66 per cent) of whom specifically mentioned the APF letter and/or leaflets i.e. equivalent to a third of all recipients. The overall proportion recalling the APF increased to six in ten (62 per cent) after they were prompted by a short description of the letter and leaflets. Overall, 56 per cent of recipients at least glanced at the APF: 31 per cent) read some or all of the letter and/or leaflet, while a further 25 per cent just glanced at it. Of those reading the APF, nine in ten (92 per cent, equivalent to 28 per cent of all those sent the APF) read all/some of the letter, with fewer (37 per cent, equivalent to 11 per cent of all recipients) reading at least some of the leaflets. Just under half (45 per cent) of all those sent the APF kept the letter; fewer (30 per cent) recalled keeping the leaflets.

Recall and readership of the APF increased with age. Amongst those aged 50+, 81 per cent recalled receiving the APF and 54 per cent read some/all of it. (The corresponding proportions for younger people were 40-49 - 60 per cent recalled, 30 per cent read; 30-39 – 55 per cent recalled, 22 per cent read; 20-29 – 54 per cent recalled, 20 per cent read.) Amongst those aged 50+, women were slightly more likely than men to have recalled and read at least some of the mailing (59 per cent compared to 50 per cent read some/all the mailing), but there were no gender differences amongst younger people.

Those who considered themselves to have a good knowledge of pension issues were the most likely to have read at least some of the mailing. Almost half (46 per cent) of those with a good knowledge of pension issues had read at least some of the letter and/or leaflet, compared with 35 per cent who had a basic knowledge, 26 per cent with only a patchy knowledge and 16 per cent with little or no knowledge. Similarly, given the high correlation between pension provision and perceived knowledge of pension issues, 33 per cent of those with any pension provision had read some/all of the APF compared with 25 per cent with none.

Views and usefulness of APF

Of those who read or at least glanced at the APF letter, three-quarters (75 per cent, equivalent to 38 per cent of all recipients) felt it was useful. Under one in five (17 per cent, equivalent to eight per cent of all) did not find the letter useful. Similarly, 74 per cent (equivalent to 21 per cent of all) of those who read or glanced at the leaflets found them useful, while only 14 per cent (four per cent of all) did not find them useful. Two-thirds (64 per cent, equivalent to 18 per cent of all) of those who read or glanced at the leaflets found them helpful (defined as giving them information about the options available for increasing their income in retirement).

Those who recalled receiving the APF generally had a good understanding of the information it was providing about their State Pension. Most (71 per cent) either definitely knew or at least thought the APF was an estimate. Around one in ten (12 per cent) wrongly believed it was an exact amount, with this misapprehension more prevalent amongst older people (21 per cent compared with eight per cent aged under 50). Over half (58 per cent) of those who recalled receiving the APF either definitely knew or thought the APF was based on their own personal circumstances. One in five (22 per cent) wrongly believed the APF was a general example. Those who had read some or all of the APF were more likely to correctly understand that the forecast was an estimate (75 per cent compared to 41 per cent non-readers) but one based on their personal contribution record (70 per cent compared to 23 per cent non-readers).

Of those who recalled receiving the APF, most (80 per cent, equivalent to half of all recipients) felt that it improved their understanding of pensions[8], particularly State Pensions entitlements.

When prompted, half of all APF recipients (51 per cent) said they were happy to receive this kind of information on their future State Pension information annually, with the remainder split roughly two to one in favour of receiving the forecast less frequently (every two or more years), rather than more (twice a year). As might be expected, older people were more likely to want this kind of information annually (57 per cent) or more frequently (19 per cent), whilst a third of younger people would be happy to receive this kind of information every two years or less frequently.

Two-third of respondents (68 per cent) placed at least some trust in information like this on pensions and retirement planning that they received from the Government. Only nine per cent did not put any trust at all in Government information of this kind.

Knowledge of State Pensions

A few general questions on State Pensions were asked in order to help gauge the impact of the APF on recipients' knowledge of the State Pension system (as well as helping to substantiate their self-assessed levels of knowledge).

Two-thirds (68 per cent) of all survey respondents (i.e. including the control sample) correctly knew, without prompting, the age at which they would be entitled to draw their State Pensions (this included 68 per cent of all APF respondents, 78 per

8 This is based on interviewees' perceived improvement in understanding in any of five specific areas, three around the State Pension system, the other two around pensions and other saving options.

cent of those who read the APF and 85 per cent of the control group).

Age was seen to have an important bearing on knowledge of State Pension issues, with older people generally having higher levels of awareness and knowledge on all aspects examined. Thus, amongst those aged 50+, almost all (95 per cent) correctly knew the age at which they could draw their State Pension. Younger people and particularly younger women were less likely to know the correct age (59 per cent and 55 per cent respectively); a third of younger women (35 per cent) incorrectly thought they could still draw their State Pension at 60, particularly those aged between 30-49 (38 per cent compared with 27 per cent of women aged 20-29).

Knowledge of other aspects of State Pensions was lower. A third (35 per cent) of all those surveyed were spontaneously aware of how the basic State Pension is calculated (including 35 per cent of all APF recipients, 51 per cent of those who read the APF and 47 per cent of the control group) and a similar proportion (39 per cent) were spontaneously aware of alternative ways entitlement to the basic State Pension could be built up if they were not working (including 39 per cent of all APF recipients, 44 per cent of those who read the APF and 40 per cent of the control group).

Under one in ten (eight per cent) of all survey respondents were spontaneously aware of and able to name the State Second Pension or State Earnings Related Pension Scheme (SERPS), with a further four per cent stating they knew there was another State Pension but could not recall its name. Even after prompting, over half (57 per cent) of all respondents said they had not heard of it or had simply heard the name but knew nothing about it.

Influence of the APF on pensions knowledge

The control sample exhibited greater knowledge than APF recipients overall on several areas of the State Pension system – however, as discussed above, account here should be taken of the fact the control sample had a greater level of pension provision other than the State pension (91 per cent compared to 75 per cent APF sample), a key factor associated with pensions knowledge[9]. It seems likely that this difference in provision accounts for most of the gap in knowledge between the two samples.

Those who had read the APF exhibited higher awareness and knowledge than the APF sample as a whole and, in many instances, the control group: for instance

[9] Interestingly, there were few significant differences in subjective, self-reported knowledge between the APF and control samples, indicating that people in many cases misjudge (probably overestimate) their level of pensions knowledge. Pension provision seems to impact more on ‘measured’, or objective, knowledge: thus, for example, 38 per cent of those with pension provision spontaneously knew how the State pension is calculated compared with 27 per cent with no provision.

57 per cent of those who read the APF were fully aware of how the State Pension was calculated after prompting, compared to 43 per cent of all those who received the APF and 52 per cent of the control sample. However, a higher proportion of those with some pension provision read the mailing (33 per cent) than those with no pension provision (25 per cent). Moreover, readership was also associated with higher levels of self-reported knowledge (46 per cent with 'good' knowledge read the APF compared to 16 per cent with 'no' knowledge). Thus, there is no evidence that the better knowledge exhibited by APF readers was gained directly by reading the APF.

If the APF did make a difference it was only if respondents had read any of it as opposed to merely glancing at it or recalling receiving it. On all aspects of pensions knowledge asked about, APF readers exhibited better knowledge than those who glanced at the mailing or did not read it.

Further statistical (CHAID) analysis showed that the only area in which readership of the APF mailing was the main factor associated with pensions knowledge was around spontaneous awareness of how the State Pension is calculated. For all other measures however, (self-assessed) knowledge of pension issues or age were the main factors.

The further analysis did show that reading the APF was a factor, albeit secondary, for some specific subgroups. This included those with 'basic' (as opposed to 'good') knowledge of pension issues, where readership was a factor associated with their (spontaneous) knowledge of alternative ways of building up entitlement if not working; and, for the youngest age group (20-29), although pension provision was the most important factor in determining knowledge of when the State Pension could be drawn, those without pension provision but who had read the APF mailing were more likely to know the correct answer than those who had not[10].

Actions to plan for retirement

The majority (95 per cent) of all survey respondents (i.e. including the control sample) claimed to have taken some action in relation to planning for retirement in the last three to four months (the period since the APF was sent out) or were intending to take action in future. Seven in ten (72 per cent) of all those surveyed claimed to have actually taken some type of action to plan for their retirement in the last three to four months, whilst a further quarter (23 per cent) had not, but were intending to in the future.

10 However, it needs to be recognised that this represents a very small proportion of APF recipients (less than ten per cent of those aged 20-29 and around two per cent of the whole APF sample) as younger people and those without pension provision were least likely to have read the APF.

There were some, albeit relatively small, differences by age and gender. Younger people aged under 50 were more likely to have taken, or be intending to take, action (96 per cent compared to 90 per cent of people aged 50+), reflecting the fact that the older group included retired people. Amongst younger people, the younger the individual the more likely they were to be intending to take action as opposed to having already taken action (30 per cent of those aged 20-29 were intending to take action compared with 25 per cent of those aged 30-39 and 22 per cent of those aged 40-49). Women, particularly younger women, were more likely than men to be intending to take action as opposed to already having done so (25 per cent of all women and 28 per cent of younger women compared with 21 per cent of all men).

There was only a marginal difference between the APF and control samples overall (95 per cent compared to 92 per cent). Whilst recall and readership of the APF had no significant impact on the overall proportion who had or were intending to take action, those who had read some/all of the mailing were more likely to have already taken action in the past three to four months as opposed to just be intending to (82 per cent compared to 72 per cent for the APF sample as a whole and 74 per cent for the control sample).

Similarly, the proportion who had already taken action (as opposed to be intending to) was higher amongst those with better pension knowledge (87 per cent with good knowledge compared to 78 per cent with basic knowledge, 67 per cent with patchy knowledge and 48 per cent with no knowledge) and any pension provision (77 per cent compared with 55 per cent with no provision beyond state entitlement).

'Hard' actions

While 72 per cent of all respondents said they had taken some action in regards to planning for retirement in the last three or four months, only a third (34 per cent) had taken any 'hard' actions (changes to their savings behaviour) as opposed to 'soft' actions (reviewing their situation or seeking advice and information). Those who had already made changes to their savings behaviour were slightly more likely to be over 30 years old (36 per cent compared with 29 per cent of those aged 20-29), those who had read some or all of the mailing (39 per cent, compared to 34 per cent APF overall and 39 per cent control) and those with 'good' (49 per cent) or at least 'basic' knowledge (38 per cent) of pension issues.

The higher incidence of having taken 'hard' action among the control sample seems odd, suggesting that the APF serves to actually impact negatively on saving relative to what might have happened in the absence of the APF, but this is almost certainly the result of differences in characteristics (especially pension provision) between the APF and control samples.

The most frequent 'hard' action taken was starting or making changes to other savings for retirement (22 per cent of all respondents had taken this action). Smaller proportions had changed (mainly increased) their contributions to an existing pension (eight per cent), opted in or out of the State Second Pension (seven per cent) or started a new pension (six per cent).

'Soft' actions

Around two-thirds of all survey respondents (67 per cent) had taken 'soft' actions in the three to four months since receipt of the APF. There was little difference between the APF and control samples in terms of 'soft' actions undertaken (67 per cent compared to 69 per cent) but APF readers were more likely to have taken some sort of 'soft' action (79 per cent). This suggests readership may potentially play a part in influencing actions such as seeking information or advice.

Amongst all those taking 'soft' actions most had reviewed their situation, including thinking about how much they will want/need to live on in retirement (42 per cent), reviewing their current arrangements and finding them adequate (34 per cent) and checking/requesting forecasts from other pensions (20 per cent) or entitlement to their spouse's pension (16 per cent). A fifth of respondents (21 per cent) had talked to someone or sought information about pensions and six per cent had enquired about starting a pension or changing their contributions.

Future actions

The majority (92 per cent) of all respondents (i.e. including the control sample) intended to take some sort of (further) action in the future, although three-quarters of these had already taken some action in the last three to four months. Three-quarters (75 per cent) of all respondents intended to take some form of 'hard' action in future, a much higher proportion than had made any such changes in the last three to four months (34 per cent). Although there were few differences between all APF recipients, APF readers and the control samples in terms of intentions to take any sort of future action, the APF sample as a whole was significantly more likely to be intending to take 'hard' action(s) (75 per cent) than APF readers (72 per cent) and the control sample (62 per cent), a reversal of the findings for 'hard' actions actually taken in the past three to four months.

Younger respondents were much more likely to be intending to take any 'hard' action (82 per cent compared with 51 per cent amongst those aged 50+). However, of those who said they intended to take any sort of action in the future, when asked how certain they were that they would do this, only 44 per cent said they were 'very likely' to take the action they said they had planned.

Only five per cent of respondents had not and were not intending to take further action. The main reason given for not having taken or intending to take action in the future was being happy with current arrangements (mentioned by 33 per cent). This proportion was higher amongst older people (45 per cent), men (42 per cent) and those with an income of £40,000 or more per annum (68 per cent) which indicates that for many of these (small proportion of) respondents, taking no further action after reading the APF may be an appropriate response.

Influence of the APF on retirement planning actions

When asked directly, over half (53 per cent) of respondents who recalled receiving the APF and had or intended to take action, felt the APF had played at least some role in their deciding to take action, with eight cent stating that it had played a key role. This equates to 31 per cent of all APF recipients. Those who did not have a good knowledge of pension issues were more likely to feel the APF had played some part (54 per cent compared with 42 per cent with good pension knowledge) as did those with no pension provision (59 per cent).

However, as discussed earlier, there was no significant difference in the proportion of the APF and control samples overall who had taken or were intending to take action in regards to their planning for retirement. APF readers were more likely to have already taken action but the results do not clearly indicate whether action is being driven primarily by readership of the mailing or other factors.

Further statistical analysis supported the proposition that (self-reported) knowledge of pension issues and pension provision were the main factors associated with retirement planning behaviour. The same analysis also showed that while readership of the mailing was not a primary factor for those with at least a 'patchy' knowledge of pensions issues (i.e. 90 per cent of the sample), it does have some (secondary) influence. For those with no knowledge of pension issues, readership or at least recalling the APF was more likely to enhance their likelihood to take action than pension provision (simply reflecting that they are less likely to have any pension provision).

Conclusions

Views on the APF were generally positive: three-quarters of those who at least glanced at the letter found it useful (equivalent to 38 per cent of all recipients), while a good majority of respondents who could recall receiving it (80 per cent, equivalent to 49 per cent of all recipients) thought it improved their understanding of pensions. Moreover, two-thirds of all respondents (68 per cent) placed at least some trust in information like this on pensions and retirement planning that they received from the Government.

Despite these encouraging findings, engagement with the APF, as measured by actual recall and readership were far less positive: spontaneous, unprompted recall of the APF was just 33 per cent, increasing to 62 per cent after prompting, with readership just 31 per cent. Engagement was lower for younger recipients – only just over half (57 per cent) of those aged under 50 could recall the mailing, while only a quarter (24 per cent) read any of it.

Overall, receipt of the APF seems to have had little impact on knowledge of the State Pension system or the likelihood of taking action with regard to planning and saving for retirement; there were no substantive differences in these measures between the APF and control samples. Readership of the APF seems to have had some influence amongst those with at least a 'patchy' knowledge of pension issues, but it is not one of the main factors associated with taking action(s). Knowledge of pension issues was the main factor associated with actions taken, while having existing pension provision or age were the primary factors associated with most areas of knowledge examined.

There were differences in attitudes, knowledge and behaviour between key demographic groups. Differences by age were most marked, with older people being generally more knowledgeable and engaged with issues around planning for retirement. Gender differences were less marked, particularly amongst younger people. Those who were unemployed or not working for other reasons and in the lower ACORN categories were less affluent and were the least likely to have any pension provision beyond state benefits and to be less knowledgeable and engaged with pension issues.

1 Introduction

1.1 Background and objectives

Between December 2004 and December 2006, the Department for Work and Pensions (DWP) sent about 16 million Automatic Pension Forecasts (APFs) to people aged between 20 and 64 years. The APF includes a letter stating the individuals' estimated State Pension (calculated on the basis of their existing and assumed future payment/credit of National Insurance (NI) contributions) and two leaflets – 'A Quick Guide to State Pensions', covering the key facts about State Pensions and 'Plan Your Retirement Now!', outlining some options for saving for retirement.

The aims of issuing APFs are to inform people of the estimated amount of State Pension they will receive; improve their understanding of pensions more generally; and enable them to make informed choices about the different options for saving for retirement and plan accordingly.

The DWP wished to gain an insight into the effectiveness of the APFs and, to this end, IFF Research was commissioned to undertake a study with the aims of:

- determining the level of recall and readership of the APF;
- assessing the impact of the APF in terms of changes in levels of understanding, knowledge and attitudes towards pensions as well as any actual changes in retirement planning behaviour;
- looking at attitudes towards the APF itself, including clarity, ease of understanding and what has been done with the forecast;
- establishing the factors associated with different reactions to the APF including demographics and existing levels of knowledge and attitudes towards pensions;
- contributing to a broader understanding of the way unsolicited information can affect retirement planning behaviour and thereby inform future information and communications strategies.

The APFs were sent out in tranches to different segments of the population in the following order[11]:

- women aged 50-59;
- men aged 50-64;
- women aged 20-49;
- men aged 20-49.

This report covers the findings for all segments. An earlier report covered the findings from the first two segments only – i.e. men and women aged between 50 years and State Pension retirement age[12].

1.2 Research approach

A large-scale telephone survey was conducted amongst people who had been sent an APF. A control sample of people who had not been sent a forecast was also surveyed[13].

In total, 8,731 telephone interviews were conducted between May 2005 and September 2006 with those who had been sent an APF.

Interviews were conducted between 13 and 17 weeks after people had received the APF. This time lag was thought optimal in terms of the balance between allowing for recall of the forecast and giving people adequate time to (have started to) take any planning action for retirement as a result of receiving the mailing, if they were going to do so.

In addition, 2,959 interviews were conducted with a 'control' sample, a demographically comparable group who had not received an APF or other State Pension forecast. The control sample was included in the research as a point of comparison in order to further assess the impact of the APF on knowledge of pension issues and taking action to plan for retirement.

1.3 Research methodology

Both the APF and control samples were provided by the DWP from the Pensions Forecasting IT database (PFIT). This is the database that is being provided to monitor the Public Service Agreement (PSA) target (that around 14 million forecasts are

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11 The self-employed had already been sent an APF – 1.5 million APFs were sent to the self-employed between May 2003 and May 2004, so were not covered in this research.

12 Bunt, K. *et al.* (2006) '*Evaluation of Automatic State Pension Forecasts for the over 50s*,' DWP Research Report No. 374.

13 All details of the research design which are not in this chapter can be found in the Appendices.

sent out in 2005/06). The control sample (except for segment four, men aged 20-49, see Appendix A.1) consisted of individuals who were not provided with an APF for various reasons[14].

The sample provided by the DWP did not have telephone numbers. The sample was therefore tele-matched and those for whom a valid telephone number could be obtained were sent a letter from the DWP about the research.[15] The letter gave an opportunity for individuals to opt out of the study if they did not wish to be contacted further (by either phoning a freephone number or returning a reply paid opt-out card to IFF Research). Details of the opt-out rates can be found in Appendix A.

Before the fieldwork, both initially and throughout the tele-matching and opt-out exercises, a matching process was carried out to ensure the APF and control samples were similar to each other in terms of key demographics such as age and ACORN code. The results were also weighted at the analysis stage by ACORN code to help minimise any bias introduced by the sampling approach and ensure the sample was representative of the overall population and people sent or not sent the APF[16]. It should be noted that as the great majority of individuals received an APF (literally millions) and the control group was very small, total figures presented in the tables and text closely reflect those of the APF sample.

Those who had not opted out of the study were contacted via telephone by an IFF interviewer (either in the evening or on the weekend)[17] and were asked to participate in a 15-20 minute telephone interview. The overall fieldwork response rate for the two segments covered in this report was 66 per cent.[18]

At the analysis stage, Chi-square Automatic Interaction Detection (CHAID) – an exploratory data analysis method – was used to help untangle the sometimes complex relationships between knowledge, age, gender, pension provision and APF readership. CHAID identifies the main factors (independent variables) associated with whatever is being tested, for example, action taken or knowledge of a particular aspect of State Pensions. It enables a hierarchy of factors to be arrived

14 These reasons include invalid NI number, incorrect name, gender or date of birth and incomplete marriage history/controlled earnings record or contribution credit record.

15 An example copy of the opt-out letter can be found in Appendix D.

16 Results for the first two segments (men and women aged 50+) may differ slightly from those presented in DWP Research Report No. 374 as the results have been reweighted using the most up to date APF and control population data.

17 Where a respondent requested to be interviewed during weekday daytime hours this could be accommodated.

18 Details of how the response rate was calculated can be found in Appendix A (Section A.2).

at. However, CHAID cannot be used to calculate how much more important one factor is than another[19].

Full details about the methodology can be found in Appendix A, with a copy of the questionnaire in Appendix B. An example of CHAID analysis and further explanation of this data analysis method is also included in Appendix A (Section A.4).

The remainder of this report is structured as follows:

- Chapter 2 outlines the personal circumstances of respondents, including demographic indicators, self-reported knowledge of pension issues generally and knowledge of their own provision for retirement.
- Chapter 3 explores the recall, readership and what has been done with the APF among those who were sent it between 13 and 17 weeks prior to their interview. Among those APF respondents who recalled/read it, the usefulness and helpfulness of the APF were explored, as was their understanding of the information provided in the APF. Also presented are findings amongst all recipients on the desired frequency of receiving this type of information and the amount of trust placed in this type of information from the Government more generally.
- Chapter 4 explores respondents' actual knowledge of how the State Pension is calculated, awareness of other ways entitlement may be built up and awareness of the State Second Pension. It also assesses the impact of the APF on pension knowledge.
- Chapter 5 assesses the impact APFs have had on behaviour, in terms of actions respondents have taken in the last three to four months or intend to take in future in order to plan for their retirement. This chapter also explores, among those who recalled being sent the APF, its role in the decision to take or intend to take action in the future.

All the results presented in this report are based on weighted data. All bases are shown unweighted. The results are presented in tabular and graphic format. In some cases tables will add to 99 per cent or 101 per cent due to rounding. With large sample sizes even very small percentage differences can be statistically significant, however, differences are commented on in the text only when they are substantive.

19 Other analytical techniques such as regression analysis could be employed to do this and further research could be carried out in this area.

2 Respondent profile

This chapter outlines the personal circumstances of the respondents surveyed. It covers respondents' work status, income and other demographic indicators, existing pension provision and other savings for retirement. It also examines respondents' self-reported knowledge of pensions issues generally (and their confidence in this knowledge) and knowledge of their own provision for retirement.

This information assisted us in examining the factors which were more likely to affect reactions to the Automatic Pension Forecast (APF). It also assisted us in determining whether the main (APF) and control samples were broadly matched. As discussed in the previous chapter, the control sample was drawn from those who, for a variety of reasons, had not been sent an APF or any other sort of State Pension forecast. We were, therefore, concerned at the outset that this group may be different in some systematic way to the main sample (e.g. people of similar age or backgrounds, or with very different levels of pension provision) and not constitute an effective control sample for comparative analysis. With one or two exceptions which are discussed, the survey found that the main and control samples were broadly similar in their demographic characteristics and pensions knowledge and behaviour. We, thus, concluded that they could be used to help assess the net impact of the APF mailing.

2.1 ACORN category

ACORN category is a geo-demographic classification of the UK population based on postcode. It groups the survey population into five broad categories (and up to 56 sub-categories) by analysing significant social factors and consumer behaviours, based on Census and other key data sources.

Just under two-thirds of the respondents were ACORN categories one to three, with no substantive differences between the APF and the control samples. As shown in Table 2.1 just over one fifth (22 per cent) of our population were 'wealthy achievers', and around one-third (28 per cent) were 'comfortably off'. Nineteen per cent of respondents were categorised as being 'hard pressed'.

The only significant differences in the profile of respondents in terms of age was that those aged 30-39 were significantly more likely to be 'hard pressed' (25 per cent for 30-39 compared to 19 per cent overall). Also, those aged 20-29 were slightly more likely to be classed as 'comfortably off' (32 per cent for 20-29, 28 per cent overall).

There were no differences in ACORN classification by gender.

Table 2.1 ACORN category, by age

Column percentages

		Age			
	Total %	**20-29 %**	**30-39 %**	**40-49 %**	**50+ %**
1 – Wealthy achievers	22	22	17	23	27
2 – Urban prosperity	12	11	13	15	9
3 – Comfortably off	28	32	25	25	29
4 – Moderate means	16	15	18	15	14
5 – Hard pressed	19	17	25	18	18
6 – Unclassified	3	3	3	5	3
Base: All	*11,690*	*2,472*	*2,209*	*3,007*	*4,002*

2.2 Labour market status and income

2.2.1 Labour market status

The majority of the sample (84 per cent) were currently working, with two-thirds doing so full-time (65 per cent). Those in the APF sample were more likely to be working full-time than those in the control sample (65 per cent APF compared to 53 per cent control) due to a lower proportion of older men (aged 50+) in the control group being in full-time work (54 per cent compared with 63 per cent in the APF sample) and a higher proportion being retired (25 per cent compared to 17 per cent for APF) or not working as they had caring responsibilities or for other reasons (13 per cent compared to nine per cent for APF).

As mentioned above two-thirds of the sample were in full-time work (65 per cent), with men being more likely than women to have a full-time working status (79 per cent men compared to 50 per cent women). Smaller numbers worked part-time, with women being more likely to be doing so (32 per cent women compared to six per cent men). Fourteen per cent were working between 16 and 29 hours per week, with one in twenty (five per cent) working less than 16 hours per week.

Only three per cent of respondents were already retired. The remainder of the sample were either unemployed and looking for work (four per cent), not working due to looking after family (four per cent; more likely to be women than men, eight per cent of women compared to less than one per cent of men) or not working for some other reason, including being unable to work due to ill health or a disability (four per cent).

Table 2.2 Labour market status, by sample type and gender

Column percentages

	Total %	APF %	Control %	Gender: Male %	Gender: Female %
Full-time (30+ hours a week)	65	65	53	79	50
Part-time (16-29 hours a week)	14	14	20	4	23
Part-time (<16 hours a week)	5	5	7	2	9
Retired	3	3	8	5	2
Unemployed and looking for work	4	4	2	5	3
Not working (carer or some other reason)	9	9	9	4	13
Base: All	*11,690*	*8,731*	*2,959*	*5,973*	*5,717*

As shown in Table 2.3 there were also differences in labour market status by age. Those aged 50 and above were the least likely to be in full-time work with just over half (55 per cent) working 30 hours or more per week. This was compared to higher numbers of people aged under 50 working full-time (71 per cent 20-29, 66 per cent 30-39 and 66 per cent 40-49). This difference is particularly marked when older men are compared to younger men, as just under two-thirds (63 per cent) of men aged 50 or above are in full-time work compared to over four-fifths (84 per cent) of men aged between 20 and 49 working full-time.

Women aged 20-29 were more likely than older women to be working full-time (67 per cent compared to 43 per cent 30-39, 44 per cent 40-49 and 45 per cent 50 and above). Equally, women aged 20-29 were the least likely to be working part-time (16 per cent compared to 39 per cent 30-39, 39 per cent 40-49, 32 per cent 50+).

