

Department for Work and Pensions

Research Report No 374

Evaluation of Automatic State Pension Forecasts for the over-50s

Karen Bunt, Courtney Leo and Jane Barlow

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

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Summary

Introduction

Since December 2004 and continuing into 2006, the Department for Work and Pensions (DWP) have sent over ten million Automatic State Pension Forecasts (APFs) to people aged between 20 and 64 years.

The APF includes a letter stating the individual's estimated State Pension¹ 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 are being sent out in tranches to different segments of the population:

- Women aged 50 – 59.
- Men aged 50 – 64.
- Women aged 20 – 49.
- Men aged 20 – 49.
- People who are self-employed.²

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

² The self-employed have already received an APF. 1.5m APFs were sent to the self-employed between May 2003 – and May 2004.

This report covers the over-50s only, the first two segments above. The findings are therefore only representative of those aged 50 to State Pension retirement age. A separate report, to follow in 2007, will evaluate APFs for the under-50s.

The research comprises a large-scale telephone survey across the four segments. This will interview some 9,000 people who have been sent an APF. In addition, 3,000 interviews will be conducted with a 'control' sample, compiled from those who were known not to have been sent a forecast for various clerical reasons such as uncertainty over their address and who were recorded as not having received any other type of pensions forecast (e.g. from their employer). This evaluation encompasses the first 4,000 of those interviews (3,000 APF recipients and 1,000 'control' sample), with those aged over 50.

Respondent profile

Most of the main personal characteristics and circumstances of the 4,000 interviewees were recorded at the time of interview. Age and socio-economic status (as measured by ACORN category³) were known prior to interview and these were used to 'match' as far as possible the APF recipients and control samples. The aim of establishing and interviewing a control sample was to create a demographically comparable group to APF recipients to further assess the net impact of the APF on recipients' knowledge of pension issues and on actions to plan and save for retirement.

APF 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 control sample were more likely to be working and in full-time employment (30+ hours per week) than those in the APF sample. Almost four out of five (78 per cent) of respondents in the control sample were working, 57 per cent full-time, compared with 73 per cent and 53 per cent respectively for the APF sample. Respondents in the control sample were also more likely to have some pension provision beyond state provision and to have an occupational pension. Virtually all (96 per cent) had some pension provision beyond state, with 93 per cent having an occupational pension, compared with 85 per cent and 77 per cent respectively for the APF sample.

Given these differences, one would reasonably expect the control sample to have a greater capacity to make due financial provision for their retirement in the form of savings and other investments and this needs to be taken into account in evaluation of the net impact of APFs on such actions.

³ 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.

Labour market status, income and marital status

Almost three-quarters (74 per cent) of all respondents were working (predominately in full-time work). Men were more likely than women to be already retired (17 per cent versus seven per cent), while women were more likely than men to not be working for some other reason (16 per cent versus ten per cent), primarily because they were a carer.

Although the majority of respondents were working at the time of the study, over half (52 per cent) had an individual income of less than £20,000 per year with women being more likely to fall into this income bracket (63 per cent versus 39 per cent among men) reflecting the fact that fewer women than men were in full-time employment (64 per cent of men were in full-time work compared to 45 per cent of women).

Most respondents (81 per cent) were married and living with their spouse at the time of the study. Only around one in ten (12 per cent) were living alone. In addition, not surprisingly due to the age profile of these segments, the majority of respondents (80 per cent) did not have dependent children living with them.

Pension provision and retirement income

Most (88 per cent) had some pension provision in addition to the State Pension and just over half (54 per cent) were currently contributing to a pension. The majority (81 per cent) had an occupational pension, while under one in three (29 per cent) had a personal pension. Women were more likely than men to have no pension provision other than State Pension (15 per cent versus seven per cent).

Twelve 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 retirement age (of those who gave a definite response, 92 per cent of men and 97 per cent of women said they intended to retire before the age of 66). Around nine in ten (91 per cent) said they expected their household income in retirement to be at least partly derived from some kind of pension provision, either private or state. Almost two in five (39 per cent) planned to rely equally on their own and their partner's pension provision in retirement. Over one-third (37 per cent) were planning to use mainly their own pension provision, while smaller numbers were planning to primarily use their partner's provision. Very small numbers intended to use mainly other sources of retirement income, although almost six in ten (57 per cent) had savings other than pensions for their retirement, such as ISAs, TESSAs or PEPs (21 per cent) or bank or savings accounts (20 per cent).

Almost two-thirds (62 per cent) of respondents felt they had at least a reasonable idea of what their income in retirement would be. Just under half (47 per cent) felt they needed to save more for their retirement. A similar number (46 per cent) felt they needed to save the same amount as they were currently. Women were very slightly more likely to feel they needed to save more for their retirement (49 per cent compared with 44 per cent of men), but there was no significant difference between the APF and control samples.

Pensions knowledge

Although just over three in five (62 per cent) felt they had at least a basic knowledge of pensions issues, only 13 per cent felt they had a good knowledge.⁴ Men were more likely than women to feel they had a good knowledge of pension issues (17 per cent compared with eight per cent among women). Perceived knowledge was also higher amongst those with any pension provision (64 per cent of those with any pension provision felt they had at least a basic knowledge of pensions, compared with 38 per cent who had no provision beyond state entitlements). Those respondents in the control sample were also slightly more likely to have at least a basic knowledge of pension issues (66 per cent compared with 60 per cent for the APF sample), reflecting the higher proportion of the control sample that had any pension provision.

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 action for retirement as a result of receiving the mailing, if they were going to do so.

Among those who were sent an APF, six in ten spontaneously recalled receiving any information (84 per cent of whom specifically mentioned the APF letter and/or leaflets); the proportion recalling the APF increased to around eight in ten (81 per cent) after they were prompted by a short description of the letter and leaflets. Over half (54 per cent) of all recipients read some or all of the APF (letter and/or leaflet), while 23 per cent just glanced at it. Just over half (52 per cent) of all those sent the APF read the letter, but fewer read at least some of the leaflets (21 per cent of those sent an APF). The majority (70 per cent) of those who received the letter kept it, although fewer than half (46 per cent) recalled keeping the leaflets.

Women were slightly more likely than men to have read at least some of the mailing (58 per cent versus 50 per cent), as were people aged 55 years or more (58 per cent).

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. Around two-thirds (67 per cent) of those with a good knowledge of pension issues had read at least some of the letter and/or leaflet, compared with 57 per cent who had a basic knowledge, 49 per cent with only a patchy knowledge and 37 per cent with little or no knowledge.

⁴ 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.

Views and usefulness of APF

Of those who read or at least glanced at the APF letter, over eight in ten (83 per cent) felt it was useful. Just over one in ten (11 per cent) did not find the letter useful. Similarly, almost eight in ten (78 per cent) of those who read or glanced at the leaflets found them useful, while more than one in ten (12 per cent) did not find them useful. Around two-thirds (64 per cent) 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. Around two-thirds (67 per cent) either definitely knew or at least thought the APF was an estimate, whilst just over seven in ten (71 per cent) either definitely knew or thought the APF was based on their own personal circumstances. Only around one in seven (13 per cent) wrongly believed the APF was a general example.

At the same time, the majority of respondents (85 per cent) who recalled receiving the APF felt that it improved their understanding of pensions⁵.

Almost six in ten (58 per cent) said they were happy to receive this State Pension information annually, the remainder being fairly evenly split between those wanting it more or less frequently.

Three-quarters of respondents (75 per cent) placed at least some trust in information like this on pensions and retirement planning that they received from the Government. Only seven 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 to help gauge the impact of the APF on recipients' knowledge of the State Pension system (as well as helping substantiate their self-assessed levels of knowledge).

The majority of all respondents (95 per cent) knew without prompting, the age at which they would be entitled to draw their State Pensions. Knowledge of other aspects of State Pensions was lower. Around half (51 per cent) of all those surveyed were spontaneously aware of how the basic State Pension is calculated, but only about a third (31 per cent) were spontaneously aware of alternative ways entitlement to the basic State Pension could be built up.

⁵ 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.

Almost one in five (19 per cent) were spontaneously aware of the State Second Pension (although not all knew the name). Even after prompting, almost four in ten (39 per cent) respondents knew nothing of it.

While there was no statistically significant difference in knowledge of the State Pension system between those who received the APF and the control sample, readership of the APF seemed to have improved awareness and knowledge slightly (for instance 69 per cent of those who read the APF were fully aware of how the State Pension was calculated after prompting, compared to 61 per cent of all those who received the APF and 58 per cent of the control sample). However, given that those who read the mailing were more likely to be those who claimed to have a better knowledge of pensions issues, it cannot be proved (or disproved) that this knowledge was directly gained by reading the APF.

Actions to plan for retirement

The majority of respondents (90 per cent) 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. Almost eight in ten (77 per cent) of all those surveyed had taken some type of action to plan for their retirement in the last three to four months, whilst a further 13 per cent had not, but were intending to in the future.

Women were more likely than men to have taken or be intending to take action in the future (94 per cent compared with 87 per cent for men). There was no difference between the APF and control samples overall, but those who had read some or all of the mailing were slightly, but significantly more likely to have or be intending to take action (92 per cent compared with 88 per cent of those who received but did not read the mailing and 89 per cent of the control sample). In particular, they were more likely to have already taken action, rather than just be intending to (83 per cent compared with 73 per cent who had not read the mailing and 76 per cent of the control sample). Those with a good knowledge of pension issues were also significantly more likely to have already taken action (82 per cent had already taken some action, compared with 70 per cent of those with patchy or no knowledge of pension issues; the latter were more likely to be just intending to take action in future – 20 per cent compared with six per cent of those with good pension knowledge).

Impact of readership of APF

The results do not clearly indicate whether action is being driven primarily by readership of the mailing or knowledge of pensions issues. However, further statistical analysis supports the proposition that knowledge of pensions issues rather than readership of the APF is the key driver of retirement savings behaviour. The same analysis also shows that while readership of the mailing is not as strong a driver of behaviour as knowledge it is still an influence for some groups. Specifically,

for those groups with some (basic or patchy), rather than good, knowledge of pensions, readership of the APF has enhanced their likelihood to take action:

- respondents with a patchy knowledge of pensions were significantly more likely to have taken action if they had read the mailing than if they had not;
- younger respondents (aged 50-59) who had a basic knowledge of pensions were also more likely to have taken action if they had read the mailing than if they had not.

'Hard' versus 'soft' actions

While 77 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 37 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 women (39 per cent compared with 34 per cent for men), those who had read some or all of the mailing (39 per cent) those with good knowledge of pensions (41 per cent) and those in the control group (41 per cent compared with 35 per cent APF). This last finding seems odd, suggesting that the APF serves to actually impact negatively on savings relative to what might have happened in the absence of the APF, but is almost certainly the result of the differences in the characteristics (in labour market status and pensions provision specifically) between the APF and control samples discussed earlier.

The most frequent 'hard' action taken was starting or making changes to other savings for retirement (27 per cent of all respondents had taken this action). Smaller proportions had changed (mainly increased) their contributions to an existing pension (nine per cent), opted in or out of the State Second Pension (six per cent) or started a new pension (three per cent).

Amongst those taking 'soft' actions most had reviewed their situation including thinking about how much they will want/need to live on in retirement (55 per cent), reviewing their current arrangements and finding them adequate (44 per cent) and checking/requesting forecasts from other pensions (26 per cent) or entitlement to their spouse's pension (25 per cent). Almost a quarter of respondents (23 per cent) had talked to someone or sought information about pensions and eight per cent had enquired about starting a pension or changing their contributions.

There was no difference between the APF and control samples in terms of 'soft' actions undertaken (74 per cent versus 72 per cent) but APF readers were more likely to have taken some sort of 'soft' action (80 per cent). This in turn suggests readership is a potentially important factor in influencing retirement planning behaviour as 'soft' actions may well lead to 'hard' savings actions.

The majority (86 per cent) intended to take (further) action in the future, although most (77 per cent) had already taken some action. Almost half (49 per cent) of all respondents intended to take some form of hard action in future, a higher proportion than had made any changes in the last three to four months (37 per cent) indicating that some of the initial advice and information sought might well lead to more specific actions. However, of those who said they would take action in the future, only three-quarters (74 per cent) said they were likely to do this.

Views of role of APF

As discussed earlier, there was no significant difference in the proportion of the APF and control samples who had taken or were intending to take action in regards to their planning for retirement. However, when asked directly, over half (55 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 11 per cent stating that it had played a key role. This equates to 40 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 (57 per cent compared with 46 per cent with good pension knowledge) as did those with no pension provision (59 per cent).

Only ten 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 43 per cent). This indicates that for many of these respondents (aged 50+) taking no further action after reading the APF may be an appropriate response.