Men aged 20-29 were the most likely to be unemployed and looking for work (12 per cent compared to four per cent overall).

Table 2.3 Labour market status, by age

Column percentages

		Age			
	Total %	**20-29** %	**30-39** %	**40-49** %	**50+** %
Full-time (30+ hours a week)	65	71	66	66	55
Part-time (16-29 hours a week)	14	8	17	17	14
Part-time (<16 hours a week)	5	5	5	6	5
Retired	3	*	*	*	12
Unemployed and looking for work	4	10	2	3	2
Not working (carer or some other reason)	9	6	9	8	12
Base: All	*11,690*	*2,472*	*2,209*	*3,007*	*4,002*

There were no differences in labour market status by ACORN category: two-thirds (62 per cent) of those in ACORN category five, the 'hard pressed', were working full-time as were two-thirds (62 per cent) of those in ACORN category one, 'wealthy achievers'.

2.2.2 Personal income

Half (51 per cent) of those surveyed had an individual income of less than £20,000 per annum and just over one in ten (12 per cent) had an annual income of £40,000 or more. There were no differences between the APF and control samples.

There were some differences in the levels of annual earnings by gender. Women were more likely than men to be earning less than £20,000 per annum (66 per cent women compared to 37 per cent men). Likewise men were more likely to be earning more than £40,000 per year than women (18 per cent men compared to four per cent women). These findings were reflective of the employment patterns of our survey population with men more likely to be working full-time than women.

Those aged 20-29 were the most likely to have an annual income of under £20,000 (64 per cent compared to 51 per cent overall). Men aged 30-39 and 40-49 were the most likely to be earning £40,000 or more a year (25 per cent and 30 per cent respectively).

Two-thirds (65 per cent) of those in ACORN category five, the 'hard pressed', had a personal income of less than £20,000 compared to under half (43 per cent) of those in ACORN category one, 'wealthy achievers'. Indeed the proportion of those earning less than £20,000 increases as ACORN category decreases.

Table 2.4 Personal income, by age, gender, work status and ACORN

Row percentages

	Under £10,000 %	£10,000 - £19,999 %	£20,000 - £29,999 %	£30,000 - £39,999 %	£40,000 and above %	Don't know/ refused %	*Base: All*
Total	20	31	19	9	11	10	*11,690*
20-29	23	41	19	5	2	9	*2,472*
30-39	20	25	20	12	13	9	*2,209*
40-49	19	26	18	12	17	9	*3,007*
50+	19	29	20	9	12	11	*4,002*
Male	11	26	24	13	18	8	*5,973*
Female	30	36	14	6	4	11	*5,717*
Working full-time	4	35	26	13	16	6	*7,346*
Working part-time	48	29	8	3	2	11	*2,334*
Other not working	60	15	2	1	1	20	*1,458*
Retired	21	33	17	6	8		*538*
1 – 'Wealthy achievers'	18	24	19	11	18	10	*3,137*
2 – 'Urban prosperity'	13	24	18	13	23	8	*1,297*
3 – 'Comfortably off'	21	30	20	10	10	9	*3,537*
4 – 'Moderate means'	23	35	21	8	5	9	*1,750*
5 – 'Hard pressed'	26	39	16	5	3	11	*1,750*

2.2.3 Household income

Just under two-fifths (38 per cent) of those surveyed had a current annual household income of under £30,000, which included 19 per cent who had a household income of less than £20,000 per annum. Those living alone were the most likely to have a lower household income: just under half (45 per cent) of single person households had an annual income of less than £20,000. Age and gender differences were less pronounced, but those aged over 50+ were more likely to be in lower income households (27 per cent had an income of under £20,000 per annum). The control sample were also slightly more likely to be in the lower income group, reflecting the higher proportion of older men in this group who were retired or not working for other reasons.

Otherwise, there were no notable differences between the household income of the APF and control samples.

Table 2.5 Household income, by age, gender, work status and ACORN category

Row percentages

	Household income						
	Under £10,000 %	£10,000 - £19,999 %	£20,000 - £29,999 %	£30,000 - £39,999 %	£40,000 and above %	Don't know/ refused %	*Base: All*
Total	5	14	19	16	32	14	*11,690*
20-29	5	12	17	14	29	23	2,472
30-39	4	13	19	18	36	10	*2,209*
40-49	4	13	17	19	38	9	*3,007*
50+	8	19	23	14	26	10	*4,002*
Male	5	12	18	15	37	13	*5,973*
Female	6	16	19	18	27	14	*5,717*
Working full-time	1	12	18	18	40	11	*7,346*
Working part-time	7	17	23	17	23	14	*2,334*
Other not working	21	22	14	8	14	21	*1,458*
Retired	14	24	25	9	13	15	*538*
1 – Wealthy achievers	3	8	14	15	47	13	*3,137*
2 – Urban prosperity	3	10	15	13	48	11	*1,297*
3 – Comfortably off	4	13	19	18	32	14	*3,537*
4 – Moderate means	6	17	23	18	23	13	*1,750*
5 – Hard pressed	11	26	23	15	12	13	*1,750*

As with personal income, the proportion of those earning less than £20,000 per year increases as ACORN category decreases; one in ten (ten per cent) of those in ACORN category one, 'wealthy achievers' earn less than £20,000 compared to just under four in ten (37 per cent) of those in ACORN category five, the 'hard pressed'.

2.3 Household composition

Over half (57 per cent) of all respondents surveyed were married and living with their spouse, with more people in the control sample married and living with their spouse than in the APF sample (73 per cent control compared to 56 per cent APF). Respondents in the APF sample were more likely to be living with relatives (22 per cent APF compared to eight per cent control).

There were no gender differences in the living arrangements of respondents, but there were some differences by age. As would be expected, the youngest group, 20-29 year olds, were more likely than any other to be living with relatives other than a spouse (62 per cent compared to 22 per cent overall); indeed, no more than one in ten of any other age group were living with relatives. This age group

(20-29) was also the least likely to be married and living with their husband or wife (12 per cent compared to 57 per cent overall).

Half (52 per cent) of those surveyed were living with no dependent children. Around four in ten (39 per cent) were living with one or two dependent children and one in ten (nine per cent) lived with three or more.

Women were more likely to be living with dependent children than men (53 per cent compared to 44 per cent). As would be expected, those aged between 30-49 were the most likely to be living with dependent children (69 per cent amongst people aged 30-39 and 75 per cent amongst those aged 40-49 compared with only 26 per cent of those aged 20-29 and 20 per cent of those aged 50+).

Table 2.6 Living arrangements, by gender and age

Column percentages

		Gender		Age			
	Total %	**Male %**	**Female %**	**20-29 %**	**30-39 %**	**40-49 %**	**50+ %**
Married and living with husband/wife	57	56	57	12	64	74	80
Living with relatives	22	23	20	62	10	6	5
Living on your own	12	10	14	8	13	13	12
Cohabiting with a partner	8	9	8	13	13	6	2
Living with non-relatives	2	2	1	5	1	1	*
Base: All	*11,690*	*5,973*	*5,717*	*2,472*	*2,209*	*3,007*	*4,002*

Table 2.7 Number of dependent children, by gender and age

Column percentages

		Gender		Age			
	Total %	**Male %**	**Female %**	**20-29 %**	**30-39 %**	**40-49 %**	**50+ %**
0	52	56	47	74	30	25	80
1 – 2	39	36	42	23	55	58	18
3 – 4	9	7	10	3	14	16	2
5 or more	*	*	*	*	*	1	*
Base: All	*11,690*	*5,973*	*5,717*	*2,472*	*2,209*	*3,007*	*4,002*

In terms of ethnicity, almost all of the respondents (93 per cent) were white. A further three per cent were Asian or Asian British, one per cent were black or black British and one per cent were of a mixed ethnicity. There were a higher proportion of white women among those surveyed than white men (95 per cent compared to 90 per cent).

2.4 Pensions and other retirement income

2.4.1 Membership of pensions schemes

Three-quarters (75 per cent) of respondents surveyed had some individual pension provision beyond State Pension. Around two-thirds (68 per cent) had an occupational pension and a quarter (24 per cent) had a personal pension (these are discussed in further detail in Sections 2.4.3 and 2.4.4 respectively).

The likelihood of having pension provision increases with age. Half (49 per cent) of those aged 20-29 had any pension provision, which increased to 86 per cent of those aged 50+ (see Table 3.8). Men were also more likely than women to have any pension provision (78 per cent men compared to 72 per cent women). This gender difference was most marked among those aged 30-49 (84 per cent men 30-39 compared to 77 per cent women 30-39 and 91 per cent men 40-49 compared to 82 per cent women 40-49).

Table 2.8 Membership of pension schemes, by sample type, age and gender

Column percentages

		Sample type		Age				Gender	
	Total %	APF %	Control %	20-29 %	30-39 %	40-49 %	50+ %	Male %	Female %
Any pension	75	75	91	49	81	86	86	78	72
Occupational pension	68	67	87	45	72	77	77	70	65
Personal pension	24	24	25	8	26	32	31	28	20
No pension	24	24	8	49	18	13	13	21	27
Base: All	*11,690*	*8,731*	*2,959*	*2,472*	*2,209*	*3,007*	*4,002*	*5,973*	*5,717*

The likelihood of having pension provision decreased with ACORN category. Respondents in ACORN category one were more likely than those in ACORN categories four and five to have any pension provision (79 per cent 'wealthy achievers' compared to 72 per cent 'moderate means' and 67 per cent 'hard pressed').

Pension provision was higher among the control sample than in the APF sample (91 per cent compared to 75 per cent). This was due to higher numbers of women in the control sample having an occupational pension compared with those in the

APF sample (92 per cent control women aged 50+ compared to 69 per cent APF and 79 per cent control women aged 20-49 compared to 64 per cent APF). There does not appear to be an obvious explanation for this difference as the APF and control samples were closely matched, including by work status. The only slight difference in work status was that women in the APF sample were slightly less likely to be working and to not be working due to caring or other reasons than the control sample. However, these slight variations are unlikely to fully explain the differences on a total level. It is, therefore, possible that this difference is due to some systematic factors that bear on whether some individuals could not be provided with an APF. The analysis that follows in subsequent chapters tries to take this difference in overall levels of pension provision into account.

Around a quarter (24 per cent) of all respondents had no pension provision beyond the State Pension. The control sample was better provided for, with only eight per cent having no alternative provision. A lack of pension provision was most marked amongst 20-29 year olds: almost half (49 per cent) had no pension provision compared with 18 per cent of those aged 30-39 and 13 per cent of those aged 40+. Women were also slightly more likely than men to have no pension provision (27 per cent women compared to 21 per cent men). This difference was most marked amongst older people (50 and above): one in five women aged 50+ (19 per cent) had no pension provision compared to less than one in ten men (eight per cent).

Other groups who were more likely to have no pension provision beyond state entitlements included:

- lower ACORN categories (32 per cent of those that are categorised as ‘hard pressed’ compared with 19 per cent of ‘wealthy achievers’, which reflected the differences in work status and income of these groups);
- those that were unemployed and looking for work or not working for some other reason (49 per cent). A quarter (26 per cent) of those working part-time also had no pension provision;
- households made up of two adults with no dependent children (28 per cent compared to 20 per cent single person households and 20 per cent households with two or more adults and dependent children). This was likely to reflect the younger age of people in such households;
- respondents with a personal income of less than £20,000 (34 per cent compared with ten per cent of those earning £20,000 – £39,999 per annum and three per cent of those earning over £40,000 a year);
- people from ethnic minorities (32 per cent compared with 23 per cent of white respondents).

Table 2.9 Membership of pension schemes, by ACORN and work status

Column percentages

		ACORN Category					Work status			
	Total %	**1** %	**2** %	**3** %	**4** %	**5** %	**Working full-time** %	**Working part-time** %	**Other not working** %	**Retired** %
Any pension	75	79	78	78	72	67	81	72	48	92
Occupational pension	68	73	70	71	64	59	72	66	42	87
Personal pension	24	27	28	24	23	19	27	19	15	25
No pension	24	19	21	21	26	32	19	26	49	7
Base: All	*11,690*	*3,137*	*1,297*	*3,537*	*1,750*	*1,750*	*7,346*	*2,334*	*1,458*	*538*

2.4.2 Current contributions to pensions

About half (52 per cent) of respondents surveyed were currently contributing to a pension scheme. Forty-five per cent were currently contributing to an occupational pension scheme and 12 per cent to a personal pension scheme. As with overall levels of occupational pension provision, women in the control group were more likely to be currently contributing to an occupational pension than those in the APF sample, however the difference was less marked.

Differences by age and gender were also less marked except that men aged 50+ were less likely to be currently contributing to an occupational pension, reflecting the higher proportion of this group who were already retired.

Table 2.10 Current contributions to pensions, by age and gender

Row percentages

	Current contributions to pensions					
	Any %	Occupational %	Defined benefits scheme %	Defined contributions scheme %	Personal %	*Base: All* %
Total	52	45	25	13	12	*11,690*
Men	54	45	24	17	15	*5,973*
Women	50	44	26	9	9	*5,717*
20-29	34	31	13	13	5	*2,472*
30-39	58	50	26	17	12	*2,209*
40-49	64	55	33	14	16	*3,007*
50+	52	43	29	10	16	*4,002*

2.4.3 Occupational pension schemes

Just over two-thirds (68 per cent) of respondents surveyed had an occupational pension (see Table 2.8). Men were slightly more likely than women to have an occupational pension (70 per cent men compared to 65 per cent women). Only 45 per cent of respondents aged 20-29 had an occupational pension. As discussed earlier, a higher proportion of women in the control group had an occupational pension than those in the APF sample (87 per cent control compared to 65 per cent APF).

Just under half of all respondents (45 per cent) were currently contributing to an occupational pension, reflecting that 20-29 year olds were the least likely to have an occupational pension; they were also less likely to be currently contributing to an occupational pension (31 per cent compared to 45 per cent overall). Those working full-time were more likely than those working part-time to be currently contributing to an occupational pension (72 per cent compared to 66 per cent).

There was no difference between men and women with regards to those currently contributing to an occupational pension or not (45 per cent men compared to 44 per cent women), but as discussed above, men aged 50+ were more likely to no longer be contributing to an occupational pension, reflecting the higher proportion of this group who were already retired.

Those earning £40,000 and over per year were the most likely to be currently contributing to an occupational pension (70 per cent compared to 64 per cent £20,000 – £39,999 and 31 per cent less than £20,000).

Defined benefit schemes were the most common form of occupational pension with a quarter (25 per cent) of respondents being part of such a scheme. Just over one in ten (13 per cent) respondents were currently contributing to a defined contribution scheme and less than one in twenty (three per cent) were currently contributing to a hybrid scheme. Around a quarter (26 per cent) did not know the type of scheme they were contributing to which suggests a general lack of knowledge in this area. Interestingly, those aged 50 and above were more likely not to know what type of scheme they were contributing to than younger people (under 50) (36 per cent 50 and above compared to 18 per cent 20-29, 26 per cent 30-39 and 26 per cent 40-49).

2.4.4 Personal pension schemes

A quarter (24 per cent) of those surveyed had a personal pension. There was no difference between APF and control respondents. Reflecting general pension provision, those aged 20-29 were the least likely to have a personal pension (eight per cent compared to 24 per cent overall). Men were more likely to have a personal pension than women (28 per cent men compared to 20 per cent women) with this gap being widest for those aged 40-49 (39 per cent men 40-49 compared to 25 per cent women 40-49).

Just over one in ten (12 per cent) were currently contributing to their personal pension whilst a similar proportion (12 per cent) had deferred contributions into their personal pension. Men were more likely to be currently contributing to a personal pension than women (15 per cent compared to nine per cent) as were those who were working full-time compared to those who were working part-time (15 per cent compared to nine per cent).

Those earning £40,000 and over per year were the most likely to be currently contributing to a personal pension (22 per cent compared to 16 per cent £20,000 – £39,999 and eight per cent under £20,000).

There was no difference between APF and control in terms of whether people were currently contributing to a personal pension.

2.4.5 Other savings for retirement

Those who were not already retired were asked if they had any other savings (besides pensions) specifically for retirement.

Just over a third (37 per cent) had any savings other than their pensions for retirement, as shown in Table 2.11. Older respondents were more likely than younger respondents to have other savings, indeed, the proportion of those with savings increased with age (57 per cent 50+ compared to 23 per cent 20-29, 33 per cent 30-39 and 37 per cent 40-49). Differences by gender were less marked; men were slightly more likely to have other savings for retirement (39 per cent men compared to 34 per cent women), particularly younger men (35 per cent compared to 28 per cent of younger women). Those with a private pension (51 per cent), earning over £40,000 per annum (57 per cent) and living with a partner (42 per cent) were also more likely to have other savings for retirement.

Respondents classified by ACORN as 'wealthy achievers' were more likely than those classified as 'hard pressed' to have other savings for retirement:

- wealthy achievers (45 per cent);
- urban prosperity (41 per cent);
- comfortably off (38 per cent);
- moderate means (32 per cent);
- hard pressed (25 per cent).

Just under two-thirds (63 per cent) had no other savings for retirement. This included over three-quarters (78 per cent) of those with no pension provision, indicating that just under a fifth (19 per cent) of all respondents surveyed would be wholly reliant on state benefits in retirement if they took no action in this regard between now and when they retired. Those with no other savings for retirement were also more likely to be those:

- defined by ACORN as 'hard pressed' (75 per cent);
- who were not working (75 per cent);
- aged 20-29 (77 per cent).

Table 2.11 Savings for retirement other than pensions, by gender and age

Row percentages

	Have other savings %	No other savings %	*Base: All except retired*
Total	37	63	11,152
Men	39	61	*5,585*
Women	34	66	*5,567*
20-29	23	77	*2,460*
30-39	33	67	*2,193*
40-49	37	63	*2,990*
50+	57	43	*3,509*

The main types of other savings held were as follows:

- Individual Savings Accounts (ISAs), Tax Exempt Special Savings Accounts (TESSAs) or Personal Equity Plans (PEPs) (ten per cent);
- bank or building society savings account (nine per cent);
- stocks and shares (three per cent);
- property (three per cent).

Other savings at low levels included bonds, endowments, insurance policies and unit trusts.

Those aged 50 and above were more likely to have an ISA, TESSA or PEP (20 per cent) or a bank or building society savings account (20 per cent).

2.4.6 Planned retirement age and income source

Respondents who were not yet retired were also asked at what age they planned to retire and what their main source of income in retirement would be. As Table 2.12 shows, the majority were not planning on working beyond current State Pension age (SPA) (65 for men and 60 for women, but rising to 65 for women in 2020).

Just under half of men were planning to retire at or around the SPA, as 46 per cent stated that they would be retiring between 61 and 65. A quarter (25 per cent) planned to retire between 56 and 60, and a further 15 per cent were intending to retire at an even younger age, between 50 and 55.

Forty-five per cent of women planned to retire at or around the current SPA of between 56 and 60. Just under a third (30 per cent) planned to retire between 61 and 65, and 16 per cent planned to retire between 50 and 55. When the age of women is taken into account, it shows that younger women who will be expected to work until the age of 65 from 2020, were still planning to retire before this. Four in ten (39 per cent) women aged 20-29 and just above four in ten (43 per cent) women aged 30-39 planned to retire between 56 and 60. As discussed further in Chapter 5, there was a lack of awareness amongst younger women of the changes made to SPA for women.

There were no significant differences between the APF and control samples.

Table 2.12 Planned retirement age, by current age and gender

Column percentages

		Age by gender							
		20-29		30-39		40-49		50+	
	Total %	Male %	Female %	Male %	Female %	Male %	Female %	Male %	Female %
50 – 55	15	16	19	21	20	17	20	3	4
56 – 60	35	27	39	27	43	26	45	21	56
61 – 65	38	39	33	40	30	47	28	62	30
66 – 70	5	11	4	7	2	6	2	8	2
71 and over	2	3	1	2	1	3	1	2	1
Don't know	4	4	5	3	5	2	4	4	6
Base: All	*11,690*	*1,339*	*1,040*	*788*	*1,099*	*1,193*	*1,564*	*1,645*	*1,864*

Around eight in ten (82 per cent) respondents who had not yet retired reported that they expected their main source of income in retirement to be derived from some form of pension provision. Small numbers stated that their main source of income in retirement would come from other sources such as property (three per cent), savings (one per cent), stocks and shares (one per cent) or an ISA, TESSA or PEP (one per cent).

As shown in Table 2.13, around a third (32 per cent) of respondents who were not yet retired were planning to use their own pension provision as their primary household income source. This was more likely to be the case for men than women (41 per cent compared with 23 per cent for women). A third (33 per cent) of those with no additional savings for retirement and a quarter (24 per cent) of those with no pension provision planned to rely on their own (state) pension as their main source of income in retirement.

Around one in seven (13 per cent) were planning to rely mainly on their partner's pension provision as their main source of income in retirement. Those most likely to rely on their partner's pension were:

- women (24 per cent compared to two per cent of men);
- those working part-time (31 per cent compared to six per cent working full-time);
- those with an income of less than £20,000 (20 per cent compared to eight per cent of those with an income of £20,000 and above).

Over one-third (37 per cent) of respondents who had not yet retired planned to rely equally on their own and their partners' pension provision in retirement. This proportion did not vary significantly by age or gender.

Table 2.13 Main source of income in retirement, by gender

Column percentages

		Gender	
	Total %	Male %	Female %
Mainly from your pension provision	32	41	23
Mainly from your partner's pension provision	13	2	24
From both you and your partner's pension provision	37	36	38
Other	7	11	4
Base: All except retired	*11,152*	*5,585*	*5,567*

2.4.7 Saving for retirement

To examine respondents' knowledge of pension issues, those who had not retired were asked what proportion of the current household income they thought they would need to live comfortably when they retired and whether they needed to save more, less or the same as they were currently to achieve this.

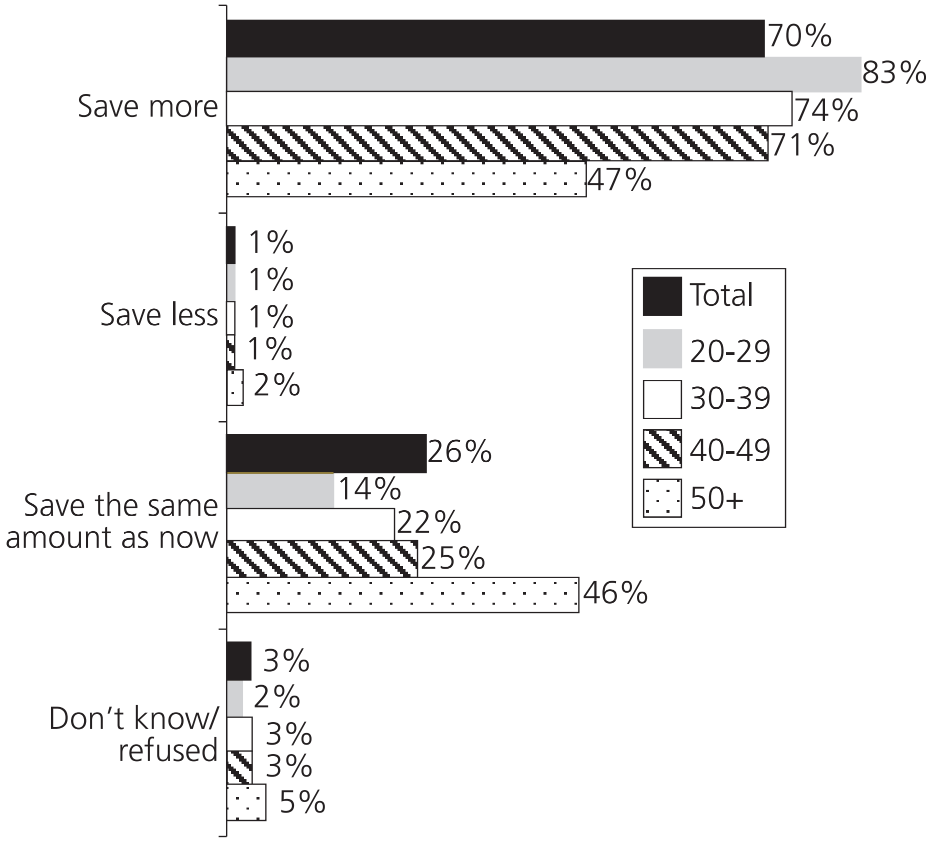
Most respondents (75 per cent) who had not yet retired felt they would need at least 50 per cent of their current income to live comfortably when they retired. Half (51 per cent) felt they needed 50-74 per cent of their current household income and a quarter (24 per cent) felt they needed 75 per cent or more to live comfortably in retirement.

Only 13 per cent felt they would need less than 50 per cent of their current income to live comfortably in retirement. These were most likely to be high earners (27 per cent of those earning £40,000 or more a year). The remainder (12 per cent) did not know how much they would need to live on.

There were no marked differences in these findings between the APF and control samples or by age and gender.

As shown in Figure 2.1, seven in ten (70 per cent) felt that they needed to save more to live comfortably in retirement. A quarter (26 per cent) felt they needed to save the same amount as they were currently and only one per cent felt they had to save less.

Figure 2.1 Saving for retirement – whether need to save more or less



Base: All except retired (11,152).

Respondents aged 20-29 were the most likely to feel they needed to save more for retirement; indeed, the tendency to feel a need to save more for a comfortable retirement decreased with age (20-29, 83 per cent; 30-39, 74 per cent; 40-49 71 per cent; and 50 and above, 47 per cent).

Those with no pension provision were more likely to realise that they needed to save more for a comfortable retirement. Eight in ten (81 per cent) of those with no pension provision thought they needed to save more for a comfortable retirement.

There were no substantive differences by gender or between the APF and control samples.

2.4.8 Knowledge of pension issues

All respondents were asked to self-assess their level of knowledge on pension issues. In order to do this they were asked which of the following four statements best described their level of knowledge:

- I have good knowledge of pension issues;
- I have a reasonable, basic knowledge of pension issues – I know how they work generally but do not understand the details;
- My knowledge of pension issues is very patchy – I know a bit about what concerns me but no more;
- I know little or nothing about pension issues.

As shown in Table 2.14, over half (55 per cent) of the respondents surveyed felt that they had at least a basic knowledge of pension issues, with one in ten (nine per cent) stating they had a good knowledge of pension issues. Men were more likely than women to feel they had a good, or at least basic, knowledge of pension issues (63 per cent men compared to 46 per cent women), as were older people (61 per cent for those aged 50+ compared with 48 per cent amongst 20-29 year olds). Those who felt they had at least a basic knowledge of pension issues were also more likely to include those:

- with any pension provision (61 per cent), in particular those currently contributing to an occupational (64 per cent) or personal pension (69 per cent);
- earning £40,000 or more (80 per cent);
- who were already retired (75 per cent).

There were no major differences between the APF and control samples, but older men (50+) in the control group were more likely to have at least a basic knowledge of pension issues (76 per cent compared with 68 per cent for APF) reflecting the higher proportion of retired people in this group.

A third (34 per cent) of those surveyed stated that they had only a patchy knowledge of pension issues and one in ten (11 per cent) felt they had little or no knowledge of pension issues. Women were more likely than men to feel they had only a patchy, or no, knowledge of pension issues (54 per cent compared to 37 per cent) – particularly women aged between 30 and 49 (55 per cent women 30-39 compared to 37 per cent men 30-39; and 55 per cent women 40-49 compared to 31 per cent men 40-49).

Those with only a patchy or no knowledge of pension issues were also more likely to include those:

- working part-time (54 per cent) or not working (62 per cent) reflecting the fact that fewer women in our sample were working full-time than men;
- without any pension provision (63 per cent);
- in a lower ACORN category:
  - 39 per cent wealthy achievers;
  - 39 per cent urban prosperity;

– 44 per cent comfortably off;
– 45 per cent moderate means;
– 55 per cent hard pressed.

Table 2.14 Knowledge of pension issues, by gender, age and income

Row percentages

	Good %	Basic %	Patchy %	Little/none %	***Base: All***
Total	9	46	34	11	*11,690*
Men	13	50	28	9	*5,973*
Women	5	41	40	14	*5,717*
20-29	6	42	37	15	*2,472*
30-39	8	45	35	11	*2,209*
40-49	10	47	33	10	*3,007*
50+	13	48	30	9	*4,002*
Any pension	11	50	32	7	*9,292*
No pension beyond state	4	33	39	24	*2,262*
Under £20,000	5	41	39	15	*5,876*
£20,000 - £39,999	11	53	30	6	*3,369*
£40,000 and above	24	56	18	2	*1,329*

In order to determine which factors were most associated with respondents' perceived knowledge of pension issues, Chi-square Automatic Interaction Detection (CHAID) analysis was used. This showed that having any pension provision was the primary factor associated with knowledge of pension issues. Gender was found to be the second most important factor for both those with and without pension provision.

Respondents were also asked how confident they felt about their ability to make decisions on pensions. Sixty-five per cent of respondents felt either very (15 per cent) or fairly (50 per cent) confident in their ability to make pension-related decisions. Men were more likely than women to feel very confident in their ability to make decisions (21 per cent compared to nine per cent). Conversely, women were more likely to state they were not very confident in making pension decisions (32 per cent compared to 18 per cent). As would be expected, knowledge of pension issues had an effect on people's confidence in pension issues, with 96 per cent of those with good knowledge of pension issues feeling confident in making pension-related decisions (compared with 83 per cent with a basic knowledge, but only 48 per cent of those with a patchy knowledge and 20 per cent with no knowledge). However, it is interesting to note that whilst only 55 per cent of those surveyed felt they had at least a basic knowledge of pension issues, almost two-thirds (65 per cent) felt confident in their ability to make decisions on pensions.

Older people felt more confident in making pension-related decisions with just under three-quarters (72 per cent) of those aged 50 and above feeling either very or fairly confident. High income earners also felt more confident in making pension decisions (82 per cent of those earning £40,000 or more per annum felt confident in making decisions relating to pensions).

Table 2.15 Confidence in overall ability to make decisions about pensions, by gender, age and knowledge of pension issues

Row percentages

	Very confident %	Fairly confident %	Not very confident %	Not at all confident %	*Base: All*
Total	15	50	25	9	*11,690*
Men	21	54	18	6	*5,973*
Women	9	47	32	11	*5,717*
20-29	12	49	28	10	*2,472*
30-39	13	53	24	9	*2,209*
40-49	15	48	27	9	*3,007*
50+	20	52	20	7	*4,002*
Good knowledge	63	32	2	2	*1,172*
Basic knowledge	17	67	14	2	*5,449*
Patchy knowledge	4	44	40	11	*3,819*
No knowledge	3	17	43	33	*1,240*

A third of respondents (34 per cent) felt either not very (25 per cent) or not at all (nine per cent) confident in making decisions relating to pensions. Those feeling not very or not at all confident were more likely to be not working (46 per cent), have no pension provision (45 per cent) or no knowledge of pension issues (76 per cent).

Again, there were no marked differences between the APF and control samples.

2.4.9 Knowledge of own income in retirement

Four in ten (41 per cent) people surveyed felt they had at least a reasonable idea of what their income would be in retirement: 19 per cent felt they had a good idea and 22 per cent a reasonable idea.

Those with at least a reasonable idea of what their income would be in retirement were more likely to be those with a better knowledge of pension issues; these, in turn, being more likely to be older men who were either retired or on higher incomes with pension provision. The relative proportions were as follows:

- men (48 per cent compared to 35 per cent of women);
- older people aged 50+ (63 per cent compared to 22 per cent 20-29, 38 per cent 30-39 and 44 per cent 40-49);

- those with a good knowledge of pension issues (83 per cent, compared with 52 per cent with a basic knowledge, 26 per cent with only a patchy knowledge and 12 per cent with no knowledge);
- those with any pension provision (49 per cent, particularly those currently contributing to an occupational pension (52 per cent) or personal pension, (54 per cent));
- higher earners (67 per cent of those earning £40,000 or more per annum);
- those who were retired (64 per cent);
- those in a higher ACORN category:
  - 48 per cent wealthy achievers;
  - 44 per cent urban prosperity;
  - 42 per cent comfortably off;
  - 39 per cent moderate means;
  - 32 per cent hard pressed.

Table 2.16 Knowledge of own income in retirement gender, age, personal income and knowledge of pension issues

Row percentages

	Good idea %	Reasonable idea %	Vague idea %	No idea idea %	Base: All
Total	19	22	22	35	*11,690*
Men	24	24	21	30	*5,973*
Women	14	21	24	41	*5,717*
20-29	8	14	22	55	*2,472*
30-39	15	23	25	36	*2,209*
40-49	18	26	25	31	*3,007*
50+	36	27	16	17	*4,002*
Under £20,000	13	18	23	45	*5,876*
£20,000 – £39,999	24	26	24	25	*3,369*
£40,000 and above	34	33	20	12	*1,329*
Good knowledge	58	25	6	9	*1,172*
Basic knowledge	22	30	24	23	*5,449*
Patchy knowledge	9	17	28	46	3,819
No knowledge	5	7	14	74	*1,240*

Just over one in five (22 per cent) felt they had a vague idea of their income in retirement and over one-third (35 per cent) had no idea. Those with a vague or no idea of their income in retirement were more likely to:

- be young (78 per cent 20-29);
- not be working (74 per cent);
- be on a low income (68 per cent of those with a personal income of under £20,000);
- have no pension provision (80 per cent);
- not be living with a partner/spouse (71 per cent);
- be in a lower ACORN category:
  - 51 per cent wealthy achievers;
  - 56 per cent urban prosperity;
  - 56 per cent comfortably off;
  - 60 per cent moderate means;
  - 67 per cent hard pressed.

3 Recall, readership and views of the Automatic Pension Forecast

The Automatic Pension Forecast (APF) mailing contained a forecast letter, explaining the estimated State Pension an individual may get (based on existing and assumed payment/credit of future National Insurance (NI) contributions) and also two leaflets – 'A Quick Guide to State Pensions', setting out the key facts about State Pensions and 'Plan Your Retirement Now!', setting out some options for saving for retirement.[20]

This chapter first examines levels of recall, readership and what has been done with the APF among those who were sent one between 13 and 17 weeks prior to their interview. Among those APF respondents who recalled receiving it, the usefulness and helpfulness of the mailing were also explored, as was understanding of the APF, desired frequency of receiving this type of information and the amount of trust placed in this type of information from the Government more generally.

These questions are only relevant to the APF sample. The results presented in this section are only based on this group.

3.1 Recall of the Automatic Pension Forecast

3.1.1 Spontaneous recall of any DWP information

When asked if they had received any information through the post from the Government or Pension Service in the last three to four months, half (50 per cent) of APF respondents **spontaneously** recalled receiving any information (38 per cent definitely recalled it and 12 per cent thought they did). A higher proportion of those aged 50 or over definitely recalled receiving such information (54 per cent compared to 34 per cent of 20-49 year olds). There was no real difference in

20 Copies of these leaflets are included in Appendix C.

recall by narrower age bands within the 20-49 age group and no real difference by gender at a total level. Amongst the 50 and over age group women were more likely to recall having received Government information (61 per cent compared to 47 per cent of men) but there was no gender difference among younger APF recipients.

In order to ensure that respondents were in fact recalling having received the APF rather than other Government information, respondents were asked exactly what information they had received. Two-thirds (66 per cent) of those who recalled receiving any information through the post (33 per cent of all APF respondents) spontaneously mentioned receiving the letter and/or leaflets about pensions entitlement. The remainder could not remember what they had received or had received other types of communication from the Government.

As seen in Table 3.1, respondents were much more likely to recall receiving the APF letter (29 per cent) than the leaflets (five per cent). In addition, those aged 50 and over had higher levels of overall recall before prompting (51 per cent remembered receiving the letter and/or leaflets compared with 28 per cent of 20-49 year olds). The 40-49 year olds were slightly more likely to recall the letter (26 per cent compared to 23 per cent of 30-39s and 21 per cent of 20-29s), however, recall of the leaflets was consistent across the 20-49 age group. At an overall level there was no difference in recall by gender. Amongst the 50 and over age group, women had higher levels of recall (59 per cent compared to 45 per cent of men) but there was no gender difference among younger APF recipients.

Spontaneous levels of recall increased with knowledge of pension issues and with level of trust in Government information. The issue of trust placed in information from the Government is discussed more fully later in this report (Section 3.7).

In terms of labour market status, the retired were much more likely to recall the APF before prompting (47 per cent compared to 34 per cent of those in full or part-time work), whilst the unemployed were significantly less likely to do so (22 per cent). Those who were not working for caring or other reasons were slightly less likely to recall the APF than those in work (30 per cent compared to 34 per cent) but more likely to than the unemployed.

Table 3.1 Recall of APF before prompting

Row percentages

	Any recall recall %	Recall letter %	Recall leaflets %	*Base: All APF*
All APF respondents	33	29	5	*8,731*
50+	51	49	4	*3,001*
Total 20-49	28	23	5	*5,730*
40-49	31	26	6	*2,164*
30-39	26	23	4	*1,607*
20-29	26	21	6	*1,959*
Male	32	28	5	*4,504*
Female	34	31	5	*4,227*
50+ men	45	43	3	*1,500*
50+ women	59	57	6	*1,501*
20-49 men	28	23	6	*3,004*
20-49 women	28	24	5	*2,726*
Good knowledge	42	38	6	*855*
Basic knowledge	34	30	6	*4,068*
Patchy knowledge	32	28	5	*2,874*
No knowledge	24	22	3	*927*
A lot of trust in Government information	41	37	7	*2,088*
Some trust	33	29	5	*3,977*
Not that much trust	28	25	4	*1,821*
No trust at all	26	23	3	*749*
Working	34	29	5	*7,186*
Retired	47	45	5	*378*
Unemployed	22	19	4	*360*
Not working as caring/other reasons	30	27	4	*798*

3.1.2 Overall (spontaneous plus prompted) recall of APF

Respondents were then given a short description of the letter and leaflets and asked if they recalled receiving these communications. After prompting, 62 per cent overall recalled receiving the APF, this being the letter and/or one or more of the leaflets. Just over half (54 per cent) of all APF respondents recalled receiving the letter and two fifths (39 per cent) recalled receiving the leaflets.

Overall recall of APF was higher amongst:

- the 50 and over age group – being substantially higher amongst those aged 50+ (81 per cent) than younger people (57 per cent). Amongst those aged under 50, recall was slightly higher amongst those aged 40-49 than those aged under 40 (60 per cent of 40-49 year olds recalled the APF compared with 55 per cent of 30-39 year olds and 54 per cent of 20-29 year olds);

- women of 50-60 years (84 per cent) compared to men of 50-64 years (78 per cent). (There was no gender difference among 20-49 year olds);
- those with good knowledge of pension issues (73 per cent compared to 49 per cent with no knowledge);
- those with any pension provision (64 per cent compared to 57 per cent who had no pension beyond their State Pension);
- those with a good or reasonable knowledge of what their own income will be in retirement (73 per cent compared to 54 per cent of those who had vague or no idea);
- those who were retired (87 per cent compared to 62 per cent working and 54 per cent unemployed).

There were no real differences in recall of the letter or leaflets by the ACORN category of APF respondents.

3.2 Readership of the Automatic Pension Forecast

Overall, around a third (31 per cent) of all APF respondents read all or some of the mailing (this being the letter and/or the leaflet). A further quarter (25 per cent) glanced at the letter and/or the leaflet. Six per cent did not read the letter or the leaflet. The remaining 38 per cent did not recall receiving the APF.

As shown in Table 3.2, in a similar way to recall, the likelihood of having read the mailing increased with age, with the 50+ age group significantly more likely to have read all or some of the APF (54 per cent compared to 30 per cent of 40-49 year olds, 22 per cent of 30-39 year olds and 20 per cent of 20-29 year olds). Among those aged 50 or over, women were slightly more likely to have read all or some of the mailing than men (59 per cent compared with 50 per cent), however, this gender difference cannot be seen in those aged under 50.

Those who had a better knowledge of pension issues were more likely to have read all or some of the mailing. Almost half (46 per cent) of those with a good knowledge of pensions had read all or some of the mailing, compared with 35 per cent with a basic knowledge, 26 per cent with patchy knowledge and 16 per cent with little or no knowledge.

As with recall, those with greater levels of trust in Government information were more likely to have read the mailing (43 per cent with a lot of trust down to 19 per cent with no trust at all).

Those APF respondents with pension provision beyond their state entitlement (33 per cent compared with 25 per cent with no pension provision beyond state) and those with a good or reasonable knowledge of what their own income will be in retirement (45 per cent compared with 21 per cent who have a vague or no idea) were also more likely to have read the mailing.

Although ACORN category made no difference to whether an APF recipient recalled the mailing, there was some difference in readership of the APF. ACORN category 1 wealthy achievers were slightly more likely to have read all or some of the mailing (36 per cent) than categories 2-5, from urban prosperity to hard pressed (30 per cent). This is likely to be as a higher ACORN category is correlated with a good knowledge of pension issues, as mentioned in Chapter 2.

Retired respondents were more likely than those currently working to have read all or some of the APF mailing (64 per cent compared to 30 per cent) whereas the unemployed were least likely to (18 per cent). Those not currently working due to caring or other reasons were no more or less likely than those in work to have read the mailing.

Table 3.2 Readership of APF

Row percentages

	Read all/ some of APF %	Read all/ some of forecast letter %	Read all/ some of leaflet(s) %	*Base: All APF*
All APF respondents	31	28	11	*8,731*
50+	54	52	22	*3,001*
Total 20-49	24	21	8	*5,730*
40-49	30	26	11	*2,164*
30-39	22	20	7	*1,607*
20-29	20	17	7	*1,959*
Male	30	27	12	*4,504*
Female	31	29	11	*4,227*
50+ men	50	47	21	*1,500*
50+ women	59	57	23	*1,501*
20-49 men	24	21	9	*3,004*
20-49 women	24	22	8	*2,726*
Good knowledge	46	43	20	*855*
Basic knowledge	35	32	14	*4,068*
Patchy knowledge	26	23	8	*2,874*
No knowledge	16	15	5	*927*
A lot of trust in Government information	43	40	18	*2,088*
Some trust	32	30	11	*3,977*
Not that much trust	21	19	7	1,821
No trust at all	19	17	6	*749*
Any pension	33	30	13	6,759
No pension beyond state	25	22	7	*1,864*
Good/reasonable knowledge of own income in retirement	45	42	17	*3,916*

Continued

Table 3.2 Continued

Row percentages

	Read all/ some of APF %	Read all/ some of forecast letter %	Read all/ some of leaflet(s) %	*Base: All APF*
Vague/no idea	21	18	7	*4,718*
Working	30	28	11	*7,186*
Retired	64	62	24	*378*
Unemployed	18	16	5	*360*
Not working as caring/other reasons	30	28	11	*798*
ACORN category 1 wealthy achievers	36	33	14	*2,264*
ACORN categories 2-5 urban prosperity to hard pressed	30	27	11	*6,258*

3.2.1 Readership of the letter

Almost three in ten (28 per cent) of APF respondents read all (16 per cent) or some (12 per cent) of the letter, 22 per cent glanced at the letter and only four per cent did not read it at all. (The remaining 46 per cent did not recall receiving the letter).

Of those APF respondents who **recalled** the letter, 30 per cent read all of it, 22 per cent read some of it, 41 per cent glanced at it only and seven per cent did not read it at all.

3.2.2 Readership of the leaflets

One in ten (11 per cent) of APF respondents read all (four per cent) or some (seven per cent) of the leaflets, a further sixth (17 per cent) glanced at them and one tenth (ten per cent) did not read them at all. (The remainder either could not say how much of the leaflets they had read (one per cent) or did not recall the leaflets (61 per cent).)

Of those APF respondents who **recalled** (at least one of) the leaflets, 11 per cent read all of them, 18 per cent read some of them, 44 per cent glanced at them only and 25 per cent did not read them at all.

3.3 What was done with the letter and leaflets

Just under half (45 per cent) of all those who were sent the letter kept it, which suggests they regarded it as important enough to refer to again later. Three per cent lost or mislaid the letter, took it to someone for advice or passed it on to someone else. Just five per cent threw the letter away. (The remaining 46 per cent did not recall receiving the letter.)

Just under a third (30 per cent) of those who received the leaflets recalled keeping them. Three per cent lost or mislaid the leaflets, took them to someone for advice or passed them on to someone else. Only five per cent of those who received the leaflets recalled throwing them away. The remainder either could not say what they had done with the leaflets (one per cent) or did not recall the leaflets (61 per cent).

As shown in Table 3.3, those who read the APF were much more likely to keep the letter and leaflets. Eighty-six per cent of those who read all or some of the APF kept the letter compared to 65 per cent who glanced at it only and 38 per cent who did not read it. Similarly, 55 per cent of those who read all or some of the APF kept the leaflets compared to 43 per cent who glanced at it only and 33 per cent who did not read it. Although only five per cent overall threw the APF away, 19 per cent of those who did not read the letter threw it away and 18 per cent of those who did not read the leaflets threw them away.

In a similar way to recall and readership, the likelihood of having kept the mailing increased with age, with the 50+ age group significantly more likely to have kept the letter (69 per cent compared with 38 per cent of 20-49 year olds) or leaflet (46 per cent compared to 25 per cent). Among 20-49 year olds age seems to influence the likelihood of having kept the letter to a greater extent than the likelihood of having kept the leaflets. Thirty-four per cent of 20-29 year olds kept the letter compared to 44 per cent of 40-49 year olds, whereas for leaflets the equivalent figures were 25 per cent and 27 per cent.

Among those aged 50 or over, women were slightly more likely than men to have kept the letter (75 per cent compared with 64 per cent) and leaflets (51 per cent compared with 42 per cent), however, this gender difference cannot be seen in those aged under 50.

Those who had a better knowledge of pension issues were more likely to have kept the mailing. Over a half (55 per cent) of those with a good knowledge of pensions had kept the letter, compared with 30 per cent with little or no knowledge.

Those APF respondents with pension provision beyond their state entitlement (48 per cent compared with 37 per cent with no pension provision beyond state) and those with a good or reasonable knowledge of what their own income will be in retirement (58 per cent compared with 36 per cent who had a vague or no idea) were more likely to have kept the letter. The retired were also more likely to have kept the letter (75 per cent compared with 45 per cent working, 43 per cent not working as caring or for other reasons and 33 per cent unemployed). The same trends can be seen with regards to keeping the leaflets.

Table 3.3 What was done with APF letter and leaflets

Row percentages

	Kept letter %	Kept leaflet(s) %	*Base: All APF*
All APF respondents	45	30	*8,731*
50+	69	46	*3,001*
Total 20-49	38	25	*5,730*
40-49	44	27	*2,164*
30-39	36	24	*1,607*
20-29	34	25	*1,959*
Male	43	29	*4,504*
Female	47	31	*4,227*
50+ men	64	42	*1,500*
50+ women	75	51	*1,501*
20-49 men	37	24	*3,004*
20-49 women	40	26	*2,726*
Read all/some of APF	86	55	*3,045*
Glanced only at APF	65	43	*2,180*
Not read APF	38	33	*487*
Good knowledge	55	34	*855*
Basic knowledge	49	34	*4,068*
Patchy knowledge	42	27	*2,874*
No knowledge	30	20	*927*
Any pension	48	32	*6,759*
No pension beyond State Pension	37	25	*1,864*
Good/reasonable knowledge of own income in retirement	58	37	*3,916*
Vague/no idea	36	25	*4,718*
Working	45	30	*7,186*
Retired	75	46	*378*
Unemployed	33	24	*360*
Not working as caring/other reasons	43	27	*798*

The remainder of this chapter explores the views of the APF among those APF respondents who recalled receiving it.

3.4 Usefulness of the Automatic Pension Forecast

3.4.1 APF letter

Three-quarters (75 per cent) of those who at least glanced at it found the information contained in the APF letter either very (25 per cent) or fairly (51 per cent) useful. This is equivalent to 38 per cent of all recipients. Under one in five (17 per cent, equivalent to eight per cent of all) did not find the letter useful.

As can be seen in Table 3.4, the perceived usefulness of the APF increased with age; with those aged 50+ being more likely to have found the APF useful (83 per cent) and in particular very useful (36 per cent) than the younger respondents.

Table 3.4 Usefulness of APF letter

Column percentages

	Age			
	20 - 29	**30 - 39**	**40 - 49**	**50+**
	%	**%**	**%**	**%**
Very useful	17	19	22	36
Fairly useful	55	51	52	47
Not very useful	16	14	14	9
Not at all useful	4	6	4	3
Don't know	9	10	8	6
Base: All respondents who read/glanced at letter	*808*	*699*	*1,063*	*2,200*

There was no real difference by gender at an overall level (77 per cent of men found the letter useful compared to 74 per cent of women). However, men were more likely to have found the letter useful among 20-29 year olds (75 per cent compared to 66 per cent of women) and among 40-49 year olds (77 per cent compared to 71 per cent of women).

The following groups were more likely than average to find the letter useful:

- those who had read all or some of the letter (87 per cent, compared with 61 per cent who had only glanced at it);
- those who felt they had a good or basic knowledge of pension issues (80 per cent compared with 71 per cent of those who felt they had only a patchy knowledge and 59 per cent no knowledge);
- those with a good or reasonable idea of their own income in retirement (82 per cent compared with 68 per cent of those with a vague or no idea);
- those who were retired (88 per cent compared with 75 per cent of those who were working);
- ACORN categories 1-4, from 'wealthy achievers' to 'moderate means' (77 per cent compared with 71 per cent of ACORN category 5 'hard pressed' and 68 per cent of those whose ACORN code is unknown).

3.4.2 APF leaflets

A similar proportion (74 per cent) of those APF respondents who read or glanced at the leaflets found the information contained in them either very (18 per cent) or fairly (56 per cent) useful: this is equivalent to 21 per cent of all APF recipients. Only 14 per cent (equivalent to four per cent of all recipients) did not find the leaflets useful.

As shown in Table 3.5, those in the youngest and oldest age groups were slightly more likely to find the leaflets useful. There were no gender differences among the 20 – 49 year olds or at an overall level but women aged 50 or over were slightly more likely than men to find the leaflets useful (83 per cent compared to 75 per cent).

Those who had read all or some of the leaflets were more likely than average to say they found them useful (89 per cent), as were those with a good or basic knowledge of pensions (76 per cent, compared with 73 per cent of those with only a patchy knowledge and 62 per cent with no knowledge) and those with a good or reasonable idea of their own income in retirement (78 per cent compared to 70 per cent of those with a vague or no idea).

Those who had read or at least glanced at the leaflet were also asked how helpful the leaflets were in giving them information about the options available for increasing their income in retirement. Fewer APF respondents rated the leaflets as helpful than rated them as useful. Two-thirds (64 per cent) felt the leaflets were very or fairly helpful, but a fifth (19 per cent) did not find them helpful. As shown in Table 3.5, there was little difference by age or gender in the proportion who found them helpful, but again those who read all or some of the leaflets were the most likely to have found them helpful (76 per cent). In addition, those with no knowledge of pension issues were less likely to have found the leaflets helpful (54 per cent).

Table 3.5 Usefulness and helpfulness of leaflets

Row percentages

	Found leaflets useful %	Found leaflets helpful %	*Base: All who read/glanced at leaflets*
All APF respondents	74	64	*2,676*
50+	78	65	*1,279*
Total 20-49	72	64	*1,397*
40- 49	70	63	*586*
30-39	69	63	*359*
20-29	77	67	*452*
Male	74	64	*1,401*
Female	75	65	*1,275*
50+ men	75	62	*635*
50+ women	83	67	644

Continued

Table 3.5 Continued

Row percentages

	Found leaflets useful %	Found leaflets helpful %	*Base: All who read/glanced at leaflets*
20-49 men	73	64	*766*
20-49 women	72	64	*631*
Read all/some of leaflets	89	76	*1,144*
Glanced only at leaflets	65	56	*1,532*
Good knowledge	76	64	*345*
Basic knowledge	76	67	*1,405*
Patchy knowledge	73	62	*772*
No knowledge	62	54	*153*
Good/reasonable knowledge of own income in retirement	78	67	*1,550*
Vague/no idea	70	62	*1,088*

3.5 Understanding of the Automatic Pension Forecast

Respondents who recalled receiving the letter were asked a few further questions to assess their understanding of the letter. More specifically they were asked about whether:

- the amount of State Pension they were likely to get was higher, lower or about the same as they were expecting;
- the amount of State Pension shown in the letter was the exact amount they would get or just an estimate;
- it was just a general example or based on information held about their personal circumstances.

3.5.1 Comparison with amount expecting

Over two-fifths of respondents who recalled the letter (43 per cent) said the amount of the APF estimate was the same as they expected. This was slightly higher amongst older respondents (49 per cent) and, in particular, older men (54 per cent). Unsurprisingly it was also higher among those who claimed to have a good or reasonable idea of their income in retirement (52 per cent). Nearly twice as many respondents claimed the APF estimate was lower (23 per cent) than expected than higher than expected (12 per cent). Women were slightly more likely to have found the estimate higher than expected (14 per cent compared to ten per cent of men) and particularly older women (20 per cent).

3.5.2 Whether APF was an estimate

Most (71 per cent) of those who recalled the letter believed that the APF was an estimate; 29 per cent felt this was definitely the case and 42 per cent thought it was. Under one in five (12 per cent) wrongly believed that the APF was an exact amount, with this misapprehension more prevalent among respondents aged 50+ (21 per cent compared to eight per cent of respondents aged under 50). Those who had at least glanced at the APF were more likely to know that it was an estimate (74 per cent compared to 41 per cent of those who had not read the mailing) as were those with a good or basic knowledge of pension issues (75 per cent compared to 63 per cent with no knowledge) and, correspondingly, those in work and those with a personal income of £40,000 or above.

3.5.3 Whether APF was based on personal circumstances

Only just over half (58 per cent) of those who recalled the letter believed the APF was based on personal circumstances rather than a general example, with 26 per cent definite this was the case and 32 per cent who thought it so. One in five (22 per cent) wrongly believed that the APF was a general example (the rest did not know), but this was slightly more common among younger people (24 per cent compared to 14 per cent of respondents aged 50+).

Those who read some or all the APF were more likely to correctly understand that the forecast was based on their personal contribution record (70 per cent compared to 47 per cent of those who only glanced at the APF and 23 per cent of those who did not read it all) as were those who claimed a good knowledge of pension issues (63 per cent compared to 48 per cent with no knowledge). In addition, the retired were substantially more likely to understand that the forecast was based on personal circumstances (81 per cent compared to 57 per cent working and 48 per cent unemployed).