Conclusions

The findings regarding the views of the APF amongst those over-50s who received it are generally very positive:

- levels of recall (around 80 per cent) and readership (over 75 per cent read/glanced at) of, and trust in, the APF were all high;
- the APF was thought to be useful by the great majority (83 per cent) of those who read/glanced at it;
- the majority (85 per cent) of those who recalled receiving the APF said it had improved their understanding of pensions.

Those APF recipients who read at least some of the APF mailing exhibited better knowledge of pensions and the State Pension system and were more likely to have or be intending to take action in regard to planning for their retirement (women were slightly more likely than men to have read the mailing and taken or be intending to take some action). However, analysis shows that pensions knowledge rather than readership of the APF was the main driver of retirement planning actions. Nevertheless, the evidence does seem to indicate a positive, albeit slight, impact of readership on awareness and knowledge.

The characteristics of the APF and control samples were similar, the main differences relating to higher levels of full-time employment and pension provision in the latter. This may in part reflect systemic differences due to the nature of the control sample. The analysis cannot reliably estimate the potential impact of these differences on prior levels of pensions knowledge and savings behaviour within the two samples, so by definition the analysis of the net impact of the APF cannot be wholly certain. That there is some impact on savings behaviour due to differences in characteristics (control sample taking proportionately more 'hard' savings actions) seems almost certain.

It therefore proved difficult, given these differences and within the parameters of the evaluation method to discern a positive net impact of the APF on pensions knowledge or on retirement planning behaviour: comparing the findings for those who were sent the APF mailing and the control sample indicates that the mailing has had relatively little net impact on knowledge and retirement planning behaviour amongst recipients aged 50+ overall. If there has been a net impact, one must conclude that it is either small in itself or is simply not large enough to outweigh any effects of the differences in the APF and control samples.

Further analysis did find readership was an influence (albeit less strong than pensions knowledge) for some less knowledgeable sub-groups (notably those with only patchy knowledge and younger people i.e. those aged 50-54, with basic knowledge). Furthermore, those who felt they had poorer pensions knowledge were more likely to feel the APF had played a part in their taking action.

Further issues

A number of issues and areas for potential further research and policy consideration arise from this research and its conclusions. These include the following:

- the potential impact of further APFs. Research on other types of pension forecast, notably the recent evaluation of Combined Pensions Forecasts (CPFs)⁶, has noted a cumulative impact on recall and readership of receipt of subsequent forecasts or forecasts from more than one source. Given that this research has highlighted the potential importance of readership of the APF in terms of impact on retirement planning behaviour, it is important to bear in mind that this may increase over time as people receive further APFs;
- the impact of APFs on 'soft' actions. A significantly higher proportion of APF readers than the control group had undertaken 'soft' actions. This suggests the APF has at least prompted people to review their situation, albeit, as noted above, that readership is itself correlated with knowledge of pensions. It is of interest to note to what extent 'soft' actions act as a precursor to changes in retirement savings ('hard' actions). This might potentially be explored in further research;
- it will be of interest to explore just how receipt of APFs motivates individuals to take action – at what level(s) is understanding increased and actions taken or does the APF tend to serve as a 'call to action' in its own right?

All the findings in this report are based on the results from people aged 50+. Further research amongst younger people aged 20-49 may show different results. All these findings and conclusions should therefore be treated with caution.

⁶ 'Combined Pension Forecasts – a Survey of Their Impact on Recipients' Kelly, Linsdell and Scanlon. DWP Research Report No. 293 (2005)

1 Introduction

1.1 Background and objectives

Since December 2004 and continuing into 2006, the Department for Work and Pensions (DWP) has sent over ten million Automatic State Pension Forecasts (APFs) to people aged between 20 and 64 years. The APF includes a letter stating the individual's estimated State Pension (calculated on the basis of their existing and assumed future payment/credit of National Insurance 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 wishes 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; and
- contributing to a broader understanding of the way unsolicited information can affect retirement planning behaviour.

The APFs are being sent out in tranches to different segments of the population:

- Women aged 50-59.
- Men aged 50-64.
- Women aged 20-49.
- Men aged 20-49.
- People who are self-employed.⁷

This report covers the over-50s only, the first two segments above. The findings are therefore only representative of those aged 50 to state pension retirement age. A separate report, to follow in 2007, will evaluate APFs for the under-50s, the second two segments.

1.2 Research approach

A large scale telephone survey is being conducted amongst people who have been sent an APF. A control sample group of people who have not been sent a forecast is also being surveyed.⁸

In total, 9,000 telephone interviews, over the first four segments, will be conducted between May 2005 and the autumn of 2006 with those who had been sent an APF. This evaluation covers the first 3,000 of those interviews, with those aged over 50.

Interviews are conducted between 13 and 17 weeks after people have received the APF. This time lag was considered as the timing that will provide the optimal relationship between recall of the forecast and allowing people time to (have started to) take action taken for retirement as a result of receiving the mailing, if they are going to do so. In addition, 3,000 interviews will be conducted with a 'control' sample, a demographically comparable group who had not received an APF or other State Pension forecast. This evaluation encompasses 1,000 control sample interviews, with those aged over 50. The control sample was included in the research as a point of comparison to further assess the impact of the APF on knowledge of pension issues and taking action to plan for retirement.

⁷ The self-employed have already received one APF – 1.5m APFs were sent to the self-employed between May 2003 and May 2004 – so any research into this group would measure the impact of the second APF the recipients are sent.

⁸ All details of the research design which are not in Chapter 1 of this report can be found in the appendix.

The ideal approach would have been to do two surveys with the same group of respondents both before and after they had received the APF as this would provide a more direct measure of the APF's impact whilst eliminating the possibility of any bias which could be introduced in the event of any differences between the main and control samples. The use of the control sample is a practical approach and though not ideal does still allow the findings from the APF respondents to be put into a comparative context.

As noted earlier, this report covers the findings from the research amongst the first two segments only, fieldwork for which was conducted between 16 May and 30 July 2005.

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 circa 14 million forecasts are sent out in 2005/06). The control sample consists of those rejected from the APF mailing following the initial address confirmation for a number of reasons (including wrong name/sex/date of birth, invalid National Insurance number, incomplete marriage history/controlled earnings record or contribution credit record).

The sample provided by 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.⁹ The letter gave them an opportunity 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 the appendix.

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, initially and throughout the telematching and opt-out processes. 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.

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)¹⁰ 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.¹¹

⁹ An example copy of the opt-out letter can be found in Appendix G.

¹⁰ Where a respondent requested to be interviewed during weekday daytime hours this could be accommodated.

¹¹ Details of how the response rate was calculated can be found in Appendix B.

Full details about the methodology together with a copy of the questionnaire can be found in the appendix.

The remainder of this report is structured as follows:

- **Respondent profile** – This chapter outlines the personal circumstances of the segment 1 and 2 respondents, including demographic indicators, knowledge of pensions issues generally and knowledge of their own provision for retirement.
- **Recall of APF** – This chapter 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.
- **Views and usefulness of the APF** – Among those APF respondents who recalled receiving it, the usefulness and helpfulness of the APF were explored, as was their understanding of the information provided in the APF, 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.
- **Knowledge of State Pensions** – This chapter explores respondents' knowledge of how the State Pension is calculated, awareness of other ways entitlement may be built up and awareness of the State Second Pension.
- **Actions to plan for retirement** – Assessment of whether the APF has had any impact on retirement planning 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.

2 Respondent profile

This chapter outlines the personal circumstances of the segment 1 and 2 respondents. It covers respondents' labour market status, income and other demographic indicators, pension provision and other savings for retirement. It also examines respondents' knowledge of pensions issues generally (and their confidence in this knowledge) and knowledge of their own provision for retirement.

It also assists us in determining the factors which are more likely to affect reactions to the Automatic State Pension Forecasts (APF). It will also assist us in determining whether the main and control samples are broadly matched. As discussed in the previous chapter, the only people available to be used as a control sample were those who, for a variety of reasons, were not sent an APF or any other sort of state pension forecast. We were concerned that this group may be different in some way to the main sample and not be an effective control sample. However, broadly speaking, with one or two exceptions which are discussed, the main and control samples were similar in their demographic characteristics and pensions knowledge and behaviour. We have thus concluded that they could be used to help assess the impact of the APF mailing.

2.1 ACORN category

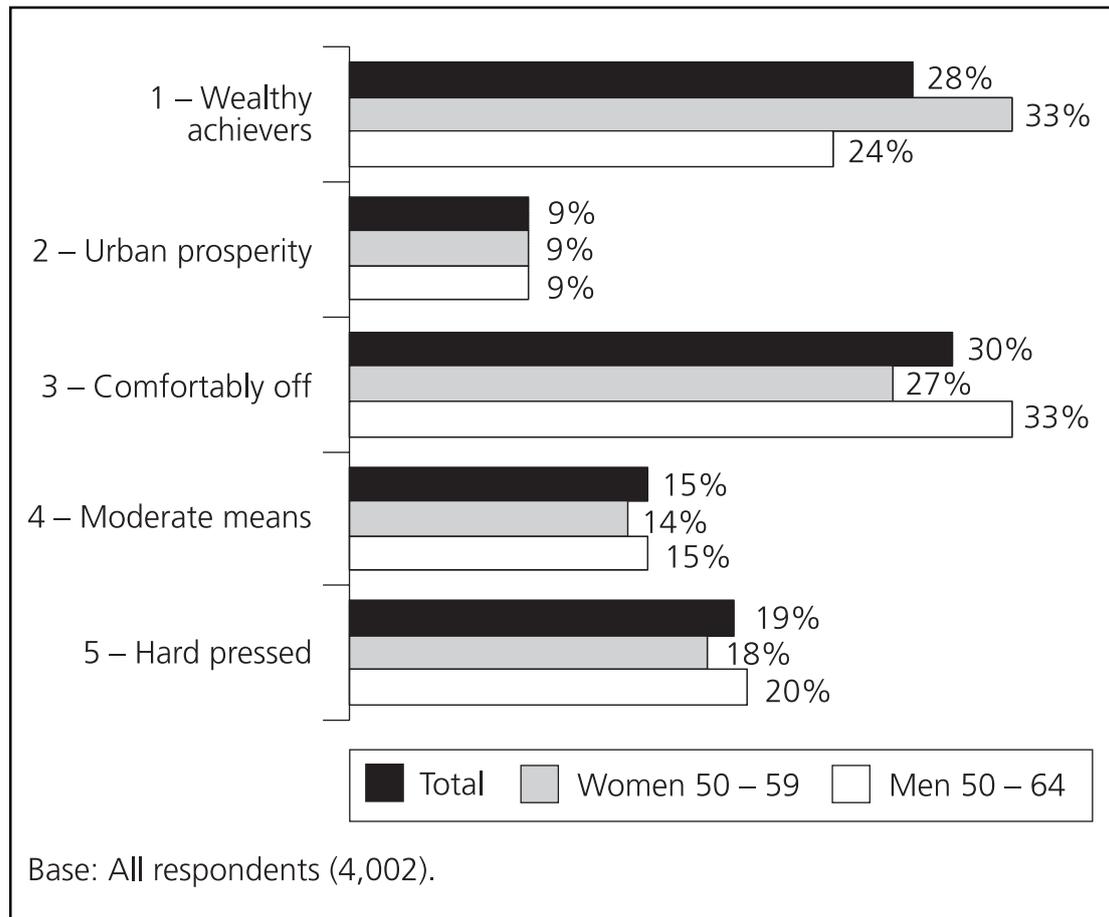
ACORN is a geo-demographic classification of the United Kingdom (UK) population based on postcode. It groups the entire population into five broad categories (and up to 56 sub-categories) by analysing significant social factors and consumer behaviour, based on census and other key data sources.

As shown in Figure 2.1, about three in ten of all respondents between 50 and State Pension age were categorised as 'wealthy achievers' (28 per cent) with a similar proportion being 'comfortably off' (30 per cent). Only 19 per cent were categorised as being 'hard pressed'.

The only significant difference in the profile between men and women was that women aged 50-59 were slightly more likely to be categorised as wealthy achievers (33 per cent compared with 24 per cent of men aged 50-64) and men slightly more likely to be only comfortably off (27 per cent for women and 33 per cent for men).

There were no significant differences between the APF and control samples as the data was weighted to ensure the two groups would be directly comparable.¹²

Figure 2.1 ACORN category by segment (significant differences in bold)



2.2 Labour market status and income

Almost three-quarters (74 per cent) of segment 1 and 2 respondents were currently working. Over half (54 per cent) were in full-time work and, as would be expected, men were more likely to be in full-time work than women (64 per cent versus 45 per cent respectively). Smaller numbers (20 per cent) were in part-time work, with just under one in six (15 per cent) working between 16 and 29 hours per week and just one in twenty (five per cent) working less than 16 hours per week.