3.5.4 Perceived impact of APF on knowledge

Respondents who recalled the letter and/or the leaflets were asked directly if it had increased their understanding of their State Pension entitlement and the options for saving for retirement. After prompting, about two-thirds of APF recallers (equivalent to around 40 per cent of all recipients) felt that the APF provided them with a better understanding of the following areas:

- their own State Pension income in retirement (67 per cent);
- the State Pension system and their entitlements (65 per cent).

Fewer of them, but still about half, felt that the APF had increased their understanding of:

- their options for increasing State Pension entitlement (50 per cent);
- other pensions saving options (46 per cent);
- their options for saving in retirement (48 per cent).

Respondents felt that the APF provided useful information but was less effective in increasing understanding of options for future decision-making. This is no doubt due in part to the fact that fewer people read the leaflets that contained this information.

Table 3.6 shows those who felt their understanding had been improved in at least one area and in all areas by the key subgroups.

Table 3.6 Whether APF provided better understanding of pension issues

Row percentages

	Improved knowledge in any area %	Improved knowledge in all areas %	Base: All who *recalled letter and/or leaflets*
All APF respondents	80	30	*5,712*
50+	85	32	*2,429*
Total 20-49	77	29	*3,283*
40-49	79	29	*1,317*
30-39	76	29	*902*
20-29	77	27	*1,064*
Male	79	30	*2,859*
Female	80	29	*2,853*
50+ men	83	31	*1,170*
50+ women	87	33	*1,259*
20-49 men	77	29	*1,689*
20-49 women	77	28	*1,594*
Good knowledge	82	34	*639*
Basic knowledge	84	35	*2,804*
Patchy knowledge	75	24	*1,780*
No knowledge	64	15	*485*
Any pension	81	31	*4,546*
No pension beyond State Pension	75	26	*1,101*
Good/reasonable knowledge of own income in retirement	86	36	*2,986*
Vague/no idea	73	23	*2,645*
Working	80	30	4,681
Retired	90	32	*326*
Unemployed	70	21	*202*
Not working as caring/other reasons	78	26	*500*
Read all/some of APF	92	39	*3,045*
Glanced only at APF	74	23	*2,180*
Not read APF	37	9	*487*

The majority (80 per cent) felt that the APF improved their understanding in at least one of the prompted areas. This proportion was slightly higher amongst older people aged 50+ (85 per cent compared to 77 per cent of 20-49s), and slightly higher among older women than older men (87 per cent compared with 83 per cent). Almost all those who read all or some of the letter and/or leaflet were also more likely to feel that their understanding of at least one area had been increased (92 per cent). It was also higher amongst those with a better knowledge of pension issues and their income in retirement, those with any pension provision and those already in retirement, reflecting that they were more likely to have recalled and read the APF.

Almost a third (30 per cent) of those who received the APF felt that it had improved their understanding of all areas. This proportion increased to 39 per cent amongst those who had read at least some of the leaflets. It was also slightly higher amongst those with a good or basic knowledge of pensions (35 per cent compared with 24 per cent of those with only a patchy knowledge and 15 per cent with no knowledge), reflecting that those with better knowledge of pensions were more likely to have read some/all of the APF.

3.6 Preferred frequency of information

Half of all APF respondents (51 per cent) would like to receive State Pension information once a year. As shown in Table 3.7, the remaining respondents were split fairly evenly among those who would like this kind of information more frequently and those who would prefer it less frequently.

As might be expected, older people aged 50+ were more likely to want to receive future pension information once a year (57 per cent) or more frequently (19 per cent). As shown in Table 3.7, the remaining respondents were split roughly two to one in favour of receiving the forecast less frequently (every two or more years) rather than more (twice a year). There were no differences by gender or readership of the APF, however, those who found the mailing useful were more likely to want future State Pension information once a year or more (66 per cent compared with 54 per cent of those who did not find it useful).

Table 3.7 Preferred frequency of State Pension information

Column percentages

	Age			
	20 - 29 %	**30 - 39** %	**40 - 49** %	**50+** %
Twice a year	15	12	11	19
Once a year	47	49	52	57
Every two years	17	15	17	12
Every five years	12	15	13	4
Less often/never	6	4	3	4
Other	1	3	2	2
Don't know	2	2	2	2
Base: All APF	*1,959*	*1,607*	*2,164*	*3,001*

3.7 Trust in information from the Government

Trust in printed information from the Government about pensions and retirement planning was fairly high, with two-thirds of those receiving an APF stating that they put at least some trust in such mailings: 22 per cent put a lot of trust in them and 46 per cent some trust. Only nine per cent did not put any trust at all in Government information.

Older people aged 50+ were more likely to put at least some trust in information of this kind from the Government, with older men being particularly likely to put a lot of trust in this kind of information (36 per cent). This reflected that they were more likely to be retired, as retired people were the most likely to put a lot of trust in this kind of information from the Government (46 per cent).

Trust was also higher amongst those with good or basic knowledge of pension issues (72 per cent compared with 67 per cent of those with only patchy knowledge and 59 per cent with no knowledge).

Whilst trust in Government information of this kind is positively associated with people's likelihood to recall receiving the APF, the association was even stronger with readership; 72 per cent of those who recalled receiving the APF put at least some trust in Government information of this kind, this proportion rising to 79 per cent amongst those who read some or all the APF.

Reflecting the higher proportion of recallers and readers among those who put trust in Government information, those with a good or reasonable knowledge of their own income in retirement and those who had already retired were more likely to put trust in information from the Government.

Table 3.8 Trust in information from the Government

Row percentages

	A lot of trust %	A lot of/some trust %	*Base: All APF*
All APF respondents	22	68	*8,731*
50+	33	75	*3,001*
Total 20-49	19	66	*5,730*
40-49	21	66	*2,164*
30-39	20	64	*1,607*
20-29	16	68	*1,959*
Male	25	69	*4,504*
Female	19	68	*4,227*
50+ men	36	75	*1,500*
50+ women	29	76	*1,501*
20-49 men	22	67	*3,004*
20-49 women	16	66	*2,726*
Good knowledge	35	72	*855*
Basic knowledge	24	71	*4,068*
Patchy knowledge	18	67	*2,874*
No knowledge	15	59	*927*
Any recall of APF	26	72	*5,712*
No recall of APF	16	63	*3,019*
Read all/some of APF	31	79	*3,045*
Glanced only at APF	22	66	*2,180*
Not read APF	15	59	*487*
Good/reasonable knowledge of own income in retirement	29	73	*3,916*
Vague/no idea	17	65	*4,718*
Working	21	68	*7,186*
Retired	46	86	*378*
Unemployed	21	71	*360*
Not working as caring/other reasons	20	67	*798*

4 Knowledge of State Pensions

This chapter explores respondents' knowledge of the State Pension system in order to measure the impact, if any, of receiving the Automatic Pension Forecast (APF) on this knowledge. Both the APF and control samples were asked about when the State Pension could be drawn and how it is calculated, as well as other ways entitlement may be built and the State Second Pension.

4.1 Awareness of State Pension age

Just over two-thirds (68 per cent) of all respondents (i.e. the APF and control samples combined) knew the correct age at which they were able to start drawing their State Pension[21].

Overall, men were more likely than women to know the correct age at which they could draw their State Pension (72 per cent men compared to 64 per cent women). Amongst those aged 50+, nearly all (95 per cent) knew the correct age from which they could draw their State Pension and there was no significant difference between men and women in this age group[22]. Younger people were significantly less likely to correctly know at what age they would be able to start drawing state benefits (only 59 per cent of people aged under 50 gave a correct response). Younger women were the least likely to know the correct age at which they could start drawing State Pension benefits (only 55 per cent gave a correct response compared to 65 per cent of men aged under 50). A third of younger

21 Responses defined as correct included '65', 'from 65 but can delay', 'changing for women'. In addition for women aged 50+ the response '60' or '61-64' were also defined as correct, as changes resulting from the equalisation of State Pension age (SPA) for women will affect some women in this age group.

22 This high level of awareness reflects the range of responses regarded as 'correct', see the footnote above.

women (35 per cent) incorrectly thought they could still draw their pension at 60. This is slightly more likely to be those aged 30-49 (38 per cent compared to 27 per cent 20-29). Thirteen per cent of women aged 20-29 stated they did not know from what age they could draw the State Pension compared with four per cent of 30-49 year olds.

Table 4.1 Age at which State Pension can be drawn, by age and gender

Row percentages

	Age from which State Pension can be drawn			
	60 %	**65** %	**Any correct** %	***Base: All***
Total	23	59	68	*11,690*
APF	23	59	68	*8,731*
Control	44	41	85	*2,959*
Men 20-29	7	54	54	*1,348*
Women 20-29	27	53	54	*1,042*
Men 30-39	4	65	66	*798*
Women 30-39	38	57	58	*1,103*
Men 40-49	4	75	75	*1,203*
Women 40-49	38	51	52	*1,571*
Men 50+	3	93	93	*2,001*
Women 50+	70	14	97	*2,001*
Read all/some of letter and/or leaflet	26	60	78	*3,045*
Glanced at letter and/or leaflet	21	60	67	*2,180*
Not read letter or leaflet	23	55	61	*487*

Knowledge of the age at which people could start to draw their State Pension benefits was higher amongst those with any pension provision (72 per cent compared to 54 per cent of those with no pension provision) and it was correspondingly higher among the control sample (85 per cent compared to 68 per cent APF).

Those with good knowledge of pension issues were more likely to know at what age they could start to draw their State Pension (76 per cent compared with 70 per cent with a basic knowledge, 67 per cent with a patchy knowledge and 56 per cent with no knowledge) and, not surprisingly, retired people were also more likely to know the correct age (92 per cent compared to 69 per cent working full-time and 64 per cent working part-time).

Those who had read at least some of the letter and/or leaflet were more likely to know the correct SPA than those who had either not read the letter and/or leaflet or only glanced at either (78 per cent read mailing compared to 67 per cent glanced at mailing and 61 per cent not read mailing). This supports the proposition that recalling the APF alone had no impact on knowledge; respondents must have actually read it as opposed to merely glancing at or remembering it for it to have an effect.

Chi-square Automatic Interaction Detection (CHAID) analysis was also used to determine which factors were most likely to be associated with knowledge of the age at which the basic State Pension could be drawn. It confirmed the earlier findings that age was the main factor here, with older people being more likely to know the correct age at which the State Pension can be drawn. For those aged 30-49, gender was the next most important factor, with men aged 30-39 and 40-49 being more likely to give a correct answer than women of the same age group.

For the youngest age group (20-29), pension provision was an important factor associated with knowledge of when the State Pension could be drawn, as those with any pension provision were more likely to know the correct answer. Interestingly, those 20-29 year olds without pension provision but who had read the APF mailing were more likely to know the correct answer than those who had not.

4.2 Awareness of how basic State Pension is calculated

Around one-third (35 per cent) of all those surveyed spontaneously knew the correct way in which the State Pension is calculated. The most frequently mentioned correct responses were that the State Pension was calculated using National Insurance (NI) contributions (24 per cent) and the number of qualifying years (14 per cent). As shown in Table 4.2, one in five (20 per cent) had incorrect assumptions, including seven per cent who incorrectly thought that the State Pension was related to earnings or pay and three per cent who felt the State Pension was universal.

Table 4.2 Awareness of how the State Pension is calculated – spontaneous by sample type, gender, age and readership of APF

Row percentages

	Awareness of how State Pension is calculated			
	Any correct %	Any incorrect %	Don't know %	***Base: All***
Total	35	20	45	*11,690*
APF	35	20	45	*8,731*
Control	47	28	25	*2,959*
Male	33	23	45	*5,973*
Female	38	17	45	*5,793*
20-29	24	15	61	*2,472*
30-39	33	12	55	*2,209*
40-49	35	16	49	*3,007*
50+	51	38	11	*4,002*
Read all/some of letter and/or leaflet	51	22	28	*3,045*
Glanced at letter and/or leaflet	34	21	45	*2,180*
Not read letter or leaflet	26	18	57	*487*

Those who were more likely to be spontaneously aware of how the State Pension is calculated were:

- older people (51 per cent 50 and above compared to 24 per cent 20-29, 33 per cent 30-39 and 35 per cent 40-49);
- women (38 per cent compared to 33 per cent men);
- those who had good knowledge of pension issues (51 per cent compared to 40 per cent basic knowledge, 30 per cent patchy knowledge and 19 per cent no knowledge);
- those who had read the APF mailing (51 per cent compared to 34 per cent who glanced at it and 26 per cent who did not read it);
- those who had any pension provision (38 per cent compared to 27 per cent with no provision);
- the control sample (47 per cent compared to 35 per cent APF);
- higher income earners (42 per cent of those earning £40,000 and above compared to 33 per cent of those earning less than £20,000);
- those who were already retired (65 per cent retired compared to 34 per cent working full-time and 39 per cent working part-time);

- those in higher ACORN groups which reflected that they were more likely to have good pensions knowledge and to have read the APF (‘wealthy achievers’ 39 per cent, ‘urban prosperity’ 41 per cent, ‘comfortably off’ 36 per cent, ‘moderate means’ 32 per cent, ‘hard pressed’ 28 per cent).

Although at an overall level women were only slightly more likely to know the correct way in which the State Pension is calculated (38 per cent compared to 33 per cent men), there was a more marked difference when women between the ages of 30 and 49 were compared to men of the same age (38 per cent 30-39 women compared to 27 per cent 30-39 men and 38 per cent 40-49 women compared to 32 per cent 40-49 men).

CHAID analysis shows that readership of the APF mailing was the main factor associated with spontaneous awareness of how the State Pension is calculated, as opposed to age or pensions knowledge. Those who had read all or some of the APF mailing were significantly more likely than those who had just glanced at the mailing to know the correct response. For those who had read the mailing, pension knowledge was the next most important factor, however, age was the next most important for those who had only glanced at the mailing.

4.2.1 Prompted awareness of how basic State Pension is calculated

After respondents were asked how they thought the State Pension was calculated, they were given a brief description of how it was calculated and asked how aware they were of this[23].

Around two in five (43 per cent) stated they were fully aware of how it worked. Forty per cent were aware it was related to NI contributions but not to how it was built up over years and 16 per cent thought everyone got the same pension.

Overall, there was no marked difference between the APF and control samples in terms of general awareness. The only difference between the APF and control samples was that those in the control sample were slightly more likely to be fully aware of how the system worked than the APF sample (52 per cent compared to 43 per cent). This was due to a higher proportion of older men in the control group being fully aware of how it worked, which, in turn, reflected the higher proportion of older men in the control group who were retired.

Those who stated they were fully aware of how the State Pension was calculated included the following groups. The pattern was very similar to that for spontaneous awareness:

[23] That entitlement is built by paying or being credited with NI contributions over a number of years and that the amount of basic State Pension is dependent on how many years of one’s working life can be classed as qualifying.

- older people (62 per cent 50+ compared to 37 per cent 20-49);
- those with good pension knowledge (72 per cent good knowledge compared to 48 per cent basic knowledge, 35 per cent patchy knowledge and 21 per cent no knowledge);
- those who had read the APF mailing (57 per cent compared to 41 per cent who glanced at it and 38 per cent who did not read it);
- those who had any pension provision (47 per cent compared to 29 per cent);
- those who were retired (78 per cent compared to 43 per cent working full-time and 43 per cent working part-time);
- those in higher ACORN categories:

  1 – wealthy achievers (47 per cent);

  2 – urban prosperity (45 per cent);

  3 – comfortably off (44 per cent);

  4 – moderate means (40 per cent);

  5 – hard pressed (36 per cent).

There was no overall difference by gender (44 per cent men compared to 42 per cent women).

As noted earlier, around a sixth of respondents (16 per cent) were not aware of how the basic State Pension was calculated and thought everyone received the same. Those with no knowledge of pension issues (35 per cent), no pension provision (27 per cent) and aged 20-29 (27 per cent) were more likely than average to think this.

It should be noted that only half (51 per cent) of those who claimed they were fully aware of how the basic State Pension was calculated after being prompted with a definition, actually gave the correct response when asked spontaneously. This suggests that the prompted awareness figure does include some over-claiming and should be used with this in mind.

Using CHAID analysis it was determined that knowledge of pension issues was the most important factor associated with whether or not respondents were aware of how the State Pension was calculated after being prompted. Age was the second most important factor for those with good, basic or patchy knowledge of pension issues. For those with no knowledge of pension issues, pension provision was the second most important factor in determining respondents' awareness of how the State Pension is calculated, as those with any pension provision were more likely to be aware than those without. Although the CHAID analysis of spontaneous awareness showed readership of the APF to be the most important factor, this was not a primary factor associated with prompted awareness.

Table 4.3 Prompted awareness of how basic State Pension is calculated, by sample type, gender, age and readership of APF

Row percentages

	Prompted awareness of how the State Pension will be calculated			
	Fully aware %	Aware related to NI contributions but not that it is built over years %	Not aware %	*Base: All*
Total	43	40	16	*11,690*
APF	43	40	16	*8,731*
Control	52	36	11	*2,959*
Men	44	38	18	*5,973*
Women	42	43	14	*5,717*
20-29	26	46	27	*2,472*
30-39	43	42	15	*2,209*
40-49	44	42	14	*3,007*
50+	62	30	8	*4,002*
Women 50+	55	37	8	*2,001*
Men 50+	68	24	8	*2,001*
Women 20-49	38	45	16	*3,716*
Men 20-49	36	42	21	*3,972*
Read all/some of letter and/or leaflet	57	34	8	*3,045*
Glanced at letter and/or leaflet	41	42	16	*2,180*
Not read letter or leaflet	38	40	21	*487*

4.3 Alternative ways of building entitlement

Respondents were also asked whether there were any other ways in which entitlement to the basic State Pension may be built up. This was asked first spontaneously and then on a prompted basis.

Two in five respondents (39 per cent) were spontaneously aware of ways that basic State Pension entitlement can be built up other than through work. One in twenty (five per cent) gave an incorrect response and over half (56 per cent) did not know alternative ways in which entitlement to the basic State Pension could be built. The main (correct) alternative ways of building up entitlement to State Pension mentioned spontaneously were:

- a period of long-term sickness or disability (16 per cent);
- receiving other benefits (ten per cent);

- looking after young children (ten per cent);
- entitlement to spouse's contributions (five per cent);
- caring for others (four per cent);
- through voluntary stamp contributions (three per cent).

Incorrect responses included:

- universal entitlement (one per cent);
- contribution made prior to not working (one per cent).

There were no marked differences between the APF and control samples or by age or gender.

Table 4.4 Spontaneous awareness of alternative ways entitlement can be built, by gender, age, knowledge of pension issues and readership of APF

Row percentages

	Any correct %	Any incorrect %	Don't know %	*Base: All*
Total	39	5	56	*11,690*
APF	39	5	56	*8,731*
Control	40	11	49	*2,959*
Men	37	4	59	*5,973*
Women	41	5	54	*5,717*
20-29	36	4	60	*2,472*
30-39	38	5	57	*2,209*
40-49	43	4	53	*3,007*
50+	37	9	54	*4,002*
Good knowledge	50	8	42	*1,172*
Basic knowledge	43	6	51	*5,449*
Patchy knowledge	34	5	61	*3,819*
No knowledge	24	4	72	*1,240*
Read all/some of letter and/or leaflet	44	7	49	*3,045*
Glanced at letter and/or leaflet	39	5	56	*2,180*
Not read letter or leaflet	35	4	61	*487*

Those who felt they had good knowledge of pension issues were more likely to be (correctly) aware of alternative ways in which entitlement to the State Pension could be built up than those with lesser knowledge (50 per cent good knowledge compared to 43 per cent basic knowledge, 34 per cent patchy knowledge and 24 per cent no knowledge). Readers of the APF were also more likely to have some awareness of alternative ways in which State Pension entitlement could be built up (44 per cent read all or some of the APF letter or leaflet compared to 35 per cent did not read letter or leaflet).

Those in the top three ACORN categories (‘wealthy achievers’ 43 per cent, ‘urban prosperity’ 44 per cent and ‘comfortably off’ 41 per cent) were more likely than those in the lowest two ACORN categories (‘moderate means’ 36 per cent and ‘hard pressed’ 30 per cent) to be correctly aware of alternative ways of building State Pension entitlement.

Self-reported knowledge of pension issues was the main factor associated with spontaneous awareness of how to build State Pension entitlements if not working, according to CHAID analysis. Interestingly, for those with good knowledge of pension issues, there were no other factors that affected the awareness of how to build pension entitlements if not working. For those with a basic or patchy knowledge of pension issues, readership of the APF mailing was the second most important factor.

4.3.1 Prompted awareness of alternative ways of building entitlement

Respondents were then asked if they were aware that people caring for young children or other relatives or unable to work for other reasons were credited with NI contributions so that they can build up entitlement to the State Pension during periods when they are not working. Around a third (36 per cent) claimed that they were aware State Pension entitlement could be built up in this way and around one in ten (13 per cent) said they might have been aware (i.e. they thought or assumed that this would be the case but did not know for sure). The remainder (51 per cent) did not know.

Respondents in the control sample were more likely to be fully aware than those in the APF sample (45 per cent compared to 36 per cent). However, this difference was mainly amongst younger women, with 41 per cent of younger women in the control group being fully aware compared with 34 per cent in the APF sample. This difference might well have reflected the higher proportion of younger women in the control group with any pension provision (as those with pension provision were more likely to be aware of this and pension issues more generally).

Those aged 50 and above were more likely to say they were fully aware of this than younger people (47 per cent 50 and above compared to 24 per cent 20-29, 35 per cent 30-39 and 38 per cent 40-49).

Others more likely to be fully aware that entitlement to the State Pension could be built up in this way included those:

- with good knowledge of pension issues (52 per cent compared to 41 per cent basic knowledge, 30 per cent patchy knowledge and 19 per cent no knowledge);
- with a good or reasonable idea of their income in retirement (46 per cent);
- who had read all or some of the APF (48 per cent);
- with pension provision beyond the state (39 per cent);

- in a higher ACORN category:

  1 – wealthy achievers (39 per cent);

  2 – urban prosperity (36 per cent);

  3 – comfortably off (38 per cent);

  4 – moderate means (33 per cent);

  5 – hard pressed (32 per cent);
- who were retired (57 per cent compared to 34 per cent working full-time and 40 per cent working part-time).

Table 4.5 Prompted awareness of alternative ways entitlement can be built, by age, gender, knowledge of pension issues and readership of APF

Row percentages

	Prompted awareness of how State Pension entitlement can be built			
	Aware %	Maybe/ think they are aware %	Unaware %	*Base: All*
Total	36	13	51	*11,690*
APF	36	13	51	*8,731*
Control	45	11	44	*2,959*
Men	35	13	52	*5,973*
Women	37	13	49	*5,717*
20-29	24	13	62	*2,472*
30-39	35	14	50	*2,209*
40-49	38	15	47	*3,007*
50+	47	10	42	*4,002*
Good knowledge	52	12	36	*1,172*
Basic knowledge	41	14	45	*5,449*
Patchy knowledge	30	14	56	*3,819*
No knowledge	19	11	70	*1,240*
Read all/some of letter and/or leaflet	48	12	39	*3,045*
Glanced at letter and/or leaflet	33	14	53	*2,180*
Not read letter or leaflet	30	14	55	*487*

As with spontaneous awareness, CHAID analysis shows that self-reported knowledge of pension issues was the main factor associated with prompted awareness of alternative ways in which State Pension entitlement could be built. Age was also important for those with good knowledge or patchy knowledge, with older people more likely to be aware. For respondents with a basic knowledge of pension issues, readership of the APF mailing was also likely to have been a factor in their prompted awareness of ways in which State Pension entitlement could be built.

4.4 Awareness of State Second Pension

Just under one in ten (eight per cent) respondents were spontaneously aware of and were able to name the State Second Pension or State Earnings Related Pension Scheme (SERPS). Men were more likely than women to be aware of the State Second Pension (11 per cent men compared to six per cent women). There were no marked differences between the APF and control samples.

Awareness of the State Second Pension increased with age and income. Only two per cent of those aged 20-29 were aware of the State Second Pension, compared with 14 per cent of those aged 50+. A similar pattern is found with income, as one in twenty (five per cent) of those earning under £20,000 per annum compared to around one in five (22 per cent) of those earning £40,000 and above were aware of the State Second Pension.

Reflecting the increasing awareness of the State Second Pension by personal income, those in ACORN groups one and two – ‘wealthy achievers’ (11 per cent) and ‘urban prosperity’ (12 per cent) – were also more likely to be aware of the State Second Pension than those in ACORN group five, the ‘hard pressed’ (four per cent). Those with good pension knowledge were also more likely to be spontaneously aware of the State Second Pension (25 per cent).

Those who had read some or all of the APF letter and/or leaflet (14 per cent) were more likely than those who had only glanced at it (six per cent) or not read the mailing (six per cent) to know about the State Second Pension spontaneously.

Table 4.6 Spontaneous awareness of State Second Pension, by gender, age, readership of APF, income and knowledge of pension issues

Row percentages

	Spontaneous awareness of State Second Pension				
	Aware %	Aware but cannot recall the name %	Aware but gave incorrect name %	Unaware %	*Base: All*
Total	8	4	7	79	*11,690*
APF	8	4	7	79	*8,731*
Control	10	6	10	74	*2,959*
Male	11	5	6	77	*5,973*
Female	6	4	8	82	*5,717*
20-29	2	4	6	87	*2,472*
30-39	7	4	6	82	*2,209*
40-49	11	3	7	76	*3,007*
50+	14	6	8	71	*4,002*
Read all/some of letter and/or leaflet	14	6	9	70	*3,045*
Glanced at letter and/or leaflet	6	4	6	82	*2,180*
Not read letter or leaflet	6	3	7	83	*487*
Under £20,000	5	4	6	85	*5,876*
£20,000 – £39,999	10	5	8	76	*3,369*
£40,000 and over	22	6	7	63	*1,329*
Good knowledge	25	7	8	58	*1,172*
Basic knowledge	10	5	8	76	*5,449*
Patchy knowledge	4	3	6	85	*3,819*
No knowledge	2	2	3	92	*1,240*

Around one in twenty (four per cent) stated that they were aware of another State Pension but could not recall the name and seven per cent knew of another State Pension but recalled a different name (specific mentions were one per cent or below).

Four in five (79 per cent) were not aware of the existence of a State Second Pension. These people were more likely to be those:

- with no knowledge of pension issues (92 per cent);
- with no pension provision (89 per cent);
- aged 20-29 (87 per cent).

CHAID analysis showed that self-reported knowledge of pension issues was the main factor associated with respondents' unprompted awareness of the State Second Pension. The second most important factor was age, with older people more spontaneously aware of the State Second Pension.

4.4.1 Prompted awareness of State Second Pension

Respondents were then prompted with the name 'State Second Pension' (previously know as SERPS) and how it works. One in ten (11 per cent) claimed to be fully aware of this scheme and how it worked. A further 31 per cent said they were aware there was an extra pension related to NI contributions but were not sure how it worked, but over half (57 per cent) had not heard of it at all or had simply heard the name but knew nothing about it.

There were no marked differences between the APF and control samples in terms of those who claimed they were **fully** aware of the State Second Pension and how it worked. Those in the control group were slightly more likely to have some awareness (38 per cent compared to 31 per cent for APF). This was likely to reflect the higher proportion of respondents in the control group who were either retired or had any pension provision, as both these subgroups were more likely to be aware of the State Second Pension.