The remainder were either already retired, or not working for some other reason, including being unemployed and looking for work. Men were more likely than women to be already retired (17 per cent versus seven per cent), while women were more likely than men to be not working for some other reason (16 per cent versus 10 per cent), primarily because they were a carer.

¹² Further details can be found in the appendix.

Table 2.1 Labour market status

	<i>Column percentages</i>				
	Total	Segment 1 ¹ (women 50-59)	Segment 2 (men 50-64)	APF sample	Control sample
	%	%	%	%	%
Full-time (30+ hours a week)	54	45	64	53	57
Part-time (16-29 hours a week)	15	24	6	15	16
Part-time (<16 hours a week)	5	8	2	5	5
Retired	12	7	17	12	13
Unemployed and looking for work	2	2	2	2	1
Not working (carer or some other reason)	12	14	8	12	7
<i>Base: All respondents</i>	<i>4,002</i>	<i>2,001</i>	<i>2,001</i>	<i>3,001</i>	<i>1,001</i>

¹ Throughout this report, references to Segment 1 or Segment 2 refer to both APF and control sample within these segments (unless otherwise specified). Likewise, where APF and control are used as sub-groups or column headings in tables or charts, this refers to APF or control sample over both segments.

As might be expected, there were significant differences in labour market status according to age, as shown in Table 2.2. Those within five years of State Pension age, both men and women, were less likely to be in full-time work and correspondingly more likely to be retired or to have 'down-shifted' into part-time work.

Table 2.2 Labour market status

	<i>Column percentages</i>				
	Segment 1 (Women aged 50 – 59)		Segment 2 (Men aged 50 – 64)		
	50-54	55-59	50-54	55-59	60 - 64
	%	%	%	%	%
Full-time (30+ hours a week)	51	38	84	69	40
Part-time (16-29 hours a week)	24	25	3	7	8
Part-time (<16 hours a week)	7	10	1	1	4
Retired	3	10	3	13	35
Unemployed and looking for work	2	2	3	2	3
Not working (carer or some other reason)	13	15	5	8	10
<i>Base: All respondents</i>	<i>1,039</i>	<i>962</i>	<i>603</i>	<i>729</i>	<i>669</i>

As indicated in Table 2.1, those in the APF sample were less likely to be in work (73 per cent versus 78 per cent for control) and more likely to be not working because they were carers or for other reasons. The APF sample were also slightly but significantly less likely to be working full-time (53 per cent versus 57 per cent) – as shown in Table 2.3, this difference was more pronounced among women. There were no further differences, within segment, between APF and control.

Table 2.3 Labour market status by APF/control within segment

	<i>Column percentages</i>			
	Segment 1 (women 50-59)		Segment 2 (men 50-64)	
	APF %	Control %	APF %	Control %
Full-time (30+ hours a week)	43	50	63	65
Part-time (16-29 hours a week)	25	24	6	8
Part-time (<16 hours a week)	8	7	2	3
Retired	7	7	17	20
Unemployed and looking for work	2	1	3	1
Not working (carer or some other reason)	16	9	9	4
<i>Base: All respondents</i>	<i>1,501</i>	<i>500</i>	<i>1,500</i>	<i>501</i>

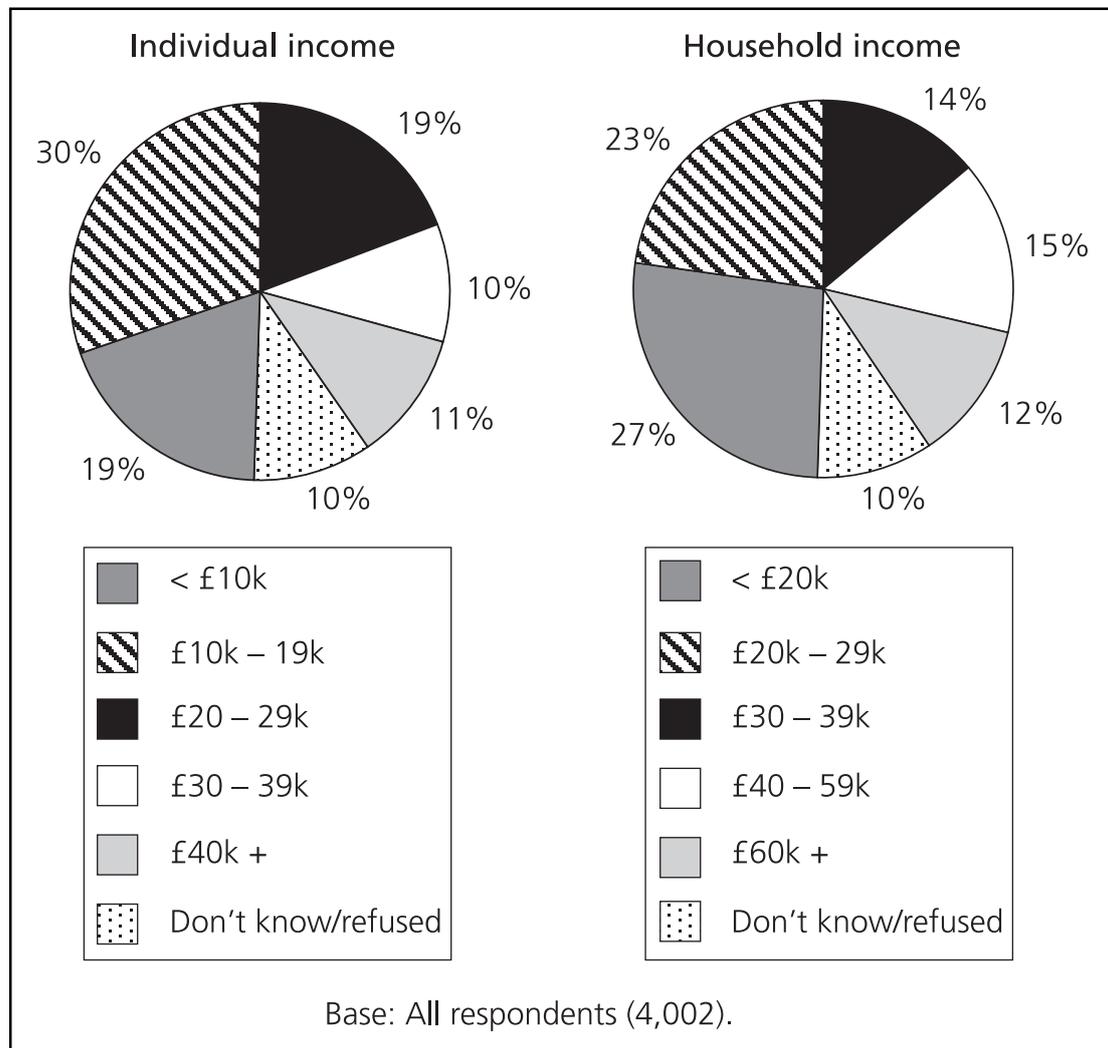
Sixteen per cent of those interviewed said they had a disability that limited their daily work and/or activities. This was slightly more common among the APF sample (17 per cent versus 13 per cent of control respondents) and among men (17 per cent versus 14 per cent of women). While most of those with a disability were not currently working, disability also affected around one in twenty (six per cent) of those in full-time work and almost one in ten (nine per cent) of those currently in part-time work.

Around half (49 per cent) of those surveyed had an individual income of less than £20,000 per year. This was more common among women (58 per cent versus 40 per cent among men), reflecting the fact that fewer women were currently in full-time employment. Further to this, those not working and those working part-time (the two groups containing more women than men) were also more likely to have an income of £20,000 or less.

As may be seen in Figure 2.2, just over one in five (21 per cent) had an individual income of greater than £30,000 per year. Again, reflecting employment patterns, men were more likely to have an individual income at this level than women (28 per cent versus 14 per cent).

Half (50 per cent) currently had a household income of less than £30,000, including just over a quarter (27 per cent) who had a household income of less than £20,000. Those living alone were more likely to have a household income of less than £20,000 (56 per cent).

Again, there were no notable differences in individual or household income between the APF and control samples overall (and within segment). The only significant difference was that a slightly higher proportion of people in the APF group had an individual income of less than £10,000 (21 per cent compared with 13 per cent of the control), reflecting the higher proportion of the APF sample who were not working.

Figure 2.2 Individual and household income

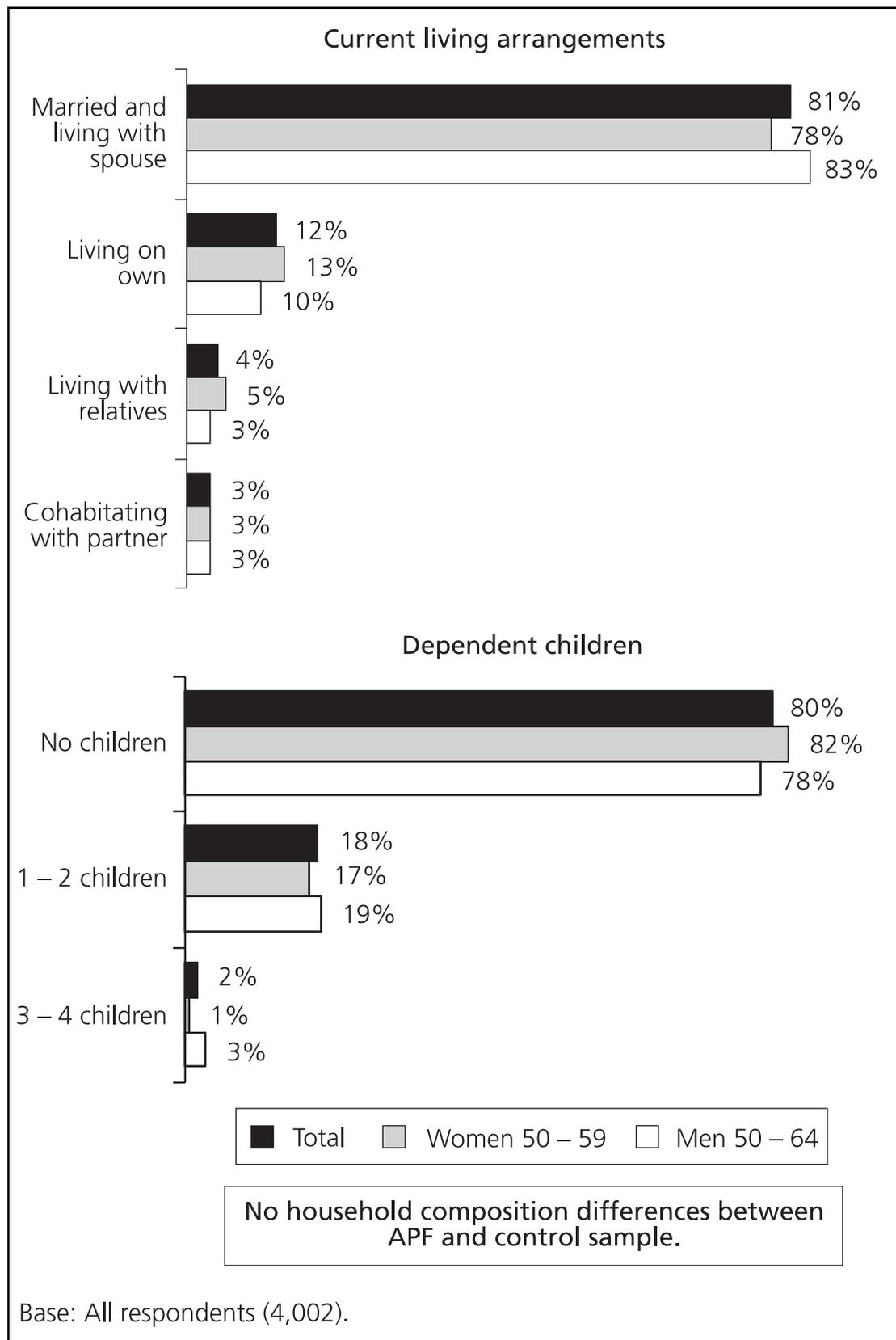
2.3 Household composition

Around eight in ten (81 per cent) of all respondents surveyed were currently married and living with their spouse. Around one in ten (12 per cent) were living alone and smaller numbers were living with relatives (four per cent) or cohabiting with their partner (three per cent). As can be seen in Figure 2.3, women were more likely to be living on their own (13 per cent versus ten per cent men), whilst men were more likely to be married and living with their spouse (83 per cent versus 78 per cent).