As shown in Table 4.7, the older the person the more likely they were to be aware (either fully or partially) of the State Second Pension. Amongst older people aged 50+, men were more likely than women to be at all aware of the State Second Pension and how it worked (69 per cent compared to 55 per cent). There were no marked differences by gender amongst younger people.

Those in the following groups were more likely to be fully aware of the State Second Pension and how it works, those:

- with good pension knowledge (34 per cent compared to 13 per basic knowledge, five per cent patchy knowledge and two per cent no knowledge);
- with any pension provision (13 per cent compared to four per cent with no pension provision);
- in higher income bands (23 per cent earning £40,000 and above per year compared to 12 per cent £20,000 to £39,999 income per year and eight per cent earning less than £20,000 per year);
- who were retired (30 per cent compared to 12 per cent working full-time and nine per cent working part-time).

There was also a slight variation by ACORN category:

1 – wealthy achievers (14 per cent);

2 – urban prosperity (12 per cent);

3 – comfortably off (12 per cent);

4 – moderate means (ten per cent);

5 – hard pressed (seven per cent).

Table 4.7 Prompted awareness of the State Second Pension, by age, gender, readership of APF, income and knowledge

Row percentages

	Prompted awareness of the State Second Pension			
	Fully aware %	Aware, but not sure how it works %	Unaware %	*Base: All*
Total	11	31	57	*11,690*
APF	11	31	58	*8,731*
Control	14	38	48	*2,959*
Men	13	32	54	*5,973*
Women	9	30	61	*5,717*
20-29	3	16	80	*2,472*
30-39	9	31	59	*2,209*
40-49	13	36	51	*3,007*
50+	19	42	38	*4,002*
Read all/some of letter and/or leaflet	17	38	44	*3,045*
Glanced at letter and/or leaflet	9	31	59	*2,180*
Not read letter or leaflet	9	27	63	*487*
Under £20,000	8	28	64	*5,876*
£20,000 to £39,999	12	34	53	*3,369*
£40,000 and above	23	39	38	*1,329*
Good knowledge	34	35	31	*1,172*
Basic knowledge	13	35	52	*5,449*
Patchy knowledge	5	29	65	*3,819*
No knowledge	2	18	79	*1,240*

One-third (33 per cent) of those who, after prompting, were fully aware of how it worked spontaneously mentioned the State Second Pension as another State Pension.

As noted in Table 4.7, over half (57 per cent) were not aware of how the State Second Pension worked after prompting. This group were more likely to be those:

- aged 20-29 (80 per cent);
- with no knowledge of pension issues (79 per cent);
- with no pension provision beyond the state (76 per cent);
- not living with a partner (70 per cent).

CHAID analysis showed that the most important factor associated with prompted awareness of the State Second Pension was age. Older people were more likely to be aware of it than younger people. The second most important factor was found to be knowledge of pension issues.

4.4.2 Knowledge of State Pension – Summary

The control sample had greater knowledge than APF recipients on several areas of the State Pension system – however, account here should be taken of the fact the control sample had a greater level of pension provision other than the State Pension (91 per cent compared to 75 per cent APF sample), an important factor associated with pensions knowledge. Interestingly, as noted in Section 2.4.8, there were few significant differences in subjective, self-reported knowledge between the APF and control samples, indicating that people tend to misrepresent (usually overestimate) their level of knowledge. Pension provision seems to impact more on measured, or objective, knowledge: thus, for example, 38 per cent of those with pension provision spontaneously knew how the State Pension is calculated compared to 27 per cent of those with no provision.

It, therefore, seems likely that this difference in pension provision accounts for most of the gap in knowledge between the two samples.

Readership of the APF was associated with slightly higher levels of awareness and knowledge of pensions. However, those who read the mailing were more likely to be those who had a good, or at least, basic self-reported knowledge of pension issues and readership was also associated with having some sort of pension provision other than the State Pension (a higher proportion of those with some pension provision read the mailing (33 per cent) than those with no pension provision (25 per cent)). There was no evidence, therefore, to suggest that it was reading the APF which led to increased awareness or knowledge of State Pension issues among APF readers.

If the APF did make a difference it was only if respondents had read any of it as opposed to merely glancing at it or recalling receiving it. On all aspects of pensions knowledge asked about, APF readers exhibited better knowledge than those who glanced at the mailing or did not read it.

The CHAID analysis showed that the primary factors associated with most measures of knowledge of State Pensions were self-reported knowledge of pension issues more generally or age. The same analysis did, however, show that readership of the APF mailing was the primary factor associated with spontaneous awareness of how the State Pension will be calculated. Further, the CHAID analysis suggests that readership of the APF may have been a factor, albeit secondary, for some specific subgroups, notably being associated with:

- awareness of alternative ways of building entitlement to the State Pension amongst those with a basic (as opposed to good) knowledge of pensions;
- knowledge of when the State Pension can be drawn amongst young people (20-29) with no pension provision (but it needs to be recognised that this group represents a very small proportion of APF recipients: less than ten per cent of those aged 20-29 and around two per cent of the whole APF sample.

5 Actions to plan for retirement

This final chapter examines whether the Automatic Pension Forecast (APF) has had any impact on retirement planning behaviour. It first looks at the retirement planning actions respondents have taken in the last three to four months (the period since receiving the APF) or intend to take in future. This chapter also explores the likelihood of future action being taken and, among those who recalled being sent the APF, its role in the decision to take or intend to take action.

5.1 Actions already taken for retirement or intended to be taken

When prompted with a list of possible actions, 95 per cent of all respondents (i.e. the APF and control samples combined) claimed to have taken some action in relation to planning for retirement or to be intending to do so in the future. Seven in ten (72 per cent) said they had taken some action in the last three to four months in regards to planning for their retirement and a further quarter (23 per cent) had not taken action but intended to do so in the future (specific actions are shown in Tables 5.4 and 5.7).

As seen in Table 5.1, there was little difference by age in terms of action taken. The 20-49 year olds were slightly more likely to have taken or be intending to take action (96 per cent) than those aged 50+ (90 per cent). This was largely due to the inclusion in the older group of the already retired; only seven in ten (71 per cent) retirees had taken or intended to take action. When the 20-49 year olds were broken down into narrower age bands, no difference was seen in the proportions having taken or intending to take action. However, the likelihood of having **already** taken action increased with age, whilst the 20-29 year olds were the most likely to be intending to take action but to have not yet done so (30 per cent compared with 25 per cent of 30-39 year olds and 22 per cent of 40-49s).

There was little difference by gender either at an overall level or within age bands. Younger men (aged under 50) were slightly more likely to have already taken action (73 per cent compared to 67 per cent of women) whilst women were more likely to be intending to take action only (28 per cent compared with 24 per cent of men). This is likely to reflect the higher proportion of men in this age group who are in work.

The unemployed were even more likely not to have taken any action in the last three or four months than the retired (52 per cent compared to 61 per cent retired, 74 per cent working). However, the unemployed were much more likely to be intending to take action but not yet to have taken any (38 per cent compared to ten per cent retired, 22 per cent working). Those not working due to caring or another reason, followed a similar pattern to the unemployed: three in five (60 per cent) had already taken action and a third (31 per cent) intended to take actions, but had not yet done so.

Overall, levels of action taken or intended showed no difference by ACORN category. However, the likelihood of having **already** taken action increases steadily in line with ACORN category – 77 per cent of 'wealthy achievers', had taken action compared with 63 per cent of the least affluent group, the 'hard pressed'.

As can be seen in Table 5.2, there was little difference between the APF and control groups overall in the proportion that had or were intending to take action (95 per cent who received the APF had taken or were intending to take action compared with 92 per cent of the control). The APF group were no more likely than the control to have already taken action (72 per cent compared to 74 per cent control) but they were very slightly more likely to be intending action which they had not yet taken (23 per cent compared to 18 per cent control).

The marginally higher proportion of the APF sample who were intending to take action almost certainly reflects the lower proportion of older, retired men in the APF sample (17 per cent compared to 25 per cent for control) or not working as they had caring responsibilities or for other reasons (nine per cent compared to 13 per cent for control).

Whilst there was little difference in the overall proportions taking or intending to take action amongst those reading/recalling the APF compared to the APF sample as a whole, those who read some/all of the mailing were most likely to have already taken action, followed by those that recalled but had not read any of the mailing (82 per cent who had read some/all the APF had already taken action, compared with 68 per cent who recalled but had not read the mailing and 64 per cent of those who did not recall the mailing). It is also worth noting that the difference was as, if not more, marked amongst younger APF readers (82 per cent of APF readers aged under 50 had taken any action compared with 70 per cent of all respondents aged under 50 in the APF sample).

Table 5.1 Whether taken action or intend to take action in the future – by demographics

Row percentages

	Total have/ intend to take action %	Already taken action %	Intend to take action (but not done so yet) %	*Base: All*
Total	95	72	23	*11,690*
50+	90	77	13	*4,002*
40-49	96	74	22	*3,007*
30-39	96	70	25	*2,209*
20-29	96	65	30	*2,472*
Male	95	73	21	*5,973*
Female	95	70	25	*5,717*
50+ men	88	75	13	*1,500*
50+ women	93	79	14	*1,501*
20 – 49 men	97	73	24	*3,004*
20 – 49 women	95	67	28	*2,726*
Wealthy achievers	96	77	19	*3,137*
Urban prosperity	96	75	21	*1,297*
Comfortably off	95	73	22	*3,537*
Moderate means	95	69	25	*1,750*
Hard pressed	92	63	29	*1,750*
Working	96	74	22	*9,680*
Retired	71	61	10	*538*
Unemployed	91	52	38	*448*
Not working as caring/other reasons	91	60	31	*1,010*

Similarly, whilst the **overall** proportion of respondents who had already or intended to take action did not vary significantly, the likelihood of having **already** taken action was also higher amongst those with:

- knowledge of pension issues (87 per cent of those with a good knowledge had already taken action compared to 78 per cent with a basic knowledge, 67 per cent with a patchy knowledge and 48 per cent with no knowledge);
- any pension provision (77 per cent compared with 55 per cent who had never had a pension). Notwithstanding that the control sample had a higher level of pension provision, this does not seem to have had an impact on overall levels of action taken by the control sample, relative to the APF group, although it may have affected 'hard' savings actions (see Section 5.3).

The fact that there was no real difference between the APF and control samples overall led us to conclude that, as with knowledge of the State Pension system, there is no evidence to suggest that receiving the mailing has had a significant impact on retirement planning or savings behaviour overall. The results suggest that behaviour was only affected when the mailing was read, but that those who read the mailing were more likely to be those who had a better knowledge of pension issues and pension provision.

Further statistical analysis (detailed in Section A.4 of Appendix A) showed that (self-reported) knowledge and pension provision rather than readership of the APF, were the main factors associated with taking action. Readership of the mailing was also a factor but not as strong as knowledge or pension provision for those with at least a patchy knowledge of pension issues. Readership was a stronger factor for those with no knowledge of pension issues: for this group, readership or at least recall of the mailing was more of a factor in taking action than pension provision, however, readership among this group, as noted in Chapter 3, was very low (16 per cent).

Table 5.2 Whether taken action or intend to take action in the future – further key subgroups

Row percentages

	Total have/ intend to take action %	Already taken action %	Intend to take action (but not done so yet) %	*Base: All*
Total	95	72	23	*11,690*
APF sample	95	72	23	*8,731*
Control	92	74	18	*2,959*
Read all/some of APF mailing	95	82	13	*3,045*
Recalled but not read APF mailing	93	68	25	*487*
No recall of APF mailing	94	64	30	*3,019*
Good knowledge of pensions issues	95	87	8	*1,172*
Basic knowledge of pensions issues	96	78	18	*5,449*
Patchy knowledge of pensions issues	95	67	28	*3,819*
No knowledge of pensions issues	90	48	41	*1,240*
Any pension provision (beyond State Pension)	95	77	18	*9,292*
No pension provision (beyond State Pension)	93	55	38	*2,262*

5.2 Profile of those not taken or intending to take action

One in twenty (five per cent) of those who were sent the APF had not taken action and also did not intend to take any action in the future; this proportion was broadly similar (eight per cent) among the control sample.

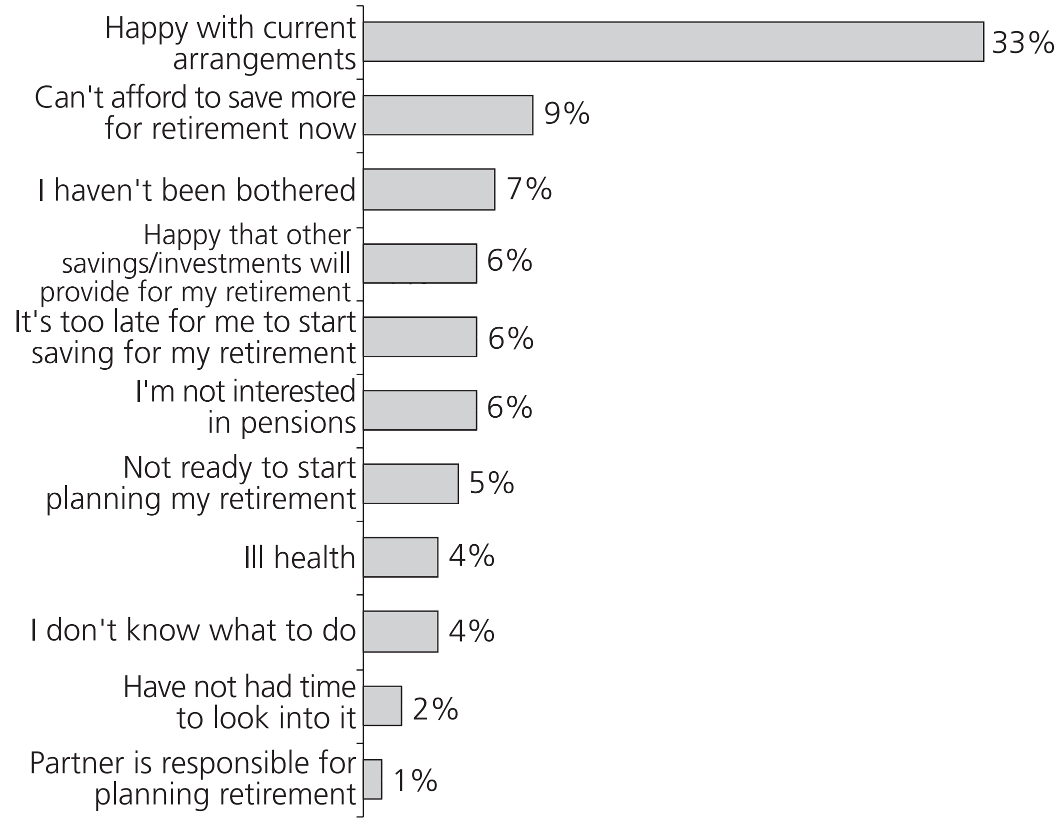
Those aged 50+ were more likely to have not taken or be intending action (ten per cent compared to four per cent of 20-49 year olds). There was no difference by gender at an overall level or among the younger age group, however, older men were more likely than women to have not taken or be intending to take action (13 per cent compared to seven per cent), particularly 60-64 year old men (21 per cent), reflecting the higher proportion of retirees in this group. Overall, three in ten (29 per cent) retirees neither intended to take action nor had done so in the previous three to four months.

Those who felt they needed to save less for a comfortable retirement (eight per cent) were slightly more likely to have not taken or be intending to take action, reflecting the fact that they felt less need for a change in their savings behaviour. Those with little ability to save more, i.e. those with a personal income of less than £20,000, were also more likely to not have taken or be intending action (seven per cent compared to three per cent of higher earners).

As well as current provision for retirement, knowledge of pension issues is also key – one in ten (ten per cent) of those who felt they had no knowledge of pensions issues had not and did not intend to take action compared to one in twenty (five per cent) of those with good knowledge.

Those who **recalled** receiving the APF but had not taken and were not intending to take any action in relation to saving for their retirement, were asked about the reasons for this. As can be seen in Figure 5.1, the main reason for not having taken or intending to take action in the future was being happy with current pension arrangements (mentioned by 33 per cent). This was more commonly the case among those aged 50+ (45 per cent compared to 19 per cent of 20-49 year olds), men (42 per cent compared to 20 per cent of women) and those with an individual income of more than £40,000 per year (68 per cent). A further six per cent mentioned that they (also) had other savings and investments that will provide for their retirement.

Figure 5.1 Reasons for not taking or intending to take action in the future



Base: All APF respondents who recall letter and have not and do not intend to take action (318).

One in ten (nine per cent) had not taken any action and did not intend to take any because they felt they could not afford to save more for retirement at the moment.

Among the 50+ age group, one in ten (11 per cent) felt that it was too late to start saving for retirement (no one under 50 felt the same). At the other end of the spectrum, one in twenty (five per cent) of all APF recallers who had not taken and were not intending action said they were not ready to start planning their retirement yet. This was lower among those aged 50+, however, there were still three per cent of this age group who felt it was too soon to take action (compared with six per cent of 20-29 year olds).

Others said they could not be bothered (seven per cent), had no interest in pensions (six per cent), did not know what to do (four per cent), had not acted due to ill health (four per cent), had not had time to look into it (two per cent) or were leaving it to their partner (one per cent). Although these figures may seem high, it should be remembered that as a proportion of all respondents who recalled receiving the APF, they represent well below one per cent.

Unsurprisingly, a lack of interest in pension issues was higher among those furthest away from retirement (12 per cent of 20-39 year olds not interested compared to eight per cent of 40-49 year olds compared to two per cent of those aged 50+).

5.3 Type of action taken

As shown in Tables 5.3 and 5.4, while seven in ten (72 per cent) of all respondents (i.e. the APF and control samples combined) said they had taken some action in regards to planning for retirement in the last three to four months, only a third (34 per cent) had made 'hard' actions (changes to their savings behaviour) as opposed to 'soft' actions (reviewing their situation or seeking information or advice).

The full breakdown is as follows:

- any action taken: 72 per cent;
- hard and soft actions taken: 29 per cent;
- hard action(s) only taken: five per cent;
- soft action(s) only taken: 38 per cent.

Table 5.3 Hard (savings) actions taken – age and gender comparison

Row percentages

	Any action taken %	Any hard %	*Base: All*
Total	72	34	*11,690*
50+	77	35	*4,002*
40-49	74	37	*3,007*
30-39	70	35	*2,209*
20-29	65	29	*2,472*
Male	73	36	*5,973*
Female	70	31	*5,717*
APF	72	34	*8,731*
APF readers	82	39	*3,045*
Control	74	39	*2,959*

Those who had already made a 'hard' change were slightly more likely to be:

- over 30 (36 per cent compared with 29 per cent of 20-29 year olds);
- of a more affluent ACORN category (38 per cent of wealthy achievers down to 25 per cent of the hard pressed);
- those who had read some/all of the mailing (39 per cent compared with 33 per cent who only glanced at the APF and 31 per cent who did not read it at all);

- those with good knowledge of pensions (49 per cent compared with 38 per cent basic, 31 per cent patchy and 20 per cent no knowledge);
- those in the control sample (39 per cent compared with 34 per cent in the APF sample).

At an overall level, men were slightly more likely to have made a hard change (36 per cent compared with 31 per cent of women), however, this was not the case among all age groups. Among the 20-49 year olds, men were more likely to have made a hard change (37 per cent compared with 30 per cent of women), whereas among the 50+ age group, women were very marginally more likely to have made a hard change (37 per cent compared with 34 per cent of men).

Younger APF readers were also slightly more likely to have taken any hard actions (41 per cent compared to 33 per cent for all younger respondents in the APF sample), although the difference was less marked than for any action taken.

The higher incidence of having taken hard action among the control sample seems odd, suggesting that receipt of the APF may actually impact negatively on savings relative to what might have happened in the absence of the APF, but this is most probably the result of the differences in characteristics between the APF and control samples. To recap, given the higher levels of pension provision among the control sample, one would reasonably expect this group to have a greater capacity than the APF group to make due financial provision for their retirement and this needs to be taken into account in evaluation of the net impact of APFs on such actions.

APF readers were more likely to have already taken action but the results do not clearly indicate whether action is being driven primarily by readership of the mailing or other factors. However, further statistical analysis supported the proposition that (self-reported) knowledge of pension issues and pension provision are the main factors associated with retirement planning behaviour. The same analysis also showed that while readership of the mailing is not the main factor, for those with at least a ‘patchy’ knowledge of pensions issues (i.e. 90 per cent of the sample), it does have some (secondary) influence.

5.3.1 Hard actions (changes to savings behaviour)

Table 5.4 also shows the specific ‘hard’ actions (changes to savings behaviour) that respondents had taken. The main change made (mentioned by 22 per cent of all respondents) was to have started or made changes to some form of saving for retirement other than a pension. Subgroup differences follow the same pattern as for any hard changes made overall. Smaller numbers took action relating to pensions including changing contribution levels (eight per cent), taking out a new pension (six per cent) and contracting in (four per cent) or out (three per cent) of the State Second Pension.

Table 5.4 Hard (savings) actions taken – APF compared to APF readers compared to control

Multiple response

	Total %	APF %	APF readers %	Control %
Any action taken	72	72	82	74
Any hard	34	34	39	39
Started or made changes to other saving for retirement	22	22	28	28
Changed contributions to current pension	8	8	9	9
Taken out a (new) pension	6	6	7	6
Contracting back into State Second Pension	4	4	4	5
Contracting out of State Second Pension	3	3	4	4
Other hard actions taken (including home equity release etc)	1	1	1	2
Base: All	*11,690*	*8,731*	*3,045*	*2,959*

Those who had taken out a new pension most commonly joined an occupational pension (52 per cent of this group) as may be seen in Table 5.5. Sixteen per cent of this group took out a new personal pension but around a third (32 per cent) did not know what kind of pension they had taken out.

Overall, women were more likely than men to have taken out an occupational pension (57 per cent compared to 49 per cent); however, this is entirely due to the 20-49 year olds (62 per cent women compared to 53 per cent men) as there was no gender difference among the 50+ age group. In addition, younger respondents as a whole were more likely to have taken out an occupational pension than those aged 50+ (65 per cent 20-29, 58 per cent 30-39, 46 per cent 40-49 and 30 per cent 50+).

At an overall level, the control sample were more likely to have taken out a personal pension (23 per cent compared to 16 per cent APF), chiefly driven by 41 per cent of control women aged 20-49 having taken out a personal pension compared with 12 per cent of young APF women. Correspondingly, APF women aged 20-49 were more likely to have taken out an occupational pension (62 per cent compared to 51 per cent of young control women). Amongst older respondents (aged 50+), the control group were more likely to have taken out a pension via their employer, whilst the APF recipients were more likely not to know which type of pension they had taken out.

Table 5.5 Type of pension taken out

Row percentages

	Occupational %	**Personal** %	**Don't know** %	***Base: All who took out a new pension***
Total	52	16	32	*751*
APF	52	16	32	*564*
APF readers	44	16	40	*205*
Control	50	23	27	*187*
50+	30	21	50	*201*
40-49	46	17	37	*197*
30-39	58	15	27	*160*
20-29	65	14	21	*193*
Male	49	18	33	*414*
Female	57	14	29	*337*

Almost one in ten (eight per cent) changed their contributions to a current pension. The majority of these (77 per cent) increased contribution levels to their current pension. There was no significant difference between the APF group as a whole and the control sample, although APF readers were slightly more likely to have increased contribution levels. Men were more likely to have increased their contributions (79 per cent compared with 73 per cent of women) and the 30-39 age group were the least likely to have done so (69 per cent compared to 74 per cent of 50+s, 80 per cent of 20-29s and 82 per cent of 40-49s). Very small numbers decreased (seven per cent) or stopped (13 per cent) making contributions to their current pension. The control sample were more likely than the APF group not to know how they had changed their contributions.

Table 5.6 How changed contributions to pension

Row percentages

	Increased %	Decreased %	Stopped %	Other %	Don't know %	*Base: All who changed contributions to a current pension*
Total	77	7	13	2	2	*991*
APF	77	7	13	2	2	*730*
APF readers	82	5	9	3	2	*279*
Control	76	4	8	7	5	*261*
50+	74	8	11	4	3	*305*
40-49	82	5	11	1	1	*304*
30-39	69	9	17	3	2	*223*
20-29	80	6	11	2	2	*159*
Male	79	5	14	1	1	*587*
Female	73	9	10	4	2	*404*

5.3.2 Soft actions (seeking information or advice)

As discussed earlier in this chapter and shown in Table 5.7, over half of those who had taken any action in the last three or four months had taken only soft actions, i.e. reviewed their situation or sought information or advice.

There was no difference between the APF and control samples in terms of 'soft' actions undertaken (67 per cent compared to 69 per cent) but APF readers were more likely to have taken some sort of 'soft' action (79 per cent). This suggests readership may potentially play a part in influencing actions such as seeking information or advice.

Table 5.7 shows the other (softer) actions that respondents had taken over the last three to four months. Overall, four in ten (42 per cent) had thought about how much they needed to live on in retirement and one-third (34 per cent) had reviewed their current arrangements (and found they were adequate). One in five respondents talked to someone or sought information about pensions or checked/requested forecasts from other pensions. Sixteen per cent checked their entitlement to their partners'/spouses' pension and one in twenty enquired about taking out a new pension or changing contributions to a current pension.

Table 5.7 Soft (seeking advice or information) actions taken – APF compared to APF readers compared to control

Multiple response

	Total %	APF %	APF readers %	Control %
Any action taken	72	72	82	74
Any soft	67	67	79	69
Soft only	38	38	43	34
Thought about how much will want/need to live on in retirement	42	42	55	46
Reviewed current arrangements and found they were adequate	34	34	44	39
Talked to someone or sought information about pensions	21	21	26	24
Checked/requested forecasts from other pensions	20	20	25	26
Checked entitlement to spouse's pension	16	15	23	25
Enquired about starting or taking out a new pension	6	6	7	4
Enquired about increasing contributions to current pension	5	5	6	6
Other soft actions taken (including setting retirement date)	1	1	1	2
Base: All	*11,690*	*8,731*	*3,045*	*2,959*

As Table 5.8 shows, the likelihood of having taken most soft actions increases with age. Men were also more likely to take most soft actions but women were more likely to check their entitlement to their spouse's pension (17 per cent compared to 14 per cent men) – perhaps surprisingly this is entirely driven by the actions of 20-49 year olds, there is no gender difference among older respondents.

Table 5.8 Soft (seeking advice or information) actions taken – age and gender

Multiple response

	Male %	Female %	50+ %	40-49 %	30-39 %	20-29 %
Any	73	70	77	74	70	65
Any soft	69	65	74	69	65	60
Soft only	37	39	42	37	35	37
Thought about how much will want/need to live on in retirement	44	39	56	44	36	31
Reviewed current arrangements and found they were adequate	37	31	44	33	31	29
Checked/requested forecasts from other pensions	24	16	26	26	20	9
Talked to someone or sought information about pensions	22	19	22	19	18	23
Checked entitlement to spouse's pension	14	17	25	19	15	4
Enquired about increasing contributions to current pension	6	4	5	6	6	3
Enquired about starting or taking out a new pension	6	6	3	5	6	10
Other soft actions taken	1	1	2	*	*	*
Base: All	*5,973*	*5,717*	*4,002*	*3,007*	*2,209*	*2,472*

Just over one in five (22 per cent) talked to someone or sought information about pensions. As shown in Table 5.9, employers were most commonly approached (by 30 per cent of this group), followed by Independent Financial Advisers (IFAs) (28 per cent), friends/relatives (13 per cent) and banks or building societies (ten per cent). Just under one in twenty (four per cent) had contacted The Pension Service. Overall, the use of informal sources (i.e. talking to spouse or other relative or friend) was much less common than using formal sources of financial advice (19 per cent compared to 79 per cent) but 20-29 year olds were much more likely to have used informal sources, particularly speaking to a friend or relative (26 per cent compared with seven per cent of those aged 30+).