As would be expected with this older age group, the majority (80 per cent) did not have any dependent children living with them in their home. This was particularly true of the over 55s (89 per cent have no dependent children compared to 67 per cent of 50 – 54 year olds).

Women were slightly more likely at an overall level to have no dependent children in their household (82 per cent versus 78 per cent of men) – a difference that was apparent in the APF sample (83 per cent women versus 78 per cent men) but not in the control (men and women both at 79 per cent). There were no differences between the APF and control sample at an overall level.

Figure 2.3 Household composition



Almost all (96 per cent) of respondents were white, with only small numbers being Asian or Asian British (one per cent) or black or black British (one per cent). The women among our respondents were more likely to be white (98 per cent compared with 95 per cent of men).

2.4 Pensions and other retirement income

2.4.1 Membership of pension schemes and current contributions

The majority (88 per cent) of those interviewed in segments 1 and 2 had some pension provision beyond what the state will provide in retirement. Just over half (54 per cent) were currently contributing to a pension.

Table 2.4 Pension scheme types and current contributions

	<i>Column percentages</i>				
	Total	Segment 1 (women 50-59)	Segment 2 (men 50-64)	APF sample	Control sample
	%	%	%	%	%
Any pension provision (beyond state)	88	84	93	85	96
Currently contributing to any pension	54	55	53	52	59
Occupational pension (ever been member)	81	76	85	77	93
<i>Occupational pension – currently contributing</i>	46	47	44	43	54
<i>Occupational pension – deferred</i>	35	29	41	34	39
Personal pension (ever been member)	29	26	32	30	25
<i>Personal pension – currently contributing</i>	14	13	15	15	11
<i>Personal pension – deferred</i>	14	12	17	15	14
Never had pension	11	15	7	14	4
<i>Base: All respondents</i>	4,002	2,001	2,001	3,001	1,001

Just over one in ten (11 per cent) said they had no pension provision beyond State Pension. This was more common amongst women (15 per cent versus seven per cent for men). It was also more common (36 per cent) among those who were not currently working (due either to unemployment or some other reason). One in seven (14 per cent) of those working part-time had no other pension provision, while those with an individual income of less than £20,000 were also more likely to have no pension provision beyond the state entitlement (16 per cent versus three per cent among those with an income of more than £20,000).

Those in the control sample were more likely to have any pension provision than those in the APF group (96 per cent compared with 85 per cent). They were also more likely to have an occupational pension (93 per cent compared with 77 per cent). Differences in those currently contributing to any pension and occupational pensions are less marked but still significant. These differences may be due, at least

in part, to the fact that the control sample were more likely to be working (78 per cent in work compared with 73 per cent for APF) and to be working full-time (57 per cent versus 53 per cent for APF).

Table 2.5 shows that the differences between the APF and control samples in terms of pension provision are largely consistent over both segments, however the differences are more pronounced among women – for instance 19 per cent of APF women had never had a pension compared to five per cent of control, whereas among men the split was eight per cent APF/three per cent control. This is again likely to be linked to work status (as there was a greater difference among women between the APF and control samples in terms of proportions in full-time work).

Table 2.5 Pension scheme types and current contributions within segment

	<i>Column percentages</i>			
	Segment 1 (women 50-59)		Segment 2 (men 50-64)	
	APF	Control	APF	Control
	%	%	%	%
Any pension provision (beyond state)	80	95	91	97
Currently contributing to any pension	53	61	52	56
Occupational pension (ever been member)	71	92	82	95
<i>Occupational pension – currently contributing</i>	<i>44</i>	<i>56</i>	<i>42</i>	<i>52</i>
<i>Occupational pension – deferred</i>	<i>26</i>	<i>35</i>	<i>41</i>	<i>43</i>
Personal pension (ever been member)	27	24	34	26
<i>Personal pension – currently contributing</i>	<i>14</i>	<i>11</i>	<i>17</i>	<i>11</i>
<i>Personal pension – deferred</i>	<i>12</i>	<i>13</i>	<i>17</i>	<i>15</i>
Never had pension	19	5	8	3
<i>Base: All respondents</i>	<i>1,501</i>	<i>500</i>	<i>1,500</i>	<i>501</i>

To identify whether the APF or control sample is more representative in terms of labour market status and pension provision, a comparison can be made with the general population by using data from the English Longitudinal Survey of Ageing (ELSA) which interviewed 5,000 people aged between 50 and State Pension Age in 2002 – 2003.

At an overall level, the APF and control samples have higher employment levels than was found to be representative by ELSA (74% employed versus 66% from ELSA). The differences are even more apparent when looking at the APF and control samples separately for the two segments:

- Segment 1 (women) APF: 76% in employment.
- Segment 1 (women) control: 81% in employment.
- Segment 2 (men) APF: 71% in employment.
- Segment 2 (men) control: 76% in employment.

The APF group, especially men, matches more closely with ELSA. This is also the case when comparing those who have ever contributed to a private pension:

- Segment 1 (women): APF 80%, control 95%, ELSA 66%.
- Segment 2 (men): APF 91%, control 97%, ELSA 89%.

The comparison seems to indicate that the APF group is more representative than the control sample in terms of labour market status and pension provision. This suggests that there may potentially be a systemic bias in control sample derivation, especially for women.

Given the higher levels of employment and 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 in the form of savings and other investments and this needs to be taken into account in evaluation of the net impact of APFs on such actions.

2.4.2 Occupational pension schemes

As shown in Table 2.4, around eight in ten (81 per cent) had ever had an occupational pension. This was more common among men (85 per cent as opposed to 76 per cent of women) and, as discussed earlier, among control respondents (93 per cent versus 77 per cent of APF respondents. Those respondents who were retired were also more likely to have ever had an occupational pension than those who were currently working (90 per cent and 84 per cent respectively).

Just under half (46 per cent) said they were currently contributing to their occupational pension. Reflecting the fact that control respondents were more likely to have an occupational pension, more were currently contributing (54 per cent versus 43 per cent of APF respondents). In addition, those who were currently working full-time were more likely to be contributing to their occupational pension than those working part-time (66 per cent and 42 per cent respectively). Men were more likely than women to have deferred or to not be contributing (41 per cent not currently contributing versus 29 per cent of women), reflecting the higher numbers of men who had occupational pensions or were already retired.

Defined benefit schemes were the most common occupational pensions to which respondents were currently contributing (31 per cent). Smaller numbers were contributing to defined contribution schemes (ten per cent) or a combination of the two (three per cent). Almost four in ten (37 per cent) did not know the type of occupational scheme they were contributing to, indicating that this is an area of confusion for many.

2.4.3 Personal pension schemes

Around three in ten (29 per cent) had a personal pension. This was slightly more common among APF respondents than control (30 per cent and 25 per cent respectively) and men (32 per cent versus 26 per cent of women).

As may be seen in Table 2.4, one in seven (14 per cent) were currently contributing to a personal pension, while the same proportion (14 per cent) were deferrers. Those who were working full-time were more likely to be currently contributing to a personal pension than those working part-time (20 per cent and 12 per cent respectively), as were APF respondents (15 per cent currently contributing versus 11 per cent of control respondents).

2.4.4 Other savings for retirement

Respondents who had not yet retired were asked whether they had any other savings (other than pensions) specifically for retirement.

As shown in Table 2.6, just under six in ten (57 per cent) had savings other than pensions for their retirement. Women were slightly more likely than men to have other savings (59 per cent versus 55 per cent). Those currently working part-time (64 per cent), those living with a partner and having no dependent children (60 per cent) and those with a pension beyond the state (60 per cent) were all more likely than average to have savings other than pensions for their retirement. Those nearing State Pension age were also more likely to have any other savings for retirement (64 per cent of 55 – 59 year old women compared with 55 per cent of 50 – 54s; 61 per cent of 60 – 64 year old men compared with 53 per cent of 50 – 59s).

Just over four in ten (43 per cent) said they had no savings other than pensions for retirement – this was consistent over the APF and control samples, overall and within segment. Worryingly, those who did not have any pension provision beyond state pension were more likely to have no other type of savings for retirement (61 per cent), as were those who were not working (58 per cent).

Table 2.6 Savings for retirement other than pensions

	<i>Row percentages</i>		
	Have other savings	No other savings	Base: All except retired
	%	%	
Total	57	43	3,509
Women 50-59 (Segment 1)	59	41	1,864
Men 50-64 (Segment 2)	55	45	1,645
APF sample	57	43	2,647
Control	60	40	862
Women 50 – 54	55	45	1,004
Women 55 – 59	64	36	860
Men 50 – 54	50	50	584
Men 55 – 59	57	43	634
Men 60 – 64	61	39	427
Working full-time	58	42	2,170
Working part-time	64	36	828
Other not working	42	58	502
Single person household	52	48	390
2+ adults, no dependent children	60	40	2,383
2+ adults, dependent children	50	50	728
Any pension provision	60	40	3,085
Never had pension	39	61	396

The main types of other savings held were as follows. These did not differ significantly according to the different subgroups:

- ISAs, TESSAs or PEPs (21 per cent);
- bank or savings accounts (20 per cent);
- stocks and shares (eight per cent), bonds (seven per cent);
- property (four per cent) and investments (four per cent).

Other savings (at low levels) include insurance policies, endowments, unit trust and other investments.

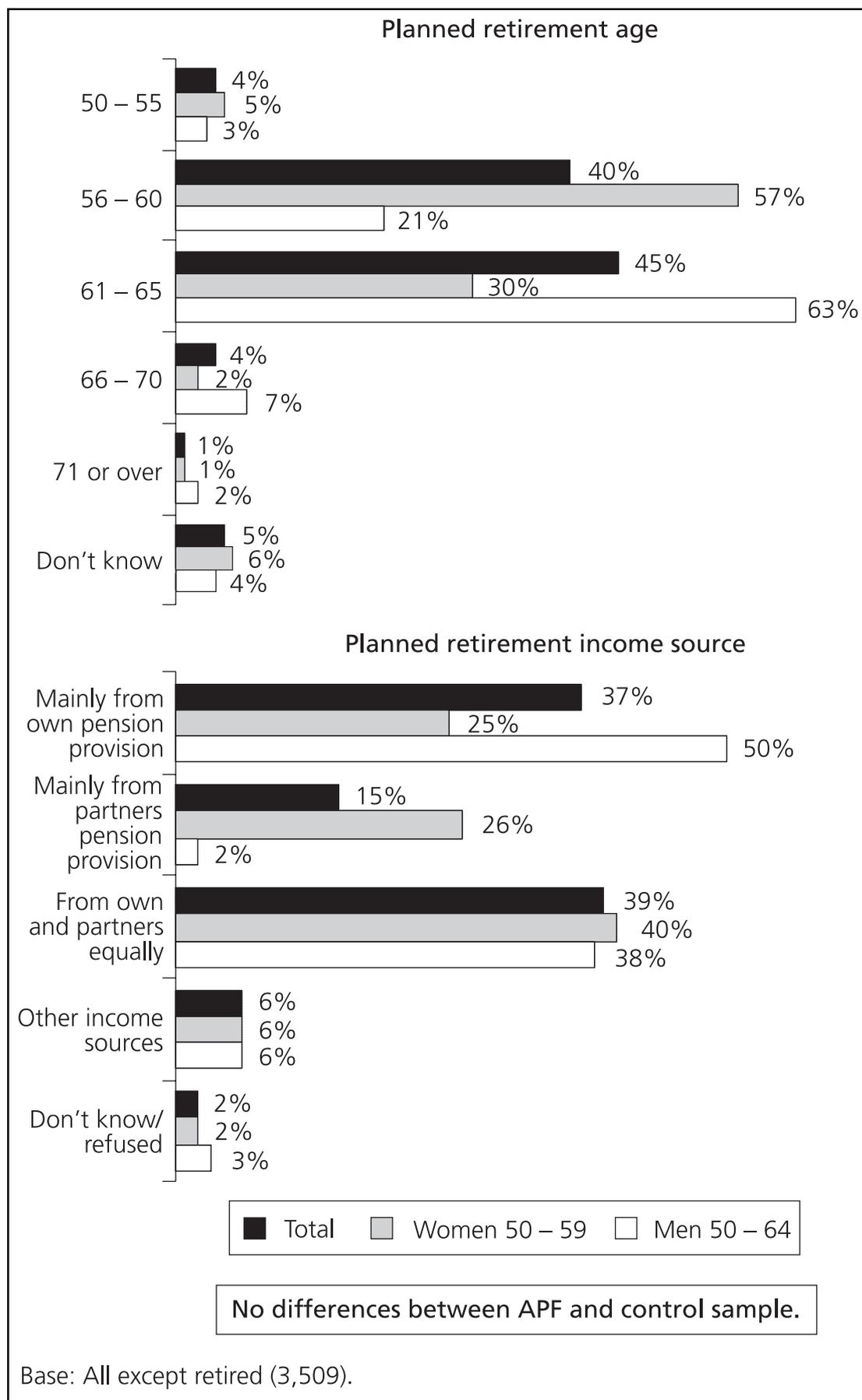
2.4.5 Planned retirement age and income source

Respondents who had not yet retired were also asked at what age they planned to retire and what their main source of household income would be when they retired. As shown in Figure 2.4, the majority of those interviewed were not planning to work beyond the State Pension age (currently 65 for men and 60 for women, but increasing to 65 for women from 2020).

The majority of men (63 per cent) said they planned to retire at or just before State Pension age (between 61 and 65 years of age), one quarter (25 per cent) were planning to retire earlier, between the ages of 50 and 60, and around one in ten (nine per cent) were planning to work beyond the State Pension age of 65.

Women followed a slightly different pattern possibly due to the forthcoming shift in their State Pension age. The majority of women (57 per cent) were planning to retire between 56 and 60, whilst three in ten (30 per cent) were planning to work between the ages of 61 and 65. Minimal numbers of women were planning to retire between 50 and 55 (five per cent) or work beyond the age of 66 (three per cent).

Figure 2.4 Planned retirement age and income source



Around nine in ten (91 per cent) respondents who had not yet retired reported that they expected their household retirement income to be derived (at least in part) from some kind of pension provision (either a private pension or state pension). Small numbers planned to use other sources of retirement income (all mentioned at low levels) and they included property, stocks and shares and other savings. There was no significant difference between APF and control samples, however, due to the higher level of private pension provision amongst the control sample, the APF sample is likely to rely more heavily on the State Pension alone.

After retirement, over one-third (37 per cent) were planning to use their own pension provision as their primary retirement household income source. This was far more commonly the case among men (50 per cent versus 25 per cent among women) and those who were currently working full-time (44 per cent). Additionally, around two in ten (22 per cent) of those with no additional pension provision beyond State Pension said they expected to rely mainly on their own (State) Pension as a household income source.

The following groups were more likely to say they planned to rely mainly on their partner's pension provision:

- women (26 per cent versus two per cent of men);
- those with no additional pension provision other than the state (30 per cent);
- those who were not currently working (30 per cent);
- those who were currently working part-time (28 per cent);
- those who felt they had no knowledge of pension issues (20 per cent);
- those with only a vague or no idea of their likely income in retirement (18 per cent).

Around a further four in ten (39 per cent) of those interviewed who had not yet retired said they planned to rely equally on both their and their partner's pension provision. Those in a household with two or more adults where there were no dependent children were more likely than average to rely equally on their and their partner's pension provision (45 per cent). Just over one-third (34 per cent) of those with no pension provision beyond the state entitlement planned to derive the main bulk of their household income from their and their partner's pension provision equally.

2.4.6 Saving for retirement

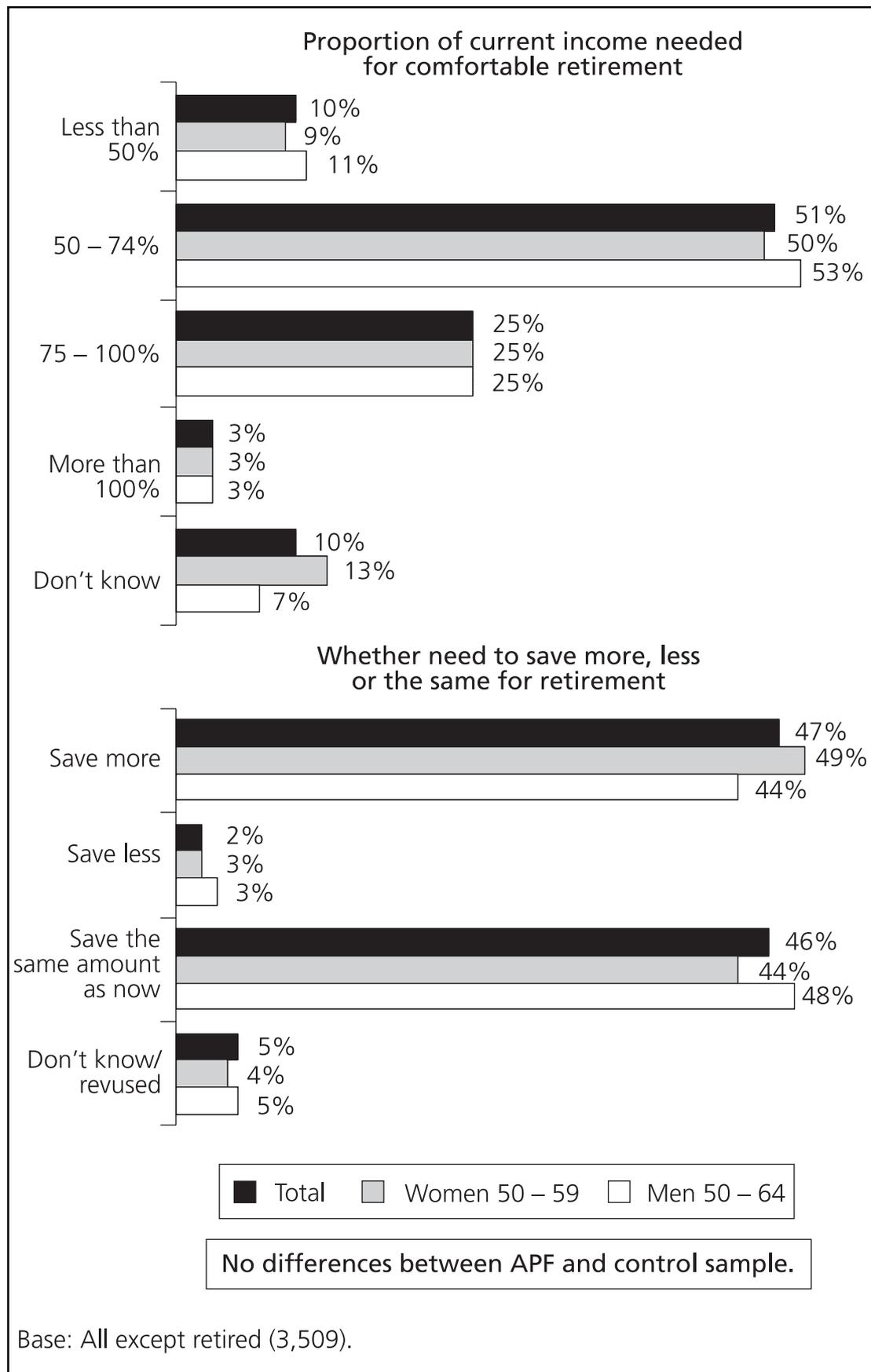
To examine respondents' knowledge of pensions issues, those that had not retired were asked what proportion of the current household income they thought they would need to live comfortably when they retired and whether they needed to save more, less or the same as now to achieve this. Around half (51 per cent) of those interviewed who had not yet retired felt they needed 50-74 per cent of their current household income to have a comfortable retirement. This rises to almost three in five (58 per cent) among those with a current personal or occupational pension.

Almost three in ten (28 per cent) felt they needed 75 per cent or more of their current income, with three per cent saying they would need more than their current income to live comfortably in retirement. Those who were not working (43 per cent) or who had never had a pension (38 per cent) were more likely than average¹³ to say they needed 75 per cent or more of their current income. There were again no significant differences by segment or between the APF and control samples.

As may be seen in Figure 3.5, almost half (47 per cent) of those who had not yet retired felt they needed to save more for their retirement, while a similar number felt they needed to save the same as they were currently (46 per cent). Negligible amounts felt they needed to save less (two per cent).

¹³ The average refers to responses at a total level. Where a comparison is made with the average in this report e.g. 'more likely than average' it compares a subset of respondents to the total number of respondents.

Figure 2.5 Saving for retirement



Women were very slightly more likely to feel they needed to save more for their retirement (49 per cent compared with 44 per cent of men), but there was no significant difference between APF and control. Those who had no pension provision (other than state entitlements) and those living with a partner and dependent children (50 per cent and 53 per cent respectively) were also slightly more likely to feel they needed to save more than they currently did for retirement.

Those who felt they had either a good or basic knowledge of pensions issues were more likely than average to feel they were on track with their savings for retirement and needed only to save the same amount as they were currently (62 per cent and 50 per cent respectively, compared with 46 per cent overall). As shown in Table 2.7, within both segments older sub-groups were more likely to say they were on track for their savings.

Table 2.7 Saving for retirement by age within segment

	<i>Row percentages</i>			
	Need to save more	Need to save less	Save the same amount as now	Base: All except retired
	%	%	%	
Total	47	2	46	<i>3,509</i>
Women 50 – 54	55	1	40	<i>1,004</i>
Women 55 – 59	43	2	50	<i>860</i>
Men 50 – 54	54	2	42	<i>584</i>
Men 55 – 59	44	3	47	<i>634</i>
Men 60 – 64	30	4	58	<i>427</i>

2.4.7 Knowledge of pension issues generally

All respondents were also asked to assess their level of knowledge of pension issues more generally. To determine their level of knowledge of pension issues, respondents were asked which of the following four statements best described their level of knowledge:

- I have a 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 pensions issues.

As shown in Table 2.8, around three in five (62 per cent) felt they had at least a basic knowledge of pensions issues but only about one in eight (13 per cent) felt they had good knowledge. Men were more likely to feel they had good knowledge than women (17 per cent versus eight per cent among women), as were those with an individual income of more than £40,000 (27 per cent).

There was no significant difference in the proportion of respondents in the APF and control samples with a good knowledge of pensions, but those in the control sample were slightly, but significantly more, likely to have at least a basic knowledge (66 per cent versus 60 per cent for the APF sample). This may well reflect that the control sample had a higher level of pension provision. As discussed later in this section knowledge of pension issues was higher amongst those with pension provision.

Three in ten (30 per cent) of those interviewed said they had patchy knowledge of pensions issues and just under one in ten (eight per cent) said they had no knowledge of pension issues. Women were more likely to feel they had no knowledge of pensions issues than men (ten per cent versus seven per cent). Those who were not currently working but not retired (17 per cent) and those with a disability (15 per cent) were also more likely to feel they had no knowledge.

In addition to these sub-groups, pension provision also had an impact on the level of knowledge of pensions. Those with any pension provision were more likely to have a good or reasonable knowledge of pensions (64 per cent) than those who had never had a pension (38 per cent). Similarly, those with any pension provision were less likely to have little or no knowledge (six per cent versus 26 per cent among those who had never had a pension).