The only overall difference by gender is that men were more likely to have contacted an IFA (31 per cent compared with 23 per cent of women), see Table 5.10: this was particularly the case for men of 50+ (45 per cent). Women aged 50+ were the most likely to seek advice from their spouse (11 per cent) or from The Pension Service (ten per cent).

In general, the APF respondents were more likely than the control group to use informal sources of information (19 per cent compared to 11 per cent), for example they were more likely to cite seeking information from a friend or relative (13 per cent compared to four per cent). In contrast, those in the control sample were more likely to contact The Pension Service (12 per cent compared to four per cent) or an insurance company (eight per cent compared to five per cent). There was no difference in behaviour between APF readers and all APF recipients.

Table 5.9 Where information sought – APF compared to APF readers compared to control

				Multiple response
	Total %	**APF %**	**APF readers %**	**Control %**
Formal	79	79	79	85
Informal	19	19	21	11
Employer	30	30	29	27
IFA	28	28	30	29
Other friend/relative	13	13	13	4
Bank/building society	10	10	9	10
Insurance company	5	5	4	8
The Pension Service	4	4	5	12
Spouse/partner	4	4	6	5
FSA	4	4	4	5
Work colleagues	3	3	3	2
Media/internet	2	2	3	2
Trade Union	1	1	2	4
Other	3	3	2	4
Don’t know	3	3	2	3
Base: All who talked to someone or sought information	*2,474*	*1,837*	*788*	*637*

Table 5.10 Where information sought – age and gender comparison

Multiple response

	Male %	Female %	50+ %	40-49 %	30-39 %	20-29 %
Formal	80	78	83	82	84	70
Informal	18	21	14	14	14	31
IFA	31	23	36	31	29	16
Employer	29	32	21	29	37	35
Bank/building society	10	10	10	9	8	11
The Pension Service	3	5	7	4	3	2
Spouse/partner	3	7	6	6	4	2
Other friend/relative	12	13	7	8	6	26
Insurance company	5	5	6	4	6	3
Trade Union	1	1	2	2	1	*
FSA	4	4	2	7	4	3
Media/internet	3	1	2	2	2	2
Work colleagues	4	1	1	2	4	5
Other	3	3	3	4	1	2
Don't know	2	3	3	3	3	1
Base: All who talked to someone or sought information	*1,296*	*1,178*	*919*	*612*	*402*	*541*

Overall, four per cent of those who talked to someone or sought information contacted The Pension Service, the majority of those were looking for general information about pensions (34 per cent) or information on entitlements to State Pensions (34 per cent). Bases are too small to look at any subgroup differences.

Table 5.11 Information sought from The Pension Service

Column percentages

	Total %
General information	34
Entitlements to State Pension	34
Pension credit	14
State Second Pension	10
Other	17
Base: All who sought information from the Pensions Service	*142*

5.4 Future actions intended and likelihood of taking these actions

Nine in ten of all respondents (92 per cent) intended to take (further) action in the future. Three-quarters of these (75 per cent) had already taken some action in the last three or four months. Those who had received an APF were more likely than the control sample to say they intended to take future action whether or not they had read the mailing (92 per cent APF and APF readers compared to 88 per cent control).

Three-quarters of all respondents (75 per cent) intended to make a definite 'hard' change (compared to 34 per cent who had taken any hard action already). Although there were few differences between all APF recipients, APF readers and the control samples in terms of intentions to take any sort of future action, the APF sample as a whole was significantly more likely to be intending to take 'hard' action(s) (75 per cent) than APF readers (72 per cent) and the control sample (62 per cent), a reversal of the findings for 'hard' actions actually taken in the past three to four months.

Those who were intending to make a 'hard' change were more likely to be younger (87 per cent of 20-29s compared to 81 per cent of 30-39s, 78 per cent of 40-49s and 51 per cent of those aged 50+). There was no difference by gender overall although older men were less likely to intend making a hard change due to the retirees in this group: only 64 per cent of the retired intended to make a hard change to their savings behaviour compared with 93 per cent of everyone else. There was no real difference by ACORN category.

Table 5.12 (Further) Actions intended – age and gender comparison

Row percentages

	Any action intended %	Any hard %	Any soft %	Soft only %	*Base: All*
50+	87	51	85	36	*4,002*
40-49	94	78	93	15	*3,007*
30-39	94	81	93	13	*2,209*
20-29	93	87	93	6	*2,472*
Male	92	75	91	17	*5,973*
Female	92	74	91	18	*5,717*
APF	92	75	91	17	*8,731*
APF readers	92	72	92	20	*3,045*
Control	88	62	87	26	*2,959*

Table 5.13 shows the (further) actions respondents intended to take. Amongst those intending to take a 'hard' action, they were most likely to intend to start or make changes to a form of retirement saving other than a pension (64 per cent). Two in five (40 per cent) intended to change their contributions to a current pension, particularly 20-49 year old men (52 per cent compared to 40 per cent of 20-49 year old women and 18 per cent of all those aged 50+). Over a third (36 per cent) intended to take out a new pension, particularly 20-29 year olds (64 per cent compared to 38 per cent of 30-39s, 29 per cent of 40-49s and ten per cent of those aged 50+). One in five (20 per cent) intended to contract back in to the State Second Pension and one in ten (11 per cent) to contract out of it.

Almost one in five respondents (17 per cent) intending to take future action were planning to take 'soft' action(s) only, i.e. to review current arrangements or seek information/advice but not to make changes to savings behaviour. This is not to overlook, however, that many of those planning to change their savings behaviour will also seek information or advice. APF recipients were slightly more likely to be intending to make any soft change than the control group (91 per cent compared to 87 per cent) – specific soft changes show much greater differences.

The most commonly mentioned future action was a 'soft' action – to think about how much one would want or need to live on in retirement (82 per cent of all respondents); a further three-quarters (77 per cent) intended to review current arrangements to check whether they are adequate. Almost two-thirds of those surveyed intended to talk to someone/seek advice about pensions (64 per cent), three in five (58 per cent) intended to check or request a forecast from other pensions and half intended to check entitlement to a spouse or partner's pension (51 per cent). Other future actions intended include enquiring about increasing contributions to a current pension (38 per cent) and enquiring about starting a new pension (37 per cent).

Table 5.13 (Further) Actions intended – APF compared to APF readers compared to control

Multiple response

	Total %	APF %	APF readers %	Control %
Any	92	92	92	88
Any hard	75	75	72	62
Start or make changes to other saving for retirement	64	64	62	52
Change contributions to current pension	40	40	37	24
Take out a (new) pension	36	36	29	17
Contract back into State Second Pension	20	20	17	11
Contract out of State Second Pension	11	11	9	6
Other hard action	4	4	5	7
Any soft	91	91	92	87
Soft only	17	17	20	26
Think about how much will want/need to live on in retirement	82	82	82	70
Review current arrangements to check whether they are adequate	77	77	77	66
Talk to someone or seek information about pensions	64	64	61	53
Check/request forecasts from other pensions	58	58	58	57
Check entitlement to spouse's pension	51	51	54	46
Enquire about increasing contributions to current pension	38	38	34	23
Enquire about starting or taking out a new pension	37	38	29	17
Other soft action	8	8	11	7
Base: All	*11,690*	*8,731*	*3,045*	*2,959*

5.4.1 Likelihood of taking future action

To help assess the seriousness of respondents' stated intention to take action in future and thus provide a more robust measure of future intentions, respondents were asked how likely they were to take these intended actions.

Almost nine in ten (87 per cent) of those who intended to take (further) action said they were either very (44 per cent) or quite (42 per cent) likely to take the action they said they had planned. One in ten (ten per cent) said they were not very or not at all likely to take the action they had mentioned. This suggests that the proportion of respondents likely to take (further) action in future would be no more than 80 per cent[24] and most likely to be in the region of 40 to 50 per cent (reflecting that only 44 per cent said they were very likely, as opposed to just quite likely, to take these actions in future). Furthermore, one-third (33 per cent) of the 23 per cent intending to take action in the future but who had not already taken action, are unlikely to actually take this action. The proportion of respondents who have not taken action thus far but who will do so in the future is, therefore, likely to be no more than 15 per cent.

APF recipients were more likely than the control group to be likely to take their intended actions (87 per cent compared with 78 per cent), however, readership of the APF did not increase recipients' likelihood of taking their intended actions. There were no real differences by gender, however, likelihood of taking future action increased as age decreased: only 73 per cent of those aged 50+ claimed to be likely to take future action compared with 87 per cent of 40-49 year olds, 91 per cent of 30-39 year olds and 94 per cent of 20-29 year olds. Those who felt they had no knowledge of pensions issues were slightly less likely to take the action they said they intended (15 per cent unlikely to take future action).

5.5 Role of the APF in deciding to take action

Respondents who recalled receiving the APF mailing and who had taken or intended to take action (equivalent to almost 60 per cent of all APF recipients) were asked directly what part the APF had played in the process. More specifically, they were asked whether the APF played a key role (would not have taken this action otherwise), some role (probably would have done this anyway but the mailing encouraged or helped do it sooner) or no role (would have done it anyway).

As discussed earlier in this chapter, comparison of the findings for the APF and control samples indicated that the APF has had little or no significant impact on pensions behaviour overall. However, when asked directly, over half of all APF respondents who recalled receiving the mailing and had taken or intended to take (further) action, felt the mailing had played at least some role in the process of deciding to take action. This reflects the generally positive views people had of the APF. As shown in Figure 5.2, almost one in ten (eight per cent) said the APF mailing played a key role in deciding to take action, while almost half (45 per cent) said it played some role.

Those at either end of the age spectrum were slightly more likely to feel the mailing had played a role in them taking or intending to take action: 54 per cent of 20-29 year olds and 55 per cent of those aged 50+ compared with 51 per cent of the 30-49s. Women were also more likely to accord a role for the mailing (55 per cent compared to 51 per cent of men).

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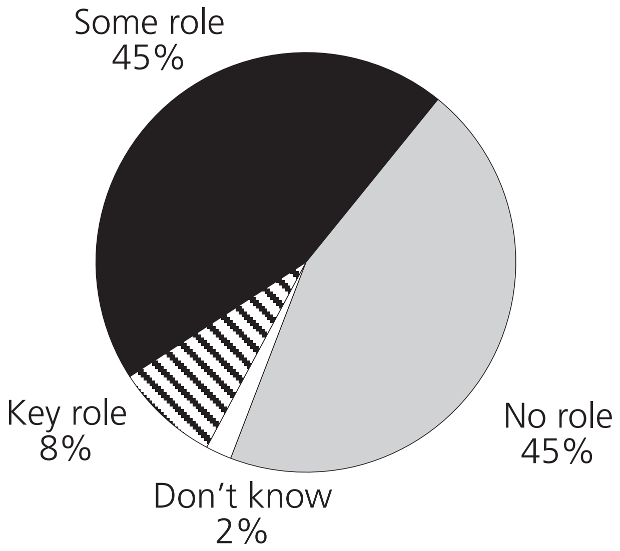
24 This figure was calculated by multiplying the proportion of those who claimed they were likely to take further action (87 per cent) by the proportion of those who intend to take any action (92 per cent).

Figure 5.2 Role of APF in taking or intending to take action



Base: All APF recalling mailout who have taken or plan to take action (5,394).

In terms of ACORN category, the least affluent were the most likely to feel that the mailing had influenced their actual or intended behaviour: 58 per cent of the 'hard pressed' thought the APF had played at least some role, compared with 53 per cent of the 'moderate means/comfortably off/urban prosperity' categories and 49 per cent of 'wealthy achievers'.

Those who had no pension provision beyond State Pension were more likely to say the mailing played at least some role in their decision to take action (59 per cent compared to 51 per cent with any pension provision) as were those who did not have good knowledge of pension issues (54 per cent compared to 42 per cent with good knowledge). Furthermore those with no pension provision and no knowledge of pensions were more likely to say the mailing played a key role (ten per cent and 11 per cent respectively). However, it needs to be noted that these groups were less likely than average to have or intend to take action and, in particular, to have taken action rather than just be intending to (55 per cent of those with no pension and 48 per cent of those with no knowledge had taken action compared with 72 per cent average).

As might be expected, those who placed at least some trust in information from the Government were more likely than average to say it played any role in deciding to take action (60 per cent compared to 35 per cent not much/no trust), as were those who read all or some of the APF mailing (61 per cent compared to 48 per cent just glanced at APF, 32 per cent did not read it at all).

Those who felt they had a good knowledge of pensions issues were more likely than average to say the mailing played no role and they would have decided to take action anyway (57 per cent compared to 45 per cent overall). Those who placed little or no trust in information from the Government were also more likely than average to say the APF mailing played no role in their deciding to take action (63 per cent).

5.6 Summary: APF compared to control

There was no difference between the APF and control samples in overall levels of action taken or intended, but those who had read some or all of the mailing were more likely to have already taken action, rather than just be intending to (82 per cent compared with 72 per cent of the APF sample as a whole and 74 per cent of the control sample). Those with a good knowledge of pension issues were also significantly more likely to have already taken action (87 per cent had already taken some action decreasing down to just 48 per cent of those with no knowledge; the latter were more likely to be just intending to take action in future – 41 per cent compared with eight per cent of those with good pension knowledge). Pension provision also affected the likelihood of having taken action: 77 per cent of those with any pension provision had taken action compared with 55 per cent who had no pension other than their state entitlement.

These results do not indicate whether action is influenced primarily by readership of the mailing or knowledge of pension issues and having any pension provision. However, further statistical analysis supports the proposition that knowledge of pension issues and pension provision rather than readership of the APF are the main factors associated with retirement planning behaviour.

While 72 per cent of all respondents said they had taken some action with regards to planning for retirement in the last three or four months, only 34 per cent had taken any ‘hard’ actions (changes to their savings behaviour) as opposed to ‘soft’ actions (reviewing their situation or seeking advice and information). Those who had already made changes to their savings behaviour were more likely to be those aged 30+ (36 per cent compared to 29 per cent of 20-29 year olds), those of a more affluent ACORN category (38 per cent of wealthy achievers down to 25 per cent of the hard pressed), those who had read some or all of the mailing (39 per cent compared to 33 per cent who only glanced at it, 31 per cent who didn’t read it at all), those with good knowledge of pensions (49 per cent compared to 38 per cent patchy, 20 per cent no knowledge) and those in the control group (39 per cent compared with 34 per cent APF). This last finding seems odd, suggesting that the APF may actually impact negatively on savings relative to what might have happened in the absence of the APF, but is most probably the result of differences in the characteristics (particularly in levels of pension provision) between the APF and control samples.

There was no difference between the APF and control samples in terms of 'soft' actions undertaken (67 per cent compared to 69 per cent) but APF readers were more likely to have taken some sort of 'soft' action (79 per cent). This suggests readership may potentially play a part in influencing retirement planning behaviour. This is despite the finding that APF recipients were only slightly more likely than the control group to be intending any future action (92 per cent compared to 88 per cent) and that APF readers were no more likely than the APF group as a whole to be intending future action (both 92 per cent).

6 Conclusions

The findings regarding the views on the Automatic Pension Forecast (APF) amongst those who recalled it (62 per cent of all recipients) were generally positive:

- the majority of recallers (80 per cent, equivalent to 49 per cent of all recipients) said the APF had improved their understanding of pensions;
- the APF was thought to be useful by the majority of those who read or at least glanced at it (75 per cent for the letter, equivalent to 38 per cent of all recipients; 74 per cent for the leaflets, equivalent to 21 per cent of all recipients);
- the APF was perceived to have had a positive impact on recipients' retirement planning actions – 53 per cent of those who recalled the APF and took or intended to take action, equivalent to around 30 per cent of all recipients, reported that the APF had played some role in these actions.

However, levels of engagement with the APF (as measured by recall and readership) were fairly low:

- spontaneous recall of the APF mailing was just 33 per cent; while
- three in five (62 per cent) recalled receiving the mailing, only 31 per cent of all recipients read any part of the APF (and only one in four of those aged under 50).

Overall, receipt of the APF seems to have had little, if any, impact on knowledge of the State Pension system or likelihood to take action with regard to planning for retirement; there were no substantive differences in these measures between the APF and control samples.

Those APF recipients who read at least some of the APF mailing exhibited better knowledge of the State Pension system and were more likely to have or be intending to take action in regard to planning/saving for their retirement. However, APF readers were also more likely to have a good (self-reported) knowledge of pension issues and comparatively better provision for their retirement.

Further statistical analysis indicated that general (self-reported) knowledge of pension issues and pension provision were the main factors associated with retirement planning actions. However, readership was also a (mainly secondary) factor, particularly for those with less or no knowledge of pension issues. Readership, or at least recall, was a factor more associated with taking action than pension provision for those with no knowledge at all of pension issues (albeit that these constituted a very small proportion of APF recipients). Moreover, those with basic, patchy or no knowledge who could recall the APF and who had taken/intended to take action were more likely to feel the APF had played a part in their taking action than those with good knowledge. For the majority, however, existing pension provision and/or knowledge were the main factors associated with taking action.

In terms of knowledge of the State Pension system, the pattern is similar. Age and self-reported knowledge of pension issues more generally were of most influence, with readership of the APF having some, generally secondary, influence. Readership of the APF was found to be the main factor associated with spontaneous knowledge of how State Pension entitlement is built up but this was the only instance where this was the case.

Overall, therefore, the evidence suggests negligible influence of the APF on pensions knowledge and retirement planning behaviour. However, the survey has highlighted significant differences in actual knowledge and behaviour among recipients, notably amongst people of different ages and backgrounds, and the fact that these seem to be linked closely with existing levels of pension provision and (self-reported) knowledge – future pensions information and communications strategy should take such differences into account.

Appendix A
Technical appendix

This chapter provides further details about the methodology, in particular the sampling and response rates for the survey.

A.1 Ensuring comparability of Automatic Pension Forecast and control samples

In order to ensure the comparability of the two groups to be interviewed, the main and control samples were matched by gender, age and ACORN code. Gender was a straightforward matching process given that each segment sampled covered either men or women, however, age and ACORN profiles required more monitoring and are discussed in the following sections.

A.1.1 Age

It was important that the age profile of the respondents interviewed matched, as closely as possible, that of all contacts within the APF/control populations. Although in segments one and two the age band of respondents was fairly narrow (from 50 to State Pension age (SPA)) it was still important that the achieved interviews be reasonably spread across those nearing SPA and those ten to fifteen years from it as this could affect their pensions behaviour. The split by age band needed to be broadly consistent between the APF and control samples to ensure comparability and it was also important that the tele-matching and opt-out processes did not radically change the age profile.

As can be seen in Tables A.1 to A.4 (one for each segment), the complete interviews are spread across the whole age range. Although the proportions in each of the age categories vary across the APF and control samples and the different categories, these differences are not great enough to cause concern in segments one, two and four. In segment three there was a higher proportion of those aged 40-49 in the control sample than in the APF sample (51 per cent compared to 39 per cent) and a lower proportion aged 20-29 (18 per cent control compared to

32 per cent APF). One might expect this to lead to the control sample in segment three being more knowledgeable and more likely to take action than APF recipients however this was in fact not the case to a significant extent.

Table A.1 Age profile of completed interviews compared to total contacts provided/tele-matched in segment one (women aged 50-59)

Column percentages

	APF			Control		
Age	**Total contacts %**	**Tele-matched sample %**	**Complete interviews %**	**Total contacts %**	**Tele-matched sample %**	**Complete interviews %**
50-54	56	51	50	59	55	57
55-59	44	49	50	41	45	43
Base	*12,100*	*5,263*	*1,501*	*8,001*	*3,407*	*500*

Table A.2 Age profile of completed interviews compared to total contacts provided/tele-matched in segment two (men aged 50-64)

Column percentages

	APF			Control		
Age	**Total contacts %**	**Tele-matched sample %**	**Complete interviews %**	**Total contacts %**	**Tele-matched sample %**	**Complete interviews %**
50-54	37	31	30	38	32	30
55-59	39	35	34	40	39	43
60-64	25	34	35	23	29	28
Base	*11,998*	*4,736*	*1,500*	*7,217*	*3,265*	*501*

Table A.3 Age profile of completed interviews compared to total contacts provided/tele-matched in segment three (women aged 20-49)

Column percentages

	APF			Control		
Age	Total contacts %	Tele-matched sample %	Complete interviews %	Total contacts %	Tele-matched sample %	Complete interviews %
20-29	30	35	32	24	22	18
30-39	25	23	29	39	33	31
40-49	36	31	39	38	43	51
Base	*25,002**	*10,004**	*2726*	*8,594**	*2,572**	*990*

* Figure includes 18-19 years olds although these were excluded at the analysis stage.

Table A.4 Age profile of completed interviews compared to total contacts provided/tele-matched in segment four (men aged 20-49)

Column percentages

	APF			Control		
Age	Total contacts %	Tele-matched sample %	Complete interviews %	Total contacts %	Tele-matched sample %	Complete interviews %
20-29	33	43	37	33	34	34
30-39	34	26	27	33	33	30
40-49	33	32	36	33	33	35
Base	*56,500*	*13,753*	*3004*	*6,003*	*5,199*	*968*

The control sample for segment four was obtained from an external list provider. The Department for Work and Pensions (DWP) then checked this against the database holding details of all men aged 20-49 who were sent an APF. Where duplicates were found, these were removed from the control sample. As an additional check we added a question to the survey just for the segment four control sample to ensure no one was interviewed as control who had actually received an APF.

A.1.2 ACORN

ACORN is a geo-demographic classification of the UK population based on postcode. It groups the entire population into five broad categories (and up to 56 sub-categories) by analysing significant social factors and consumer behaviour, based on Census and other key data sources.

As may be seen in Table A.5, for the most part, the number in each of the ACORN categories was broadly similar both across the APF and control samples and there was little difference introduced by the tele-matching or interviewing processes.

Table A.5 ACORN category profile of completed interviews compared to total contacts provided/tele-matched

Column percentages

	APF			Control		
ACORN category	**Total contacts**	**Tele-matched sample**	**Complete interviews**	**Total contacts**	**Tele-matched sample**	**Complete interviews**
1 – Wealthy achievers	21	27	26	25	28	30
2 – Urban prosperity	17	11	11	12	13	11
3 – Comfortably off	24	29	30	29	29	30
4 – Moderate means	16	15	15	15	14	15
5 – Hard pressed	19	15	15	18	15	14
Unknown	3	3	2	*	*	*
Base	*105,600*	*33,756*	*8,731*	*29,815*	*14,443*	*2,959*

A.2 Tele-matching, opt out rates and response rates

As shown in Tables A.6 and A.7, tele-matching rates remained constant throughout segments one to three, however, they reduced for segment four. Tele-matching rates were fairly consistent between the APF and control samples, with the greatest difference being found in segment three where 40 per cent of the APF sample could be matched compared with 30 per cent of the control sample. A tele-matching exercise was not conducted for the segment four control group as the sample was derived from an external list provider.

Opt-out rates showed some variation by segment with those aged 50 or over in segments one and two more likely than the 20-49 year olds in segments three and four to have opted out.

Table A.6 Tele-matching and opt out rates – segments one and two

	Segment one (Women aged 50-59)				Segment two (Men aged 50-64)			
	APF		Control		APF		Control	
Tele-matched	5,263	43%	3,407	43%	4,736	39%	3,265	45%
Opt outs	2,637	22%	721	9%	3,132	26%	1,075	15%
Completes	1,501	12%	500	6%	1,500	13%	501	7%
Total	12,100		8,001		11,998		7,217	

Table A.7 Tele-matching and opt out rates – segments three and four

	Segment three (Women aged 20-49)				Segment four (Men aged 20-49)			
	APF		Control		APF		Control	
Tele-matched	10,004	40%	2,572	30%	13,753	24%	5,199	n/a
Opt outs	1,627	7%	411	5%	1,763	3%	0	n/a
Completes	2,726	11%	990	12%	3,004	5%	968	19%
Total	25,002		8,594		56,500		5,199	

Opt-out rates were at a slightly higher overall level for men 50 or over (segment two: 22 per cent) than for women 50 or over (segment one: 17 per cent). There was less gender difference among the 20-29 year olds with the women of segment three slightly more likely to opt out than segment four men (six per cent compared with three per cent). It must be noted that, as with tele-matching, an opt-out exercise was not conducted for the segment four control group as the sample was derived from an external list provider.

In segments one and two there was a higher level of opt-out among those who had been sent an APF forecast (24 per cent over both segments) than among the control (12 per cent overall). This will probably be due to the two samples having different characteristics, however, without having full information on those who chose not to participate in the research it is hard to speculate why the control sample was less likely to opt-out. This difference was not apparent in segment three.

After the opt-out exercise, the remaining sample was divided into primary and reserve sample, with the primary sample containing enough records to achieve the presumed response rate of 60 per cent across the entire study. The reserve sample was used to replace primary records that contained unobtainable numbers, records that were called ten times with no definite outcomes or where there was a language barrier.

Those who had not opted out of the study were contacted via telephone by an IFF interviewer (either in the evening or at the weekend) and were asked to participate in a 15-20 minute telephone interview. Interviewing took place for each segment over a four-to-five week period.

The overall response rate for the project was 61 per cent. Response rates for segments one and two were over the desired 60 per cent level (68 per cent for segment one and 62 per cent for segment two). The lower response rate for segment two reflects the higher opt-out rate for this segment – at all stages of the research process, men were less likely to participate. Response rates for segments three and four were slightly lower but still at the desired 60 per cent level (60 per cent segment three and 59 per cent segment four). This slight drop in response rate can be attributed to the younger age of segments three and four resulting in a lesser engagement with pension issues.

The response rates were calculated by how many interviews were achieved out of the available sample (total in scope of fieldwork), after the exclusion of unobtainable numbers, invalid cases (such as where the respondent was unknown at the given address), numbers called many times without an answer, respondents who could not be interviewed over the telephone due to a language barrier and respondents who could not be interviewed as they were over quota. The response rates shown in Tables A.8 and A.9 show the number of completed interviews compared to the number of refusals and cases where there was no definite outcome within the fieldwork period.

Table A.8 Response rate calculations – segments one and two

	Segment one			Segment two			
	APF	**Control**	**Total**	**APF**	**Control**	**Total**	**Segments one and two**
Total in scope of fieldwork	**2,327**	**632**	**2,959**	**2,488**	**618**	**3,106**	**6,065**
No definite outcome reached within fieldwork period	259	18	277	245	0	245	522
Interviews achieved	1,501	500	2,001	1,500	501	2,001	4,002
Refusals	567	114	681	743	238	981	1,662
Response rates	**65%**	**79%**	**68%**	**60%**	**81%**	**64%**	**66%**

Table A.9 Response rate calculations – segments three and four

	Segment three			Segment four			
	APF	**Control**	**Total**	**APF**	**Control**	**Total**	**Segments three and four**
Total in scope of fieldwork	**4,635**	**1,517**	**6,152**	**4,666**	**2,245**	**6,911**	**13,063**
No definite outcome reached within fieldwork period	0	8	8	0	0	0	8
Interviews achieved	2,726	990	3,717	3,004	969	3,972	7,689
Refusals	1,909	518	2,427	1,662	1,277	2,939	5,366
Response rates	**59%**	**65%**	**60%**	**64%**	**43%**	**57%**	**59%**

A.3 Weighting

The results of the survey were weighted so as to proportionally represent the overall population that were sent APFs.

The data was weighted by:

- the number that had been sent APFs (APF sample) compared to those that were not sent one (control sample);
- ACORN category (where known) within the APF and control populations.

The population figures used were provided by the DWP and were the most accurate figures available at the time. Results for the first two segments (men and women aged 50+) may differ from those presented in the previously-published report (*Evaluation of Automatic State Pension Forecasts for the Over-50s. 2006. DWP Research Report 374*), as the results were reweighted using the most up-to-date figures.

Table A.10 shows the population figures from which the weights to apply were worked out. It should be noted that segment one figures are slightly lower than for segment two as records do not stretch back to the start of segment one. In addition, fieldwork took place before all APFs had been sent out to segment four so the total number sent out was an estimate and it was assumed that the number of people in the control sample would increase to the same proportion.

Table A.10 Population figures of APFs sent out/control sample by segment

Total universe: 18,982,584	APF 18,783,870 (99%)				Control 198,714 (1%)			
Segment	**One**	**Two**	**Three**	**Four**	**One**	**Two**	**Three**	**Four**
Updated total population	1,838,828	2,367,500	7,277,542	7,300,000*	112,217	24,883	39,814	21,800**
Total with ACORN	180,609	1,559,967	6,241,123	3,558,233	2,361	12,940	31,620	7,071
1 – Wealthy achievers	48,845	426,538	1,254,227	762,522	587	3,770	6,559	1,735
2 – Urban prosperity	16,422	129,862	811,773	445,581	181	1,000	3,312	738
3 – Comfortably off	51,748	450,922	1,696,888	982,537	672	3,823	8,770	1,921
4 – Moderate means	26,191	226,420	995,206	560,439	331	1,737	4,741	843
5 – Hard pressed	32,855	290,511	1,259,734	674,323	501	2,092	6,296	1,005
6 – Unclassified	4,548	35,714	223,295	132,831	89	518	1,942	829

Source: DWP.

*Estimate that three million more APFs to be sent out further to the current total of 4,319,174. This figure is slightly higher than for segment three due to fewer records being in the control sample in segment four.

**Extrapolated up from 12,892 (multiplied by 1.694577, i.e. in same proportions as total segment four APF population will increase if three million more forecasts sent out). Both figures being used have been rounded to show they are estimates.

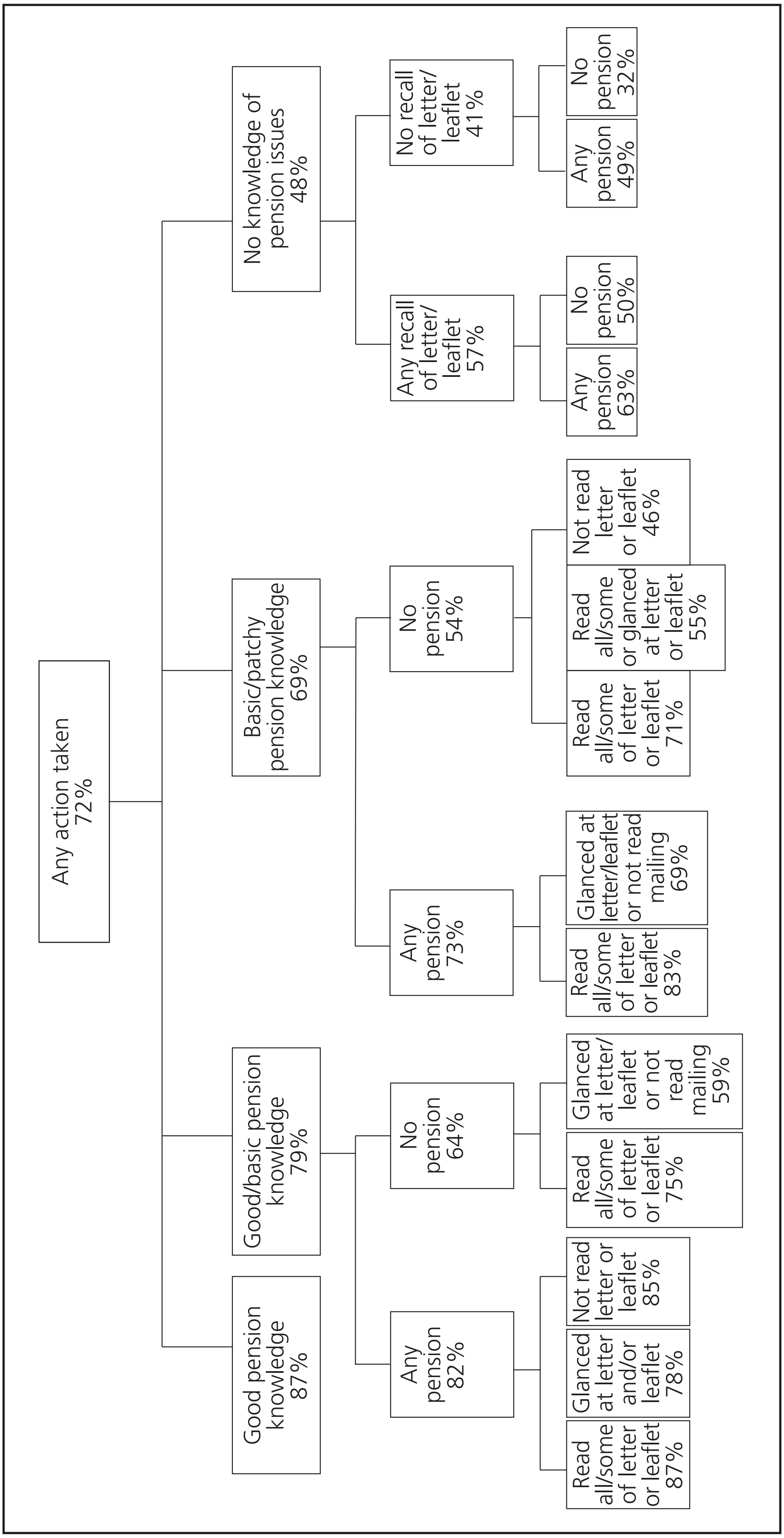
A.4 Chi-square Automatic Interaction Detection analysis

Chi-square Automatic Interaction Detection (CHAID) analysis was undertaken to further understand the key drivers of knowledge of State Pensions and action towards planning for retirement.

CHAID is an exploratory data analysis method used to study the relationships between a dependent measure and a large series of possible predictor variables that themselves may interact. It displays the modelling results in an easy-to-interpret tree diagram. The 'trunk' of the tree represents the total modelling database. CHAID then creates a first layer of 'branches' by displaying values of the strongest predictor of the dependent variable. CHAID automatically determines how to group the values of this predictor into a manageable number of categories (e.g. we may start with ten age categories and CHAID might collapse these down to only four or five statistically significantly different age groups). CHAID then creates additional layers of branches off each grouping, using the strongest of the remaining predictors.

The following illustration is based on the whole APF sample.

Figure A.1 Chi-square Automatic Interaction Detection



Appendix B
Questionnaire

PRIVATE& CONFIDENTIAL	**APF Evaluation Telephone Survey Questionnaire V6**	**4021**

Start Time:	
Company Name:	
Respondent:	
Job Title:	
Interviewer:	

Good morning/good afternoon, my name is __________ and I'm calling from IFF Research, an independent research company. We are carrying out some research into pensions on behalf of the Department for Work and Pensions. You may remember receiving a letter from them about this. They are keen to find out about people's knowledge and attitudes to saving for retirement.

REASSURANCES TO USE IF NECESSARY

- **We are not trying to sell you any financial products or services, and no sales call will result from this.**
- **IFF Research is an independent market research company. All of our work is carried out according to the strict Code of Conduct of the Market Research Society, which means that everything you tell us will be treated in the strictest confidence and that we will not pass your name on to any third party unless you give your express permission. If you would like to check IFF's credentials, you can call the Market Research Society on 0500 396999.**
- **If you would like more information about the research we are conducting, please call Robert Alleyne or Jane Barlow at IFF on 020 7250 3035 or Rob Hardcastle at the DWP on 0114 209 8115.**

RECORD FROM SAMPLE

S1) Date of birth (year only)

S2) Sex

Male	1
Female	2

S3) Segment number

Pilot	5
1	1
2	2
3	3
4	4

S4) ACORN CODE

S5) MAIN/CONTROL SAMPLE

Main	1
Control	2

SEGMENT 4 CONTROL ONLY

S6) **Before we get into the main questionnaire, I just want to check one thing with you. The government has recently been sending out letters giving people an estimate of the state pension they can expect to receive when they retire. Have you received such a letter in the last 2 months? (ADD IF NECESSARY: The letter would have come from the Pensions Service which is part of the Department for Work and pensions DWP)**

Yes	1	**THANK AND CLOSE**
No	2	CONTINUE
Don't know	3	CONTINUE

<u>Attitudes towards pensions</u>

I'd like to start by asking you a few questions about your knowledge and attitude to pensions.

1) Firstly, how confident do you feel of your overall ability to make decisions about pensions? Would you say you feel…
READ OUT. SINGLE CODE.

Very confident	1
Fairly confident	2
Not very confident	3
Not at all confident	4
Don't know	5

2) And which of the following four statements best describes how knowledgeable you feel about pension issues?
READ OUT. SINGLE CODE.

I have a good knowledge of pension issues	1
I have a reasonable, basic knowledge of pension issues – I know how they work generally but do not understand the details	2
My knowledge of pension issues is very patchy – I know a bit about what concerns me but no more	3
I know little or nothing about pensions issues	4

3) Do you know what your income in retirement will be? Would you say you have a good idea, a reasonable idea, a vague idea or no idea?

Good idea	1
Reasonable idea	2
Vague idea	3
No idea	4
Not applicable as already retired (DO NOT READ OUT)	5
Don't know	6

4) NO q4

Knowledge of state pensions

5) Moving on now to talk about state pensions in particular, at what age do you think you will be entitled to draw your basic state pension?
DO NOT READ OUT. MULTICODE OK.

55	1
60	2
65	3
70	4
Other age mentioned (SPECIFY)	5
From 65 but can delay taking it	6
Changing for women	7
Don't know	8

6) NO Q6
7) NO Q7
8) NO Q8

9) Can you tell me anything about how your state pension will be calculated?
PROBE FOR: Who is entitled/how entitlement is built up and how state pension is calculated

9a) You are entitled to a basic state pension if you have paid National Insurance contributions over a certain number of qualifying years. The amount of basic state pension you get will depend on the number of years you have worked. Were you…?
READ OUT. SINGLE CODE.

Fully aware of how it worked	1
Aware that it is related to National Insurance contributions but not that you have to build up a number of qualifying years	2
Not aware of it, you thought everyone got the same amount of basic pension	3

10) Can you tell me if you know of any way people could be entitled to a state pension even if they have not worked for a period of time?
PROBE for how entitlement could be built/who is entitled
DO NOT READ OUT.

Period of long term sickness or disability	1
Receiving other benefits (including unemployment)	2
Looking after young children	3
Caring for others	4
Other (PLEASE SPECIFY)	5
Don’t know	6

10a) People caring for young children or other relatives or unable to work for other reasons are credited with National Insurance contributions so that they can build up entitlement to the State Pension during periods when they are not working. Were you aware of this?
DO NOT READ OUT. SINGLE CODE.

Yes	1
Maybe – think/assume so	2
No	3
Don't know	4

11) Other than the basic state pension, are you aware of any other state pensions for retirement? IF YES: What is it called?
DO NOT READ OUT. SINGLE CODE.

Yes – state second pension/SERPS	1	ASK Q12
Yes – can't recall name	2	
Yes – something else (SPECIFY)	3	
No	4	GO TO Q13
Don't know	5	

12) There is a second state pension, previously known as the State Earnings Related Pension or SERPS. The amount you get will depend on the amount of National Insurance you have paid over your working life. Were you…
(INTERVIEWER NOTE: People can contract out of the state second pension and put these monies into their occupational or private pension)
READ OUT. SINGLE CODE.

…fully aware of how it worked	1
...aware it's an extra pension related to National Insurance contributions but not sure how it works	2
…not aware of it (heard of the scheme but know nothing about it)	3

<u>Recall of APF Mailout</u>

ASK MAIN SAMPLE ONLY (CONTROL GO TO Q34)

13) Have you received any information through the post from the Government or Pensions Service in the last 3 or 4 months?

DO NOT READ OUT. SINGLE CODE.

Yes definitely have	1
Think so	2
No	3
Don’t know	4

IF YES OR THINK SO (Q13 = 1 OR 2)

14) What did you receive?

DO NOT READ OUT. MULTICODE OK.

Letter about state pension entitlement	1
Letter – can't remember what about	2
Leaflet about state pensions	3
Leaflet about planning for retirement	4
1 leaflet – not sure what about	5
2 leaflets – not sure what about	6
Other (SPECIFY)	7
Can't remember	8

ASK ALL EXCEPT SPONTANEOUS MENTIONS OF APF AT Q14/1

15) Do you remember receiving a letter from the Pensions Service telling you how much state pension you are likely to get when you retire?

DO NOT READ OUT.

Yes – definitely remember receiving letter	1
Yes – think received letter	2
No	3

ASK ALL EXCEPT SPONTANEOUS MENTIONS OF TWO LEAFLETS (Q14/3 OR 4)

15a) There were two leaflets enclosed with the letter. One was orange and called 'A quick guide to state pensions' and the other was purple and called 'Plan your retirement now'. Do you remember seeing one or both of these leaflets?

FRASER/ALEK – RED SEEMS A BIT MISLEADING – HAPPY TO CHANGE IT BACK TO MAUVE?

CODE ALL THAT APPLY. PROMPT IF NECESSARY.

Definitely received quick guide to state pensions (orange)	1
Think received quick guide to state pensions (orange)	2
Definitely received plan your retirement now (purple)	3
Think received plan your retirement now (purple)	4
Definitely received 1 - 2 leaflets – can't remember what about	5
Think received 1 - 2 leaflets – can't remember what about	6
No	7

ASK ONLY THOSE WHO RECALL RECEIVING LETTER Q14/1 OR Q15/1-2. OTHERS GO TO Q23 FILTER.

16) You said you (IF Q15/2 think you) received the letter from the Pension Service telling you how much you are likely to get when you retire. How closely did you read the letter? Did you…

READ OUT. SINGLE CODE.

Read all of it	1
Read some of it	2
Just glanced at it only	3
Or didn't you read it at all	4

17) NO Q17

18) NO Q18

19) NO Q19

ASK ALL WHO READ/GLANCED AT LETTER (q16 = 1 -3). OTHERS GO TO Q21.

20) How useful do you feel the information contained in the letter was? Was it…
READ OUT. SINGLE CODE.

Very useful	1
Fairly useful	2
Not very useful	3
Not at all useful	4
Don't know	5

ASK ALL WHO RECALL LETTER (Q14/1 OR Q15/1-2).

21) What have you done with the letter? Have you…
READ OUT. MULTICODE OK.

Kept it	1
Taken it to someone for advice	2
Passed it on to someone else (SPECIFY)	3
Thrown it away	4
Lost or mislaid it	5
Something else (SPECIFY)	6
Don't know	7

22) NO Q22

ALL WHO RECALL LEAFLETS (Q14/3-4 or 15a/ 1-6). OTHERS GO TO Q28 FILTER

23) You said you (Q15a/2, 4 or 6 think you) received a leaflet/ leaflets from the Pension Service. How closely did you read the leaflet(s)? Did you…
READ OUT. SINGLE CODE.

Read all of it	1
Read some of it	2
Just glanced at it only	3
Or didn't you read it at all	4

24) NO Q24

25) No q25

ASK THOSE WHO READ/GLANCED AT LEAFLETS (q23 = 1-3). OTHERS GO TO Q27.

26) How useful do you feel the information contained in the leaflets was? Was it…

READ OUT. SINGLE CODE.

Very useful	1
Fairly useful	2
Not very useful	3
Not at all useful	4
Don’t know	5

ASK THOSE WHO READ/GLANCED LEAFLETS (q23 = 1-3). OTHERS GO TO Q27.

26a) How helpful were the leaflets in giving you information about options for increasing your income in retirement?

READ OUT. SINGLE CODE.

Very helpful	1
Fairly helpful	2
Not very helpful	3
Not at all helpful	4
Don’t know	5

ASK ALL WHO RECALL LEAFLETS (Q14/3-4 or 15a/ 1-6).

27) What have you done with the leaflet?

READ OUT. MULTICODE OK.

Kept it	1
Taken it to someone for advice	2
Passed it on to someone else (SPECIFY)	3
Thrown it away	4
Lost or mislaid it	5
Something else (SPECIFY)	6
Don’t know	7

ASK ALL WHO RECALL RECEIVING LETTER (Q14/1 OR Q15/1-2). OTHERS GO TO Q31 FILTER.

28) (As you know) the letter from the Pension Service was telling you how much state pension you are likely to get when you retire. As best you remember was this amount higher, lower or about the same as you were expecting?
SINGLE CODE.

Higher	1
Lower	2
About the same	3
Don't know	4

29) Was the amount of State Pension shown in the letter an estimate of how much you will get or what you will actually receive?
DO NOT READ OUT. SINGLE CODE.

Definitely an estimate	1
Think it was an estimate	2
Think it was an exact amount	3
Definitely an exact amount	4
Don't know	5

30) And was the amount shown in the letter a general example or was it based on the information held about your own personal circumstances?
DO NOT READ OUT. SINGLE CODE.

Definitely based on personal circumstances	1
Think it is based on personal circumstances	2
Think it is a general example	3
Definitely a general example	4
Don't know	5

30a) NO Q30a.

ASK ALL WHO RECALL RECEIVING LETTER AND/OR LEAFLETS (Q14/1, 3 OR 4 OR Q15/1-2 OR Q15a/1-6). OTHERS GO TO Q33.

31) As a result of receiving the letter [q15a = 1-6 ADD: and leaflets], do you feel you have a better understanding of any of the following things?
READ OUT. MULTICODE.

FOR EACH CODED AT Q31:

32) And would that be a lot better or a little better?
SINGLE CODE.

	Q31	Q32	
		A lot	A little
Your own State Pension income in retirement	1	1	2
The state pension system and what you're entitled to	2	1	2
The options available for increasing state pension entitlement	3	1	2
Other pensions saving options	4	1	2
Other options for saving in retirement	5	1	2

ASK ALL

33) How often would you like to receive this kind of information about what your likely income from the state will be in retirement?

Twice a year	1
Once a year	2
Once every two years	3
Once every five years	4
Less often	5
Other (SPECIFY)	6
Don't know	7

33a) How much trust do you place in printed information like this on pensions and retirement planning that is provided by the Government? Would you say…
READ OUT. CODE ONE ONLY.

A lot of trust	1
Some trust	2
Not that much trust	3
No trust at all	4
Don't know	5

Actions

ASK ALL (INCLUDING CONTROL)
34) Over the last 3 or 4 months, which, if any, of the following actions have you taken with regards to planning for retirement?
ADD IF NECESSARY: (For State Second Pension/SERPS) As well as the Basic State Pension, people who work are entitled to contribute to the State Second Pension (formerly known as SERPS) through their National Insurance contributions.
PROMPT: And was that in the last 3 or 4 months?
READ OUT. MULTICODE.

READ OUT FOR EACH STATEMENT.
34a) Do you intend to do this in the future?
READ OUT. MULTICODE.

	Q34	**Q34a**
Talked to someone or sought information about pensions and saving for retirement	1	1
Taken out a (new) pension	2	2
(ALL EXCEPT Q34/34a/2)Enquired about starting or taking out a new pension	3	3
Changed contributions to a current pension	4	4
(ALL EXCEPT Q34/34a/4)Enquired about increasing contributions to a current pension	5	5
Contracting back into the state second pension (SERPS)	6	6
Contracting out of the state second pension (SERPS)	7	7
Started or made changes to some other form of saving for retirement	8	8

Reviewed your current arrangements and found that they were adequate	9	9
Checked or requested a forecast or statements from other pensions you have	10	10
Checked your entitlement to your spouse's or partner's pension	11	11
Thought about how much you will want or need to live on in retirement	12	12
Other (SPECIFY)	13	13
None of the above	14	14
None as already drawing pension	15	15
Don't know	16	16

IF TALKED TO SOMEONE OR SOUGHT INFORMATION (Q34 = 1)

35) You said you have already talked to someone or sought information about pensions or saving for retirement. Who did you talk to or get information from?

PROMPT IF NECESSARY: Where else have you sought information from? Who else did you speak to?

Spouse/partner	1
Other friend/relative	2
Employer	3
Trade union	4
IFA	5
Bank/building society	6
Insurance company e.g. Legal & General, Prudential	7
The Pensions Service	8
Financial Services Authority (FSA)	9
Internet	10
Other consumer bodies e.g. Citizens Advice Bureau (CAB)	11
Work colleagues	12
Newspapers/other media	13
Other (SPECIFY)	14
Don't know	15

IF SOUGHT INFORMATION FROM PENSIONS SERVICE (Q35 = 8)

36) What sort of information were you looking for from the Pensions Service?

PROMPT IF NECESSARY

General information	1
Entitlements to the state pension	2
State second pension (SERPS)	3
Pension Credit	4
Other (SPECIFY)	5
Don't know	6

37) No Q37

IF TAKEN OUT NEW PENSION (Q34 = 2)

38) You said you have recently taken out a new pension. Is that a personal pension or one you have set up via your employer?

SINGLE CODE.

Personal	1
Via employer	2
Don't know	3

39) NO Q39

40) NO Q40

IF CHANGED CONTRIBUTIONS TO CURRENT PENSION (Q34 = 4)

41) You said that you have recently changed the contributions you are making to your current pension. Have you increased or decreased the amount or stopped making payments to your pension?

DO NOT READ OUT. SINGLE CODE.

Increased	1
Decreased	2
Stopped	3
Already drawing pension (as retired)	4
Other (SPECIFY)	5

42) NO Q42

NO Q43

IF CHANGED CONTRIBUTIONS TO OTHER FORM OF SAVING FOR RETIREMENT (Q34 = 8)

44) **You said that you have recently started making or changed the contributions you are making to retirement savings, other than your pension. How have you done this? Have you…**READ OUT. SINGLE CODE.

Started some other form of saving or investment	1
Increased the amount you are contributing to other investments	2
Decreased the amount you are contributing to other investments	3
Stopped making payments into other investments	4
Other (SPECIFY)	5

NEW QUESTION FOR SEGMENTS 3 AND 4

ASK ALL WHO HAVE TAKEN ACTION (Q34/1-13)

45) Thinking about the actions you have taken in the last 3-4 months, what prompted you to take these actions?
PROBE: Are there any other reasons you took this/these action(s)? Did any (other) information or communications prompt you to take action?
DO NOT PROMPT. CODE ALL MENTIONS

Received APF	1
Set retirement date	2
Change in personal circumstances (e.g. marriage, divorce, death of a partner, having children, etc.)	3
Change in financial circumstances	4
Received information on pensions from media	5
Received information on pensions from financial adviser/employer/bank	6
Feel it's something I should be thinking/doing something about	7
Milestone birthday (e.g turned 30, 40 etc.)	8
Other (SPECIFY)	9
Don't know/can't remember	10

IF LIKELY TO TAKE ACTION (Q34a/1-13)

46) Thinking now about the action you intend to take in the future, how likely is it that you will take this action? Is it…
READ OUT. SINGLE CODE.

Very likely	1
Quite likely	2
Not very likely	3
Not at all likely	4
Don't know	5

47) NO q47

IF MAIN SAMPLE AND RECALL RECEIVING LETTER AND/OR LEAFLET AND HAVE NOT AND DO NOT INTEND TO TAKE ACTION (Q14/1 OR Q15/1-2 OR Q14/3-4 OR Q15a/1-6 AND Q34/14-16 AND Q34a/14-16). OTHERS GO TO Q50 FILTER.

48) You said you have not taken any actions with regards to retirement planning in the last 3 to 4 months and don't intend to in the future. Could you tell me why you are not likely to take action?
DO NOT READ OUT. MULTICODE.

Happy with current pension arrangements	1
Happy that other savings/investments will provide for my retirement	2
I am not ready to start planning my retirement yet	3
I am not able to save more for retirement just now (including can't afford it)	4
It's too late for me to start saving for my retirement	5
Not interested in pensions/planning for retirement	6
I don't know what to do	7
I haven't been bothered	8
I've not had time to look into it yet	9
Other (SPECIFY)	10

49) No q49

IF MAIN SAMPLE AND RECALL RECEIVING LETTER AND/OR LEAFLET AND TAKEN ACTION OR PLAN TO TAKE ACTION (Q14/1 OR Q15/1-2 OR 14/3-4 OR Q15a/1-6 AND Q34/1-13 OR Q34a/1-13). OTHERS GO TO Q51.

50) **Thinking about the things you have said you [have done** (Q34/1-13)**/plan to do** (Q45/1-13)**] for your retirement, what role, if any, has the letter you received from the Pension service played? Has it played…**
READ OUT. CODE ONE ONLY.

A key role you would not have done this otherwise	1
Some role – as you probably would have done it, but it has encouraged or helped you to do it sooner	2
Or no role at all – you would have done this anyway	3
Don't know	5

<u>Personal Circumstances</u>

ASK ALL

51) In addition to state pensions, which of the following type of pension schemes have you ever been a member of?
READ OUT. CODE ALL MENTIONS.

A pension arranged through your workplace	1
A personal pension you arranged yourself without any involvement of an employer	2
Or, have you never had a pension scheme that you or an employer have paid into (ONLY READ OUT IF NONE OF THE ABOVE)	3
Don't know	4

51a) IF HAVE EVER HAD OCCUPATIONAL PENSION (Q51=1)
Thinking about your pension which was arranged through your workplace, are you or your employer currently paying into it or not?
DO NOT READ OUT.

Yes – currently paying into it	1
No – not currently paying into it	2
Don't know	3

51b) IF HAVE EVER HAD PERSONAL PENSION (Q51=2)
Thinking about your personal pension, are you currently paying into it or not?
DO NOT READ OUT.

Yes – currently paying into it	1
No – not currently paying into it	2
Don't know	3

IF CURRENTLY HAS OCCUPATIONAL PENSION (Q51a = 1)
51C) **There are two main types of pensions employers offer. Which of the following statements best describes how your current occupational pension will be calculated?**
READ OUT. SINGLE CODE.