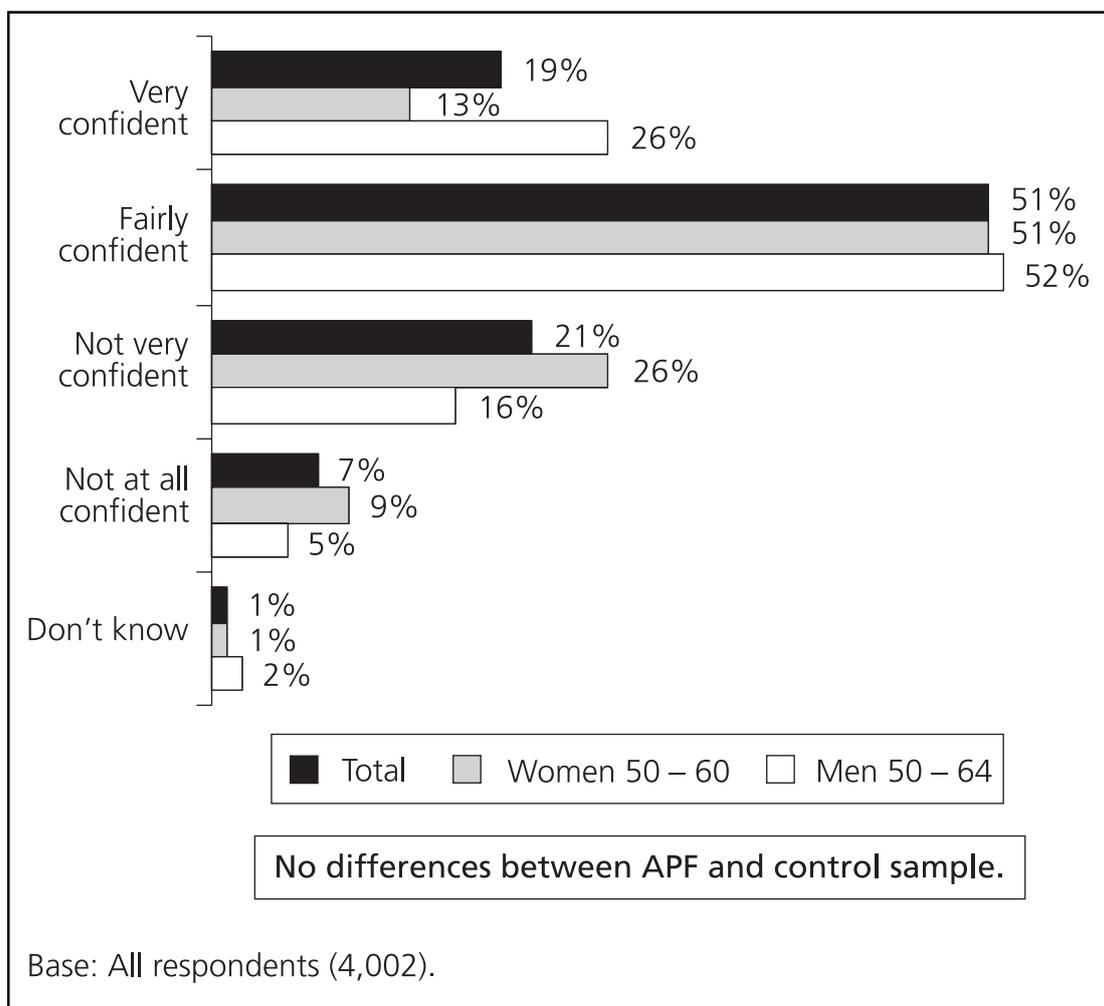
Table 2.8 Knowledge of pension issues

	Good	Reasonable/ Basic	Patchy	Little/ None	Base: All
	%	%	%	%	
Total	13	49	30	8	<i>4,0t02</i>
Women 50 – 59	8	46	36	10	<i>2,001</i>
Men 50 - 64	17	52	24	7	<i>2,001</i>
APF	12	48	31	9	<i>3,001</i>
Control	14	52	28	6	<i>1,001</i>
Any pension provision	13	51	29	6	<i>3,550</i>
Never had pension	5	33	36	26	<i>421</i>
Working full-time	12	53	28	7	<i>2,170</i>
Working part-time	9	44	37	10	<i>828</i>
Retired	24	52	18	6	<i>493</i>
Other not working	7	37	40	17	<i>502</i>
Individual income > £20,000	8	44	36	12	<i>1,925</i>
Individual income £20,000 – £39,999	15	55	26	4	<i>1,194</i>
Individual income £40,000 +	27	58	15	1	<i>460</i>
Have disability	10	40	35	15	<i>618</i>
No disability	13	51	29	7	<i>3,366</i>

Row percentages

Respondents were also asked how confident they felt about their ability to make decisions about pensions. Seventy per cent of those interviewed felt either very (19 per cent) or fairly (51 per cent) confident in their ability to make decisions about pensions. As seen in Figure 2.6, men were more likely than women to feel very confident in their ability (26 per cent and 13 per cent respectively) and conversely women to feel not very or not at all confident in their ability to make decisions (35 per cent compared with 21 per cent for men). There was no difference in the proportion of men and women feeling fairly confident. There were no significant differences in confidence between the APF and control respondents, either at an overall level or within segment.

Figure 2.6 Confidence in overall ability to make decisions about pensions



Those with a good knowledge of pensions were more likely to feel confident about their ability to make decisions on pension issues (95 per cent confident compared with 23 per cent of those with no knowledge). Around seven in ten (71 per cent) of those who were currently working felt confident in their ability to make decisions about pensions, compared to almost six in ten (58 per cent) of those who were not working. Over eight in ten (83 per cent) retirees felt confident.

Just over one-quarter (28 per cent) did not feel confident in their ability to make decisions about pensions. Those who had never had any other pension provision beyond the state pension were less likely to feel confident (42 per cent did not feel confident), as were those who were not working (39 per cent), reflecting the higher proportion of those groups that are women.

2.4.8 Knowledge of own income in retirement

Almost two-thirds of all respondents (62 per cent) felt they had at least a reasonable idea of what their income will be in retirement. Among these, over one-third (36 per cent) felt they had a good idea and just under three in ten (27 per cent) said they had a reasonable idea.

Men were more likely than women to say they had a good idea of their income in retirement (41 per cent and 30 per cent respectively), as were those who felt they had good knowledge of pensions issues (72 per cent) and those who felt they needed to continue to save the same amount as they were currently for a comfortable retirement (42 per cent).

Almost one in six (17 per cent) said they had a vague idea and the same proportion said they had no idea of their income in retirement. Those who felt they had no knowledge of pensions issues (52 per cent), those with no pension provision (35 per cent), those not currently working (33 per cent) and those who felt they needed to save more for a comfortable retirement (24 per cent) were all more likely than average to have no idea of their likely retirement income.

In segment two, among men, there was no difference in knowledge between the APF and control samples. However among women, the APF sample were more likely to have at least a vague idea of their own income in retirement – 80% compared to 74% of control.

3 Recall and readership of APF

The Automatic State Pension Forecasts (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 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.¹⁴ This chapter explores the 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. 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 APF

3.1.1 Spontaneous recall of any DWP information

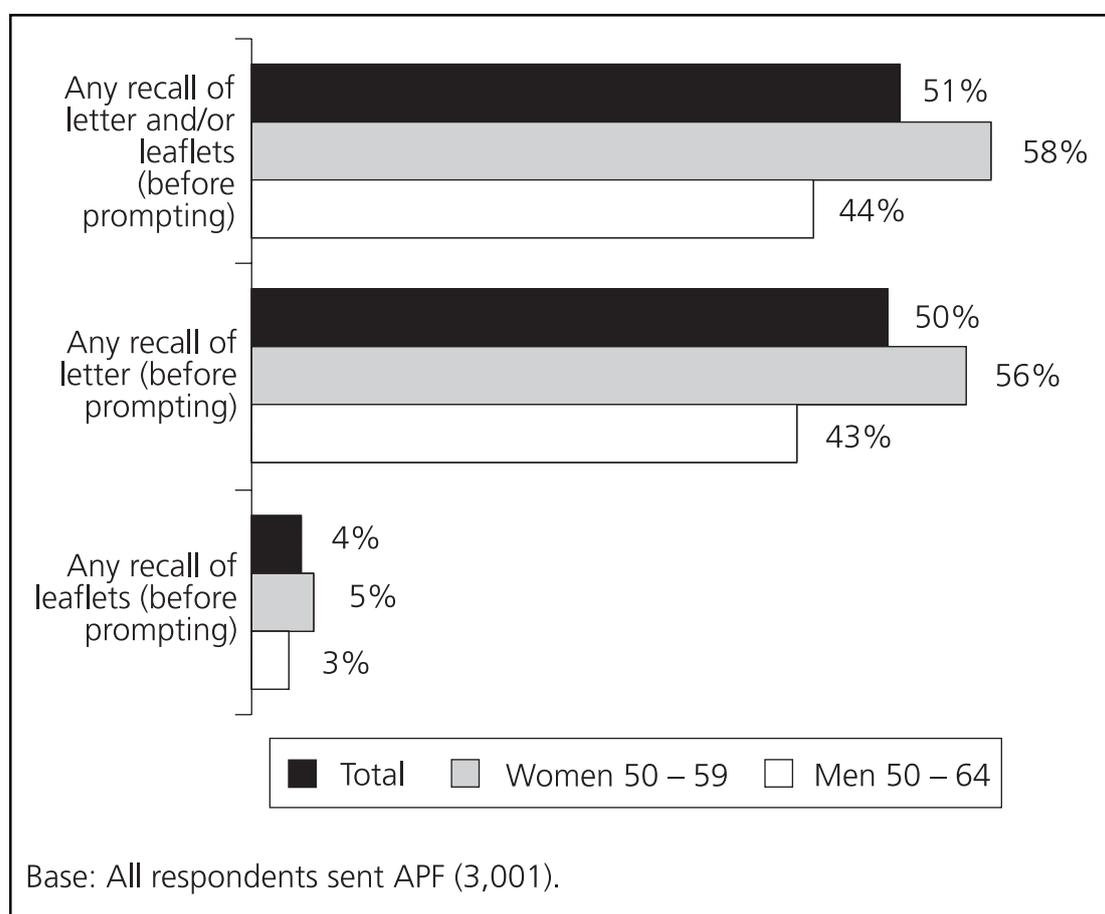
When asked if they had received any information through the post from the Government or Pension Service in the last three to four months, just over three-fifths (61 per cent) of APF respondents *spontaneously* recalled receiving any information (53 per cent definitely recalled it and eight per cent thought they did). A slightly higher proportion of women than men recalled receiving such information (69 per cent versus 54 per cent). As would perhaps be expected, the proportion of those unable to recall having received Government information was higher among those who placed no trust at all in information from the government (48 per cent compared to 37 per cent overall). The issue of trust placed in information from Government is discussed more fully later in this report (Chapter 4).

¹⁴ Copies of these leaflets are included in the Appendices E and F.

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. Eighty–four per cent of those who recalled receiving any information through the post (51 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.

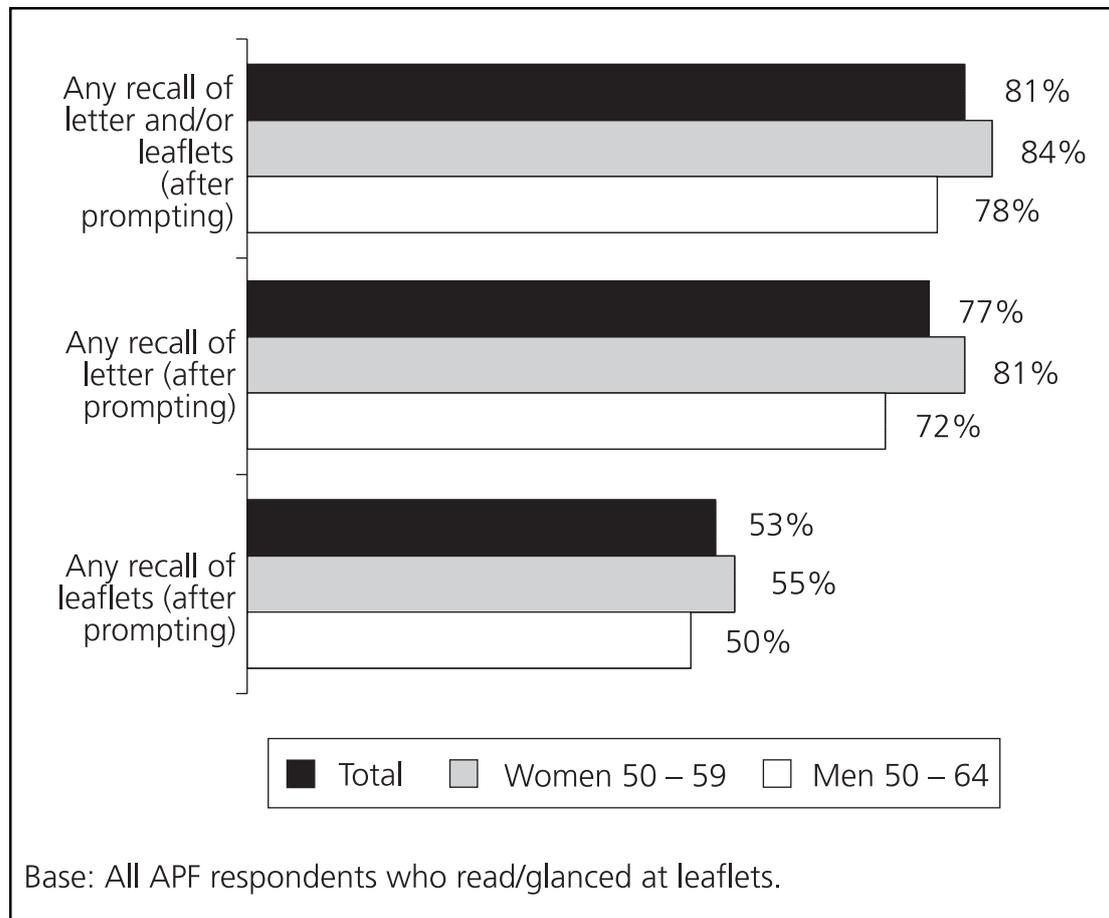
As seen in Figure 3.1, respondents were much more likely to recall receiving the APF letter (50%) than the leaflets (4%). In addition, women had higher levels of recall (58% remembered receiving the letter and/or leaflets compared with 44% of men).