My pension will be related to my salary in my final year (or years) and the number of years I have been in the scheme	1
My pension will be dependent on the value of the contributions paid to the scheme and the rate of return achieved on their investment	2
Combination of the two statements (DO NOT READ OUT)	3
Other – please give details (DO NOT READ OUT)	4
Don't know	5

ASK ALL

52) **Which of the following best describes your work status? Are you…**(READ OUT)?
SINGLE CODE ONLY

Working part time (less than 16 hours a week)	1
Working part time (16 – 29 hours per week)	2
Full time (30 or more hours per week)	3
Retired	4
Unemployed and looking for work	5
Not working as looking after family/home	6
Not working for some other reason	7
Other (SPECIFY)	8
Don't know	9
Refused	10

ASK ALL EXCEPT RETIRED (Q52/4)

53) Now I would like to ask about retirement age. If you are planning to retire gradually, this means the age at which you will start to reduce your workload. At what age do you expect to retire?
WRITE IN RESPONSE. PROMPT WITH RANGES IF NECESSARY.

50 – 55	1
56 – 60	2
61 – 65	3
66 – 70	4
71 or over	5
Don't know	6

54) **When you retire, will your household income come…**READ OUT?
SINGLE CODE ONLY

Mainly from your pension provision	1
Mainly from your partners' pension provision	2
From both you and your partners' pension provision equally	3
Other sources of income or investments (SPECIFY)	4
Don't know	5
Refused	6

55) What proportion of your current household income do you think you will need to be able to live comfortably when you retire? Is it (READ OUT)
SINGLE CODE ONLY

Less than 50%	1
50-74%	2
75-100%	3
More than 100%, that is, more than your current household income	4
Don't know	5

56) **To attain a comfortable retirement and assuming you retire at the age you expect, do you think you need to…**(READ OUT)?
SINGLE CODE ONLY

Save more	1
Save less	2
Or save the same amount as now	3
Don't know	4
Refused	5

56a) Do you have any savings, other than your pension, that are specifically for your retirement?

Yes (SPECIFY)	1
No	2

ASK ALL

57) **Finally, I would like to ask you a number of questions about your general situation. Which of the following best describes your home? Do you/are you**…(READ OUT)?

SINGLE CODE ONLY

Own it outright	1
Buying it with the help of a mortgage or loan	2
Pay part rent and part mortgage (shared ownership)	3
Rent it	4
Other (SPECIFY)	5
Don't know/refused	6

58) **Moving on to your current living arrangements, are you**…(READ OUT)?

SINGLE CODE.

Living on your own	1
Married and living with your husband/wife	2
Cohabitating with a partner	3
Living with relatives	4
Living with non-relatives	5
Other (SPECIFY)	6
Don't know	7
Refused	8

59) How many dependent children are there living in your household? By dependent I mean either aged under 16 or in full time education.
WRITE IN. PROMPT WITH RANGES IF NECESSARY

0	1
1	2
2	3
3 – 4	4
5 or more	5
Don't know	6

ASK ALL MARRIED OR LIVING WITH PARTNER (Q58 = 2 OR 3)

60) Is your partner currently working?
WRITE IN. PROMPT WITH RANGES IF NECESSARY

Yes	1
No	2
Don't know	3

61) Could you tell me in which of the following bands your total annual household income falls, before taxes and deductions from pay?
READ OUT. SINGLE CODE.

	Q61
Less than £10,000	**1**
£10,000 - £19,999	**2**
£20,000 - £29,999	**3**
£30,000 - £39,999	**4**
£40,000 - £59,999	**5**
£60,000+	**6**
Don't know	**7**
Refused	**8**

ASK ALL EXCEPT ONE PERSON HOUSEHOLDS (Q58 NOT 1 OR 6) OR PARTNER NOT WORKING (Q60 NOT 2)

62) And could you please tell me in which of the following bands your total annual personal income falls, before taxes and deductions from pay?

ADD IF NECESSARY: By personal income we mean the individual income you earn.

READ OUT. SINGLE CODE.

	Q61
Less than £10,000	**1**
£10,000 - £14,999	**2**
£15,000 - £19,999	**3**
£20,000 - £24,999	**4**
£25,000 - £29,999	**5**
£30,000 - £39,999	**6**
£40,000 - £59,999	**7**
£60,000+	**8**
Don't know	**9**
Refused	**10**

ASK ALL

63) To which of these ethnic groups do you consider you belong?

READ OUT MAIN CATEGORIES (SUB CATEGORIES WHERE RESPONDENT IS UNCLEAR). SINGLE CODE ONLY.

White (including British, Irish, any other white background)	1
Mixed (including white and black Caribbean, white and black African, white and Asian, any other mixed background)	2
Asian or Asian British (Indian, Pakistani, Bangladeshi, any other Asian background)	3
Black or Black British (Caribbean, African, any other Black background)	4
Other ethnic groups (Chinese, any other ethnic group)	5
Don't know	6
Refused	7

64) Do you have any long-term illness, health problem or disability which limits your daily activities or the work you can do?
SINGLE CODE.

Yes	1
No	2
Refused	3

65) AGE – FROM SAMPLE

66) GENDER – FROM SAMPLE

67) Thank you very much for your participation. Would it be okay if the answers you have given were combined with administrative records held by the Department for Work and Pensions (DWP)? Your answers will of course be treated in strict confidence by IFF and the research team at DWP and will not affect your dealings, either now or in the future, with the DWP. You can withdraw your consent at any time.
SINGLE CODE.

Yes	1
No	2

CHECKS

INTERVIEWER: DO NOT ASK
Informed consent statement read to respondent

Yes	1
No	2

INTERVIEWER: DO NOT ASK
Respondent has understood informed consent statement

Yes	1
No	2

INTERVIEWER: DO NOT ASK
Informed consent given

Yes	1
No	2

LAST SCREEN
If respondent has any questions or wants further information about pensions they can call the Pensions Advisory Service on 0845 601 2923.

Appendix C
Pension leaflets

A quick guide to state pensions

The Pension Service

Part of the Department for Work and Pensions

Contents

What is the State Pension?

The State Pension is made up of:

- basic State Pension; and
- additional State Pension.

You may be able to get either or both when you reach State Pension age if you meet the qualifying conditions.

What is State Pension age?

State Pension age is:

- 65 for men;
- 60 for women born on or before 5 April 1950;
- between 60 and 65 for women born between 6 April 1950 and 5 April 1955 (depending on your date of birth); and
- 65 for women born on or after 6 April 1955.

To find out more about the State Pension age for women, please see *Pensions for women – Your guide* (PM6). See page 10 for details about how you can get a copy of this guide.

Also, you do not have to claim your State Pension when you reach State Pension age. To find out more about delaying claiming your State Pension, please see the section 'What if I want a flexible retirement?' on page 8.

Basic State Pension

How do I qualify for the basic State Pension?

You can get a basic State Pension by building up enough qualifying years before State Pension age. A qualifying year is a tax year in which you have enough earnings on which you have paid, are treated as having paid or have been credited with National Insurance (NI) contributions. In 2005/06, you need to have £4,264 or more in earnings if you are an employee or £4,345 or more if you are self-employed. Also, by State Pension age, you need to have at least one qualifying year from NI contributions you have paid or from NI contributions treated as being paid to be eligible for any State Pension. You will not be eligible for a State Pension if you have only ever received NI credits.

To find out more about credits, please see 'What if I have not always worked?' below.

How much is the basic State Pension?

In 2005/06, the full basic State Pension is **£82.05** a week and the minimum basic State Pension is **£20.51** a week.

Men normally need 44 qualifying years to get the full basic State Pension and 11 qualifying years to get the minimum basic State Pension.

Women currently normally need 39 qualifying years for a full basic State Pension and 10 qualifying years to get the minimum basic State Pension. In 2020, when the State Pension age is made the same as for men (65), the normal requirement will increase to 44 qualifying years for the full basic State Pension and 11 qualifying years for the minimum basic State Pension. To find out more, please see *State pensions – Your guide* (PM2) or *Pensions for women – Your guide* (PM6). See page 10 for details about how you can get copies of these guides.

However, the number of qualifying years you need will be reduced if you qualify for Home Responsibilities Protection – this is explained in the following section, 'What if I have not always worked?'.

What if I have not always worked?

If you have not always worked, you may be entitled to credits or Home Responsibilities Protection, depending on your circumstances.

Credits
In certain circumstances you may get NI credits instead of having to pay contributions yourself. If you have received a relevant benefit or allowance, such as:

- Carer’s Allowance;
- Jobseeker’s Allowance;
- Incapacity Benefit;
- Working Tax Credit (previously Disabled Person’s Tax Credit or Working Families’ Tax Credit);
- Maternity Allowance;
- Statutory Sick Pay;
- Statutory Maternity Pay;
- Statutory Adoption Pay; or
- War Pension Unemployability Supplement,

you may have been credited with NI contributions for that period. These credits can help you build up qualifying years towards your basic State Pension.

You may also get credits if you were incapable of work or unemployed and available and actively looking for work even if you were not getting a benefit.

Home Responsibilities Protection
You may be entitled to Home Responsibilities Protection if you have not worked, or your wages are low (less than £4,264 in 2005/06), or you have not received enough credits in any tax year while, throughout the tax year, you were:

- looking after children under 16 and Child Benefit is paid to you;
- looking after a person with a long-term illness or disability; or
- registered as a foster parent from April 2003.

Home Responsibilities Protection may reduce the number of qualifying years you need to earn a full basic State Pension.

For more information on credits and Home Responsibilities Protection, please see *State pensions for carers and parents – Your guide* (PM9). See page 10 for details about how you can get a copy of this guide.

Can I get a basic State Pension based on my husband's, wife's or civil partner's NI contributions?

For married women

If you have not built up an entitlement to a basic State Pension and you are a married woman, we can use your husband's NI contributions record instead (as long as he has reached State Pension age and has claimed his State Pension). You could then receive a basic State Pension of up to 60% of your husband's entitlement (up to **£49.15** in 2005/06).

For married men and civil partners

If you have not built up an entitlement to a basic State Pension and you are a married man or a civil partner, from April 2010 we can use your wife's or civil partner's NI contributions record instead (as long as they were born after 5 April 1950, have reached State Pension age and have claimed State Pension). You could then receive a basic State Pension of up to 60% of your wife's or civil partner's entitlement. (A civil partnership is a formal agreement that gives same-sex couples the same legal status as a married couple.)

For people who are widowed, divorced, a surviving civil partner, or people whose civil partnership has been dissolved (officially ended)

If you are widowed, divorced, a surviving civil partner or a person whose civil partnership has been dissolved, we can sometimes use the NI contributions of your husband, wife or civil partner to help you get a better State Pension.

What are married women's or widows' reduced-rate contributions?

If you were married or widowed before April 1977, you could choose to pay a reduced rate of NI contributions. If you chose to do this, for the period you did not pay any full-rate NI contributions, you will not have built up any entitlement to a basic State Pension or an additional State Pension on your own. You will also not qualify for any credits or reductions in qualifying years through Home Responsibilities Protection for that period.

Additional State Pension

What is the additional State Pension?

The additional State Pension is related to the level of your earnings and is paid on top of your basic State Pension. But you do not have to be getting basic State Pension to get additional State Pension.

Your additional State Pension may be made up of:

- a State Earnings-Related Pension Scheme (SERPS) pension; and
- State Second Pension.

You may also get:

- Graduated Retirement Benefit (GRB) – if you were an employee between April 1961 and April 1975 and paid graduated NI contributions, you will get GRB; and
- a shared additional pension if you are divorced, your civil partnership was dissolved or your marriage or civil partnership was annulled after December 2000.

For more information about these terms, please see *State pensions – Your guide* (PM2). See page 10 for details about how you can get a copy of this guide.

How do I qualify for additional State Pension?

You can build up additional State Pension if you are:

- an employee with earnings of at least £4,264 in 2005/06 on which you have paid or are treated as having paid NI contributions; or
- in some circumstances, a carer entitled to Home Responsibilities Protection or receiving Carer's Allowance,
  or a person receiving long-term Incapacity Benefit or Severe Disablement Allowance.

You cannot build up your additional State Pension while you are self-employed. For more information about additional State Pension, see *State pensions – Your guide* (PM2). See page 10 for details about how you can get a copy of this guide.

How much additional State Pension can I get?

As the additional State Pension is related to the level of your earnings, the amount of additional State Pension you can get will depend on your earnings record.

The highest amount of additional State Pension you can get in 2005/06 is **£143.08** a week.

What is 'contracting out' of the additional State Pension?

You can leave, or 'contract out' of, the additional State Pension by joining your employer's occupational pension scheme or a personal pension scheme. Even if you do this, you may still be entitled to some additional State Pension, depending on the level of your earnings. For more information, see *Contracted-out pensions – Your guide* (PM7). See page 10 for details about how you can get a copy of this guide.

What other state benefits might I be entitled to?

In certain circumstances you might be entitled to **Pension Credit** or another income-related benefit when you retire, depending on your household income and other savings. Pension Credit guarantees a minimum weekly income in 2005/06 for people aged 60 and over of £109.45 a week for single pensioners and £167.05 a week for couples. These amounts may be more for people who have caring responsibilities, are severely disabled or have certain housing costs. If you are aged 65 or over, you may get extra money even if you have income above the level of the full basic State Pension. For more information on Pension Credit, please see *Pension Credit* (PC1L). See page 10 for details about how you can get a copy of this guide.

You might also be entitled to other benefits such as Housing Benefit or Council Tax Benefit. For more information on Housing Benefit, Council Tax Benefit and other help and advice that is available through central and local government, see the *Pensioners' guide* (PG1). See page 11 for details about how you can get a copy of this guide.

What if I have lived abroad?

If you have ever lived in the European Economic Area, in Switzerland or in any country whose social security system is linked to Britain's, any social security contributions you have made there may help you meet the contribution conditions for basic State Pension. You may also be entitled to a state pension from the other country or countries. For more information, see *Coming from abroad and social security benefits* (GL28). See page 11 for details about how to get a copy of this guide.

What if I want a flexible retirement?

You could also think about a more flexible approach to your retirement. You may not want to retire from work altogether when you reach State Pension age. You can work longer, either full time or part time, whether or not you have claimed your State Pension. For more information on working longer, please get a copy of the guide *Are you over 50?* This is a guide to the help and advice available from the government and voluntary organisations, including information about looking for work, changing jobs and updating skills. See page 10 for details about how you can get a copy of this guide.

Delaying claiming your State Pension

You can choose to delay claiming your State Pension when you reach State Pension age. If you do this, depending on how long you delay claiming your State Pension (whether you are working or not), you can choose one of the following when you do claim.

Extra State Pension

If you delay your State Pension for at least five weeks, you can earn an increase to your State Pension of 1% for every five weeks you delay. (This is equivalent to about 10.4% extra for every year you delay claiming, compared with about 7.5% extra before 6 April 2005.) If you choose extra State Pension, you will not be paid State Pension for the weeks you gave up claiming it as you will get a higher pension instead from when you do claim it.

A lump-sum payment

If you delay claiming your State Pension for at least 12 months in a row, you can choose to receive a one-off taxable lump-sum payment based on the amount of normal weekly State Pension you would have received, plus interest. You also get your State Pension, when you claim it, paid at the normal rate.

Putting off claiming State Pension may not be right for everyone. However, if you think it may be right for you, it is important to find out more before you decide. We have information to help you, and you can also ask for advice from a financial adviser or from organisations that give advice to pensioners. Or, you can talk to your family and friends. (You may have to pay for professional financial advice.)

For more information about delaying claiming your State Pension, we have a short introductory guide and a longer in-depth guide. See below for details about how you can get copies of these guides.

Where can I get more information?

Where we refer to numbers that begin with 0845, calls from BT landlines are charged at local rate. Charges for calls from mobile phones, cable and other network providers may be different.

State pensions – Your guide (PM2)
Pensions for women – Your guide (PM6)
Contracted-out pensions – Your guide (PM7)
State pensions for carers and parents – Your guide (PM9)
Your guide to State Pension Deferral (SPD1)
Your introduction to State Pension Deferral (SPD2)

To order any of the guides mentioned above, call the pensions information order line on **0845 7 31 32 33**. If you have speech or hearing difficulties, the textphone service is available on 0845 604 0210. Lines are open 24 hours a day. Or, visit **www.thepensionservice.gov.uk**

Pension Credit (PC1L)
To order this guide, call **0845 6 065 065**. If you have speech or hearing difficulties, the textphone service is available on 0845 6 064 064. Lines are open from 7am to 11pm every day. Or, visit **www.thepensionservice.gov.uk**

Are you over 50?
To order this guide, call **0845 60 222 60**. If you have speech or hearing difficulties, the textphone service is available on 0845 60 555 60. Lines are open from 9am to 5.30pm, Monday to Friday. The guide is also available in doctors' surgeries, libraries and Jobcentre Plus offices. Or, visit **www.over50.gov.uk**

Pensioners' guide (PG1)
To order this guide, call **0845 6 065 065**. If you have speech or hearing difficulties, the textphone service is available on 0845 6 064 064. Lines are open from 7am to 11pm every day. Or, visit **www.thepensionservice.gov.uk/retired**

Coming from abroad and social security benefits (GL28)
You can get this leaflet from your nearest social security office or Jobcentre Plus office (details are in your phone book). Or, visit **www.thepensionservice.gov.uk**

The Pension Service website provides unbiased information about state and private pensions, whether you are retired, approaching retirement or planning ahead for retirement. Visit **www.thepensionservice.gov.uk**

For basic free help on the different types of pension available, you can contact **Citizens Advice** (details are in your local phone book under C). Or, visit **www.citizensadvice.org.uk**

If you are not sure what to do for the best, you may want to get more advice from a financial adviser. But remember, if you see an adviser, you may have to pay for their advice. You can check whether a particular financial adviser is authorised by calling the **Financial Services Authority** (FSA) on **0845 606 1234**. Or, visit the 'Firm and Person Check' section on the FSA website at **www.fsa.gov.uk/consumer**

Remember that this leaflet is only a general guide and is not a full statement of the law. We have made every effort to make sure that the information in this leaflet is correct at the date shown on this page.

ISBN: 1-84388-773-8

Produced by The Pension Service
Printed in the UK November 2005 APF1

The Pension Service

10821 Crystal Mark
Clarity approved by Plain English Campaign

Plan your retirement now!

The Pension Service
Part of the Department for Work and Pensions

This guide gives you information about some of the options available on top of the State Pension.

Contents

Are you an employee?

Occupational pension schemes

An occupational pension scheme is an arrangement an employer makes to give their employees a pension when they retire.

For people in work, occupational pension schemes are usually a very good way of saving and you can get an occupational pension as well as any State Pension you may be entitled to.

Two important benefits of occupational pensions are tax relief and employer contributions.

Tax relief
With a basic rate of income tax of 22%, every £100 that goes into your pension costs you £78 (based on the tax year 2005/06). With a higher rate of income tax of 40%, every £100 that goes into your pension costs you £60 (based on the tax year 2005/06).

Employer contributions
Your employer can pay contributions on top of the contributions you make yourself. This helps increase the overall value of your pension.

By not joining, you could be missing out on both tax relief and contributions from your employer.

Occupational pensions often offer other benefits such as life assurance or a pension for your dependants if you die. And, if you change jobs, you might be able to move your pension to your new job. But you would need to check the exact benefits with the pension scheme provider.

So, if you're not already a member of an occupational pension scheme, find out if your employer offers one.

And, if you are already paying into an occupational pension scheme, remember you may be able to increase the amount you pay in to get more back when you retire. (Your employer can make arrangements for you to do this.)

For more information on occupational pensions, please see *Occupational pensions – Your guide* (PM3). See page 6 for details about how you can get a copy of this guide.

Are you self-employed?

Unlike employees, if you are self-employed you are not covered by additional State Pension because you pay a lower rate of National Insurance contributions. However, you may find the section below, 'Would you like to know more about pension and saving options?', useful. It gives information about personal pensions, stakeholder pensions and other saving options. Or, see *Pensions for the self-employed – Your guide* (PM5). See page 6 for details about how you can get a copy of this guide.

Would you like to know more about pension and saving options?

There are other pension choices available, such as personal and stakeholder pensions, as well as other non-pension saving and investment options.

Personal pensions

Personal pensions are a way of making regular savings for your retirement. The money you save is put into investments for you, such as stocks and shares. You will then use this 'fund' to buy a pension, from a pension provider, to give you a regular income when you retire.

An important benefit of contributing to a personal pension is the tax relief it gives you. With a basic rate of income tax of 22%, every £100 that goes into your pension costs you £78 (based on the tax year 2005/06). With a higher rate of income tax of 40%, every £100 that goes into your pension costs you £60 (based on the tax year 2005/06).

Before you decide to take out a personal pension scheme, compare the costs you will have to pay with the costs of a stakeholder pension (see the section below on 'Stakeholder pensions'). And make sure the personal pension you choose is the right one for you, because if you decide to transfer to a different type of scheme you may have to pay extra charges.

For more information on personal pensions, please see *Personal pensions – Your guide* (PM4). See page 6 for details about how you can get a copy of this guide.

Stakeholder pensions

Stakeholder pensions are a type of personal pension that has minimum standards set down in law. Stakeholder pensions:

- have a limit on the management charges that can be charged each year; and
- are flexible and allow you to make contributions (which can be as little as £20 at a time) when you are able to.

As with personal pensions, the money you save is put into investments for you, such as stocks and shares, and you will then use your 'fund' to buy a pension, from a pension provider, to give you a regular income when you retire.

For more information on stakeholder pensions, please see *Stakeholder pensions – Your guide* (PM8). See page 6 for details about how you can get a copy of this guide.

Non-pension saving options

A pension is not the only way to save for retirement. You could investigate other saving and investment options.

If you are approaching retirement age or you already have a pension, it may be better to investigate **other saving options**, for example an ISA (an Individual Savings Account). For more information, please see

ISAs and PEPs. See page 7 for details about how you can get a copy of this guide.

You may have **other investments** in mind to support yourself when you retire, for example property or selling your business if you are self-employed. Find out how much these will be worth and also how easy it will be to turn these investments into income when you retire.

Have you thought about a flexible retirement?

You could also think about a more flexible approach to your retirement.

You may not want to retire from work altogether when you reach State Pension age. You can work longer, either full time or part time, whether or not you have claimed your State Pension. For more information on working longer, please get a copy of the guide *Are you over 50?* This is a guide to the help and advice available from the Government and voluntary organisations, including information about looking for work, changing jobs and updating skills. See page 7 for details about how you can get a copy of this guide. Or, visit **www.direct.gov.uk/Over50s**.

Delaying claiming your State Pension

You can choose to delay claiming your State Pension when you reach State Pension age. If you do this, depending on how long you delay claiming your State Pension (whether you are working or not), you can choose one of the following when you do claim.

Extra State Pension

If you delay your State Pension for at least five weeks, you can earn an increase to your State Pension of 1% for every five weeks you delay. (This is equivalent to about **10.4%** extra for every year you delay claiming, compared with about 7.5% extra before 6 April 2005.) If you choose extra State Pension, you will not be paid State Pension for the weeks you gave up claiming it as you will get a higher pension instead from when you do claim it.

A lump-sum payment
If you delay claiming your State Pension for at least 12 months in a row, you can choose to receive a one-off taxable lump-sum payment based on the amount of normal weekly State Pension you would have received, plus interest. You also get your State Pension, when you claim it, paid at the normal rate.

Putting off claiming State Pension may not be right for everyone. However, if you think it may be right for you, it is important to find out more before you decide. We have information to help you, and you can also ask for advice from a financial adviser or from organisations that give advice to pensioners. Or, you can talk to your family and friends. (You may have to pay for professional financial advice.)

For more information about delaying claiming your State Pension, we have a short introductory guide and a longer in-depth guide. See below for details about how you can get copies of these guides.

Where can I get more information?

Where we refer to numbers that begin with 0845, calls from BT landlines are charged at local rate. Charges for calls from mobile phones, cable and other network providers may be different.

State pensions – Your guide (PM2)
Occupational pensions – Your guide (PM3)
Personal pensions – Your guide (PM4)
Pensions for the self-employed – Your guide (PM5)
Stakeholder pensions – Your guide (PM8)
Your guide to State Pension Deferral (SPD1)
Your introduction to State Pension Deferral (SPD2)

To order any of the guides mentioned above, call the pensions information order line on **0845 7 31 32 33**. If you have speech or hearing difficulties, a textphone service is available on 0845 604 0210. Lines are open 24 hours a day. Or, visit **www.thepensionservice.gov.uk**

Are you over 50?
To order this guide, call **0845 60 222 60**. If you have speech or hearing difficulties, a textphone service is available on 0845 60 555 60. Lines are open from 9am to 5.30pm, Monday to Friday. The guide is also available in doctors' surgeries, libraries and Jobcentre Plus offices. Or, visit **www.direct.gov.uk/over50s**

ISAs and PEPs
You can get this leaflet from HM Revenue and Customs' leaflet order line on **0845 9000 404**. Lines are open from 8am to 10pm, seven days a week. Or, visit **www.hmrc.gov.uk/leaflets/isa.htm**

The Pensions Advisory Service can give you information and advice on occupational, stakeholder and personal pensions. You can call them on **0845 601 2923**. Lines are open from 9am to 5pm, Monday to Friday. Or, visit **www.pensionsadvisoryservice.org.uk**. You can also e-mail them at **enquiries@pensionsadvisoryservice.org.uk**

The Financial Services Authority (FSA) has a range of free consumer booklets and factsheets about saving for retirement and stakeholder pensions. You can call the FSA Consumer Helpline on **0845 606 1234** (call rates may vary) or, visit **www.fsa.gov.uk/consumer**

For basic free help on the different types of pension available, you can contact **Citizens Advice** (details are in your local phone book under C). Or, visit **www.citizensadvice.org.uk**

If you are not sure what to do for the best, you may want to get more advice from a financial adviser. But remember, if you see an adviser you may have to pay for their advice. You can check whether a particular financial adviser is authorised by calling the **Financial Services Authority** (FSA) on **0845 606 1234**. Or, visit the 'Firm and Person Check' section on the FSA website at **www.fsa.gov.uk/consumer**

Remember that this leaflet is only a general guide and is not a full statement of the law. We have made every effort to make sure that the information in this leaflet is correct at the date shown on this page.

ISBN: 1-84388-774-6

Produced by The Pension Service
Printed in the UK
November 2005
APF2

Appendix D
Opt-out letter (example)

DWP Department for Work and Pensions

Dear [NAME]

The Department for Work and Pensions (DWP) would like to carry out some research to help improve the information we provide to people.

We have asked an independent research firm, IFF Research, to undertake this research on our behalf and we hope that you will be able to take part if they contact you, as your views are very important to us.

An interviewer from IFF may telephone you between 16 May and 19 June to conduct the interview, which should last no longer than 10-15 minutes. If you are unavailable they can call back at a time that is convenient for you.

I do hope that you will feel able take part in this important research, however if you do not want to take part please contact IFF by 13 June quoting the reference number above. To contact IFF you can:

- Tick the box on the enclosed card and send it back to IFF – no stamp is required
- telephone their FREEPHONE number: 0808 108 0305 and leave your name and quote the reference number at the top of this letter

If you would like verification that this research is being carried out on behalf of DWP then IFF will be able to put you in touch with a DWP official. Please feel assured that any other dealings that you have with The Department for Work and Pensions will not be affected by this research in any way, either now or in the future.

If you don’t hear from us it is because we will have already found enough people to take part before we got round to contacting you. In which case may I thank for your attention and wish you all the best for the future.

Thank you very much in advance for your help.

Yours sincerely

Department for Work and Pensions