Figure 3.1 Recall of APF before prompting



3.1.2 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, 81 per cent recalled receiving the APF, this being the letter and/or one or more of the leaflets. This was slightly higher amongst women than men (84 per cent versus 78 per cent). It was also slightly higher amongst the over 55s (83 per cent versus 77 per cent of 50 – 54 year olds). Just over three-quarters (77 per cent) of all APF respondents recalled receiving the letter and around half (53 per cent) recalled receiving the leaflets.

Figure 3.2 Overall recall of APF

3.2 Readership of APF and what was done with the letter and leaflets

Overall, just over half (54 per cent) of all APF respondents read all or some of the mailing (this being the letter and/or the leaflet). Around a further fifth (23 per cent) glanced at the letter and/or the leaflet.

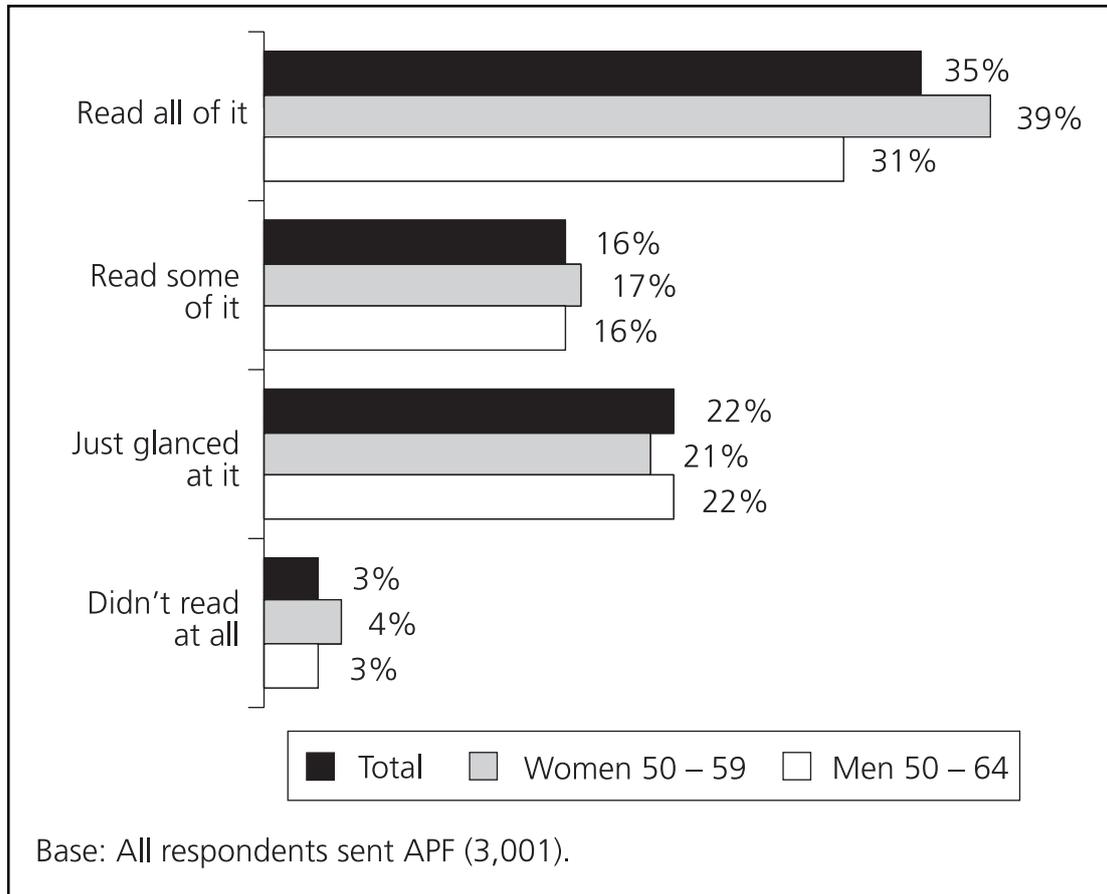
Women were more likely to have read all or some of the mailing than men (58 per cent compared with 50 per cent) as were those aged 55 years or more (58 per cent compared with 48 per cent of 50-54 year olds). Those who had a better knowledge of pension issues were also more likely to have read all or some of the mailing. Around two-thirds (67 per cent) of those with a good knowledge of pensions had read all or some of the mailing, compared with 57 per cent with a basic knowledge, 49 per cent with patchy knowledge and 37 per cent with little or no knowledge.

3.2.1 Letter

Around half (52 per cent) of APF respondents read all or some of the letter, 22 per cent glanced at the letter and only three per cent did not read it at all. (The remaining 23 per cent did not recall receiving the letter). Those who considered themselves to have good knowledge of pension issues were more likely to have read at least some

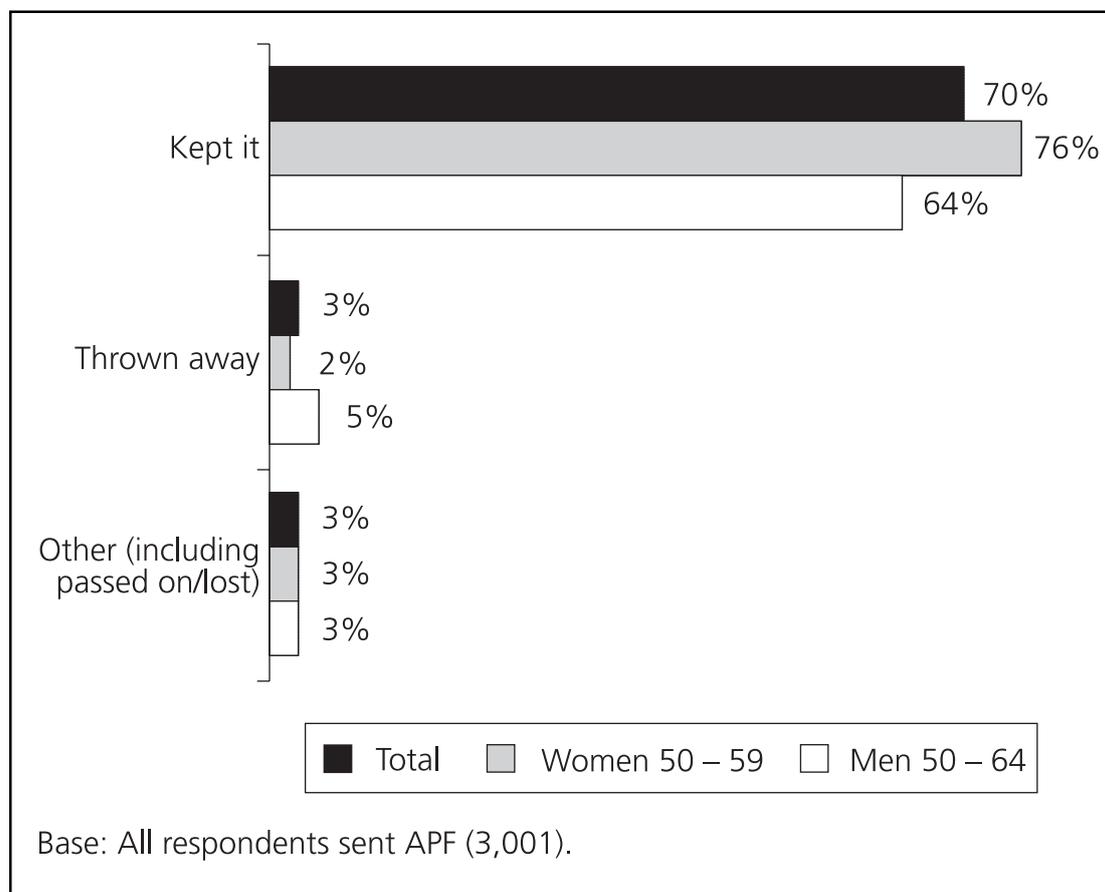
of the letter (64 per cent), as were those who placed a lot of trust in government information (62 per cent).

Figure 3.3 Readership of APF letter

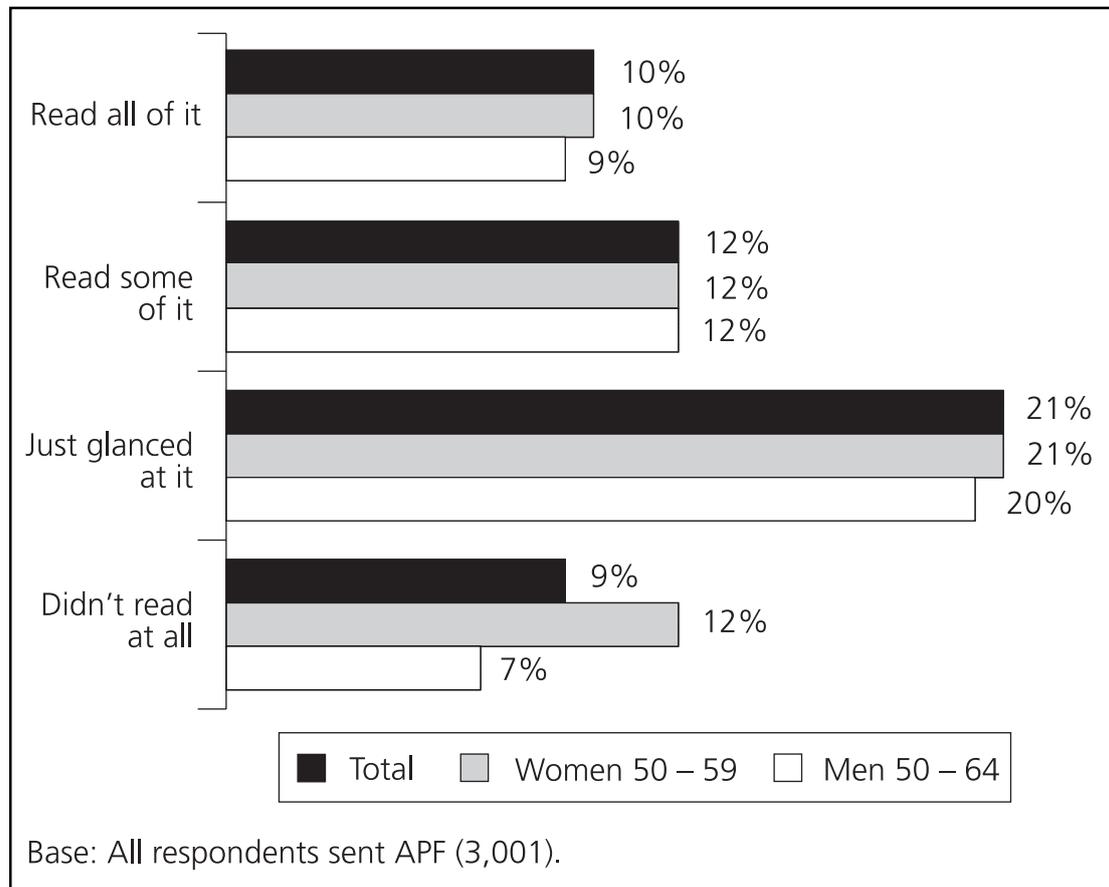


Of those APF respondents who *recalled* the letter, 46 per cent read all of it, 21 per cent read some of it, 28 per cent glanced at it only and five per cent did not read it at all.

Most (70 per cent) of those who were sent the letter kept it. In line with recall and readership, women were more likely to have kept the letter than men (76 per cent compared to 64 per cent). Just three per cent threw the letter away (nine per cent amongst those who did not read the letter).

Figure 3.4 What was done with APF letter**3.2.2 Leaflets**

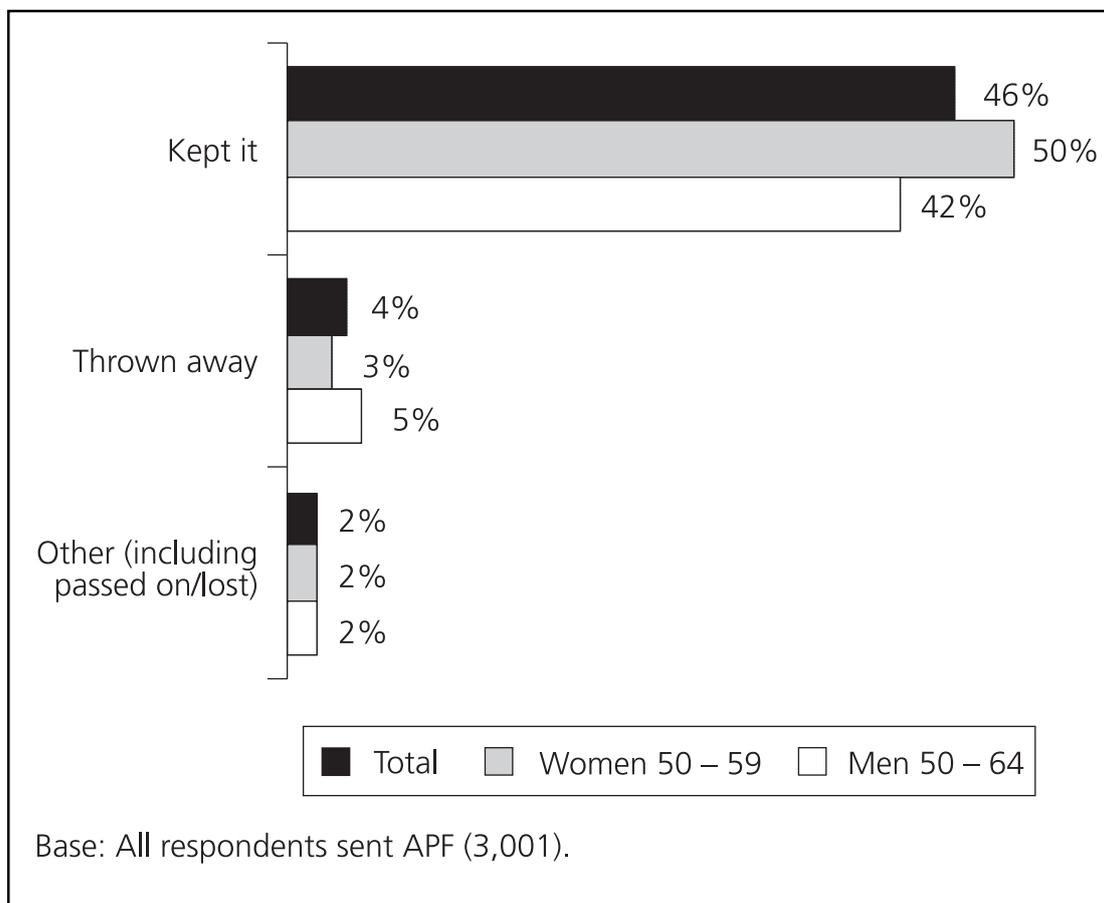
Around one fifth (21 per cent) of APF respondents read all or some of the leaflets, around a further fifth (21 per cent) glanced at them and almost one – tenth (nine per cent) did not read them at all. (The remainder either could not say how much of the leaflets they had read (one per cent) or did not recall the leaflets (47 per cent)). As was the case for the letter, respondents were more likely to have read the leaflets if they felt they had a good knowledge of pension issues (28 per cent read at least some of them compared with 18 per cent who had only patchy or no knowledge).

Figure 3.5 Readership of APF leaflets

Of those APF respondents who *recalled* (at least one of) the leaflets, 19 per cent read all of them, 22 per cent read some of them, 40 per cent glanced at them only and 18 per cent did not read them at all.

Just under half (46 per cent) of those who received the leaflets recalled keeping them (50 per cent of women compared to 42 per cent of men), which suggests they regarded the leaflets as important enough documents to refer to again later. Only four per cent of those who received the leaflets recalled throwing them away.

Figure 3.6 What was done with APF leaflets



4 Views and usefulness of APF

This chapter looks at reactions to the Automatic State Pension Forecasts (APF) among those APF respondents who recalled receiving it. The usefulness and helpfulness of the mailing were explored, as was the 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.

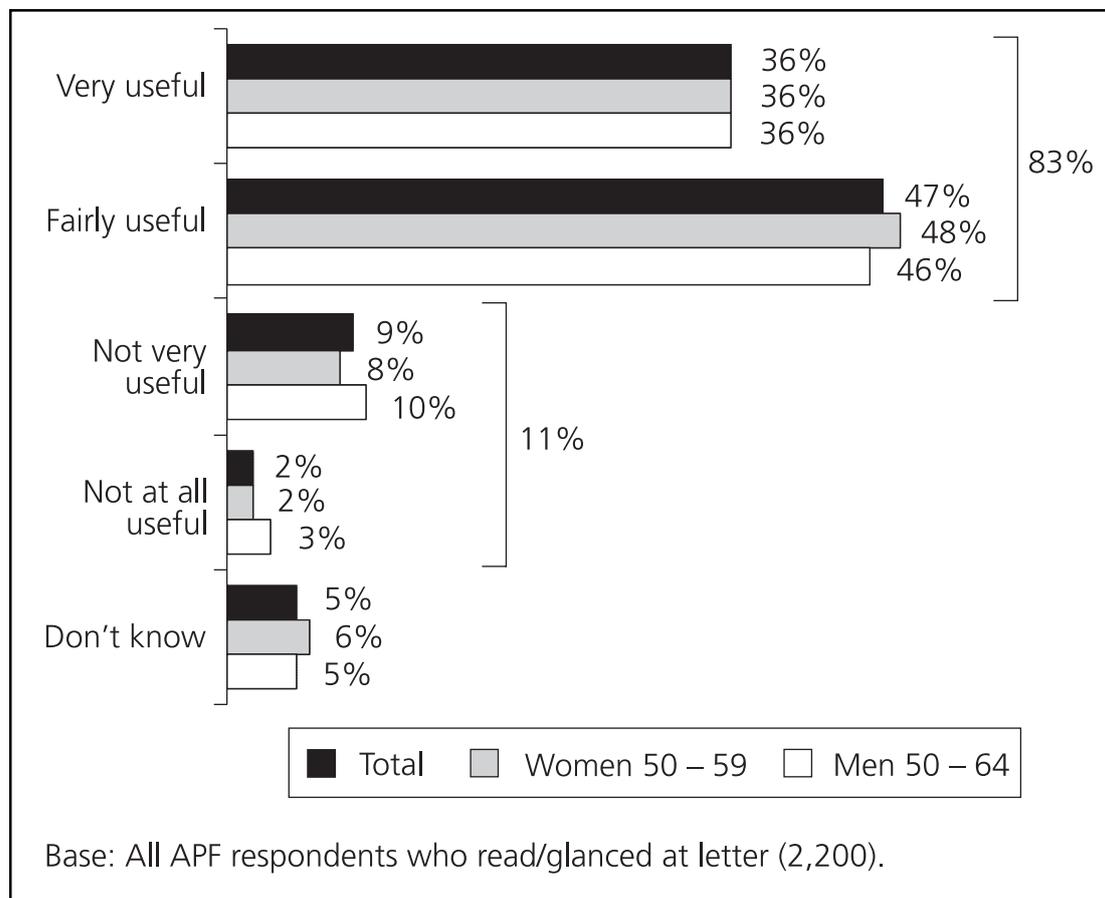
4.1 Usefulness of the APF

4.1.1 APF letter

Over eight in ten (83 per cent) of those who at least glanced at it found the information contained in the APF letter either very (36 per cent) or fairly (47 per cent) useful. Only around one in ten (11 per cent) did not find the letter useful.

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

- those who had read all or some of the letter (89 per cent);
- those who felt they had a good knowledge of pensions issues (87 per cent compared with 77 per cent of those who felt they had patchy or no knowledge);
- those with a good or reasonable idea of their own income in retirement (87 per cent compared with 73 per cent of those with a vague or no idea).

Figure 4.1 Usefulness of APF letter

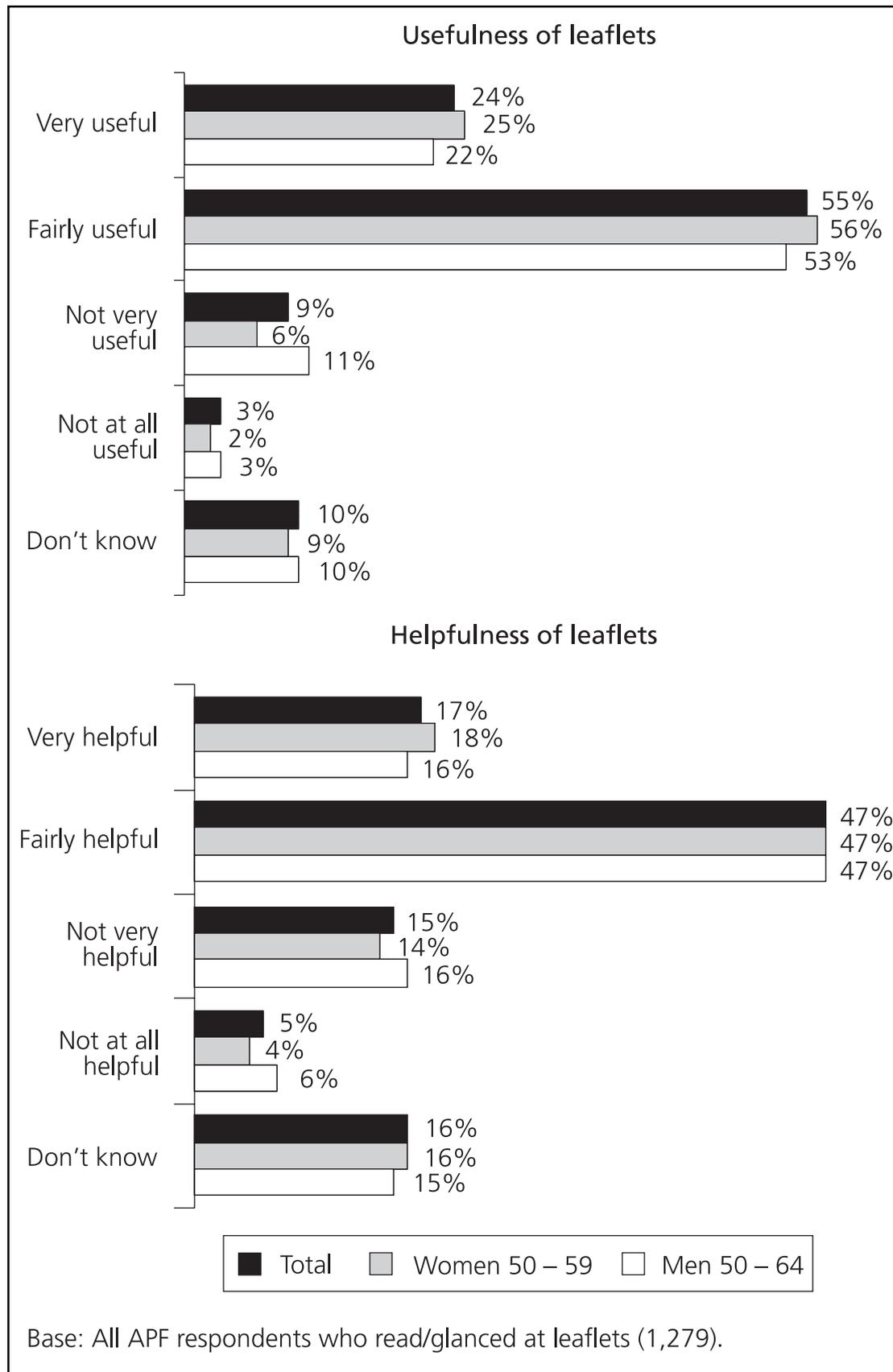
As can be seen in Figure 4.1, there were no significant differences between men and women.

4.1.2 APF leaflets

Almost four in five (78 per cent) of those APF respondents who read or glanced at the leaflets found the information contained in them either very (24 per cent) or fairly (55 per cent) useful. Those who had read all or some of the leaflets were more likely than average to say they found them very useful (32 per cent). Only 12 per cent did not find the leaflets useful.

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 found them useful. Around two-thirds (64 per cent) felt the leaflets were very or fairly helpful, but a fifth (20 per cent) did not find them helpful.

Again, as can be seen in Figure 4.2, there were no significant differences between men and women.

Figure 4.2 Usefulness and helpfulness of leaflets

4.2 Understanding of the APF

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;
- whether the amount of State Pension shown in the letter was the exact amount they would get or just an estimate;
- whether it was just a general example or based on information held about their personal circumstances.

Almost half of respondents who recalled the letter (48 per cent) said the amount of the APF estimate was the same as they expected; unsurprisingly this was slightly higher among those who claimed to have a good or reasonable idea of their income in retirement (53 per cent). Roughly equal numbers claimed the APF estimate was higher (16 per cent) or lower (19 per cent) than expected. Women were slightly more likely to have found the estimate higher than expected (20 per cent compared to 11 per cent of men).

Two-thirds of those who recalled the letter believed that the APF was an estimate; 29 per cent felt this was definitely the case and 38 per cent thought it was. A fifth wrongly believed that the APF was an exact amount – a miscomprehension slightly more prevalent among women (22 per cent compared to 19 per cent of men).

Around seven in ten (71 per cent) of those who recalled the letter believed the APF was based on personal circumstances rather than a general example, with 39 per cent definite this was the case and 32 per cent who thought it so. One in seven (13 per cent) wrongly believed that the APF was a general example and this belief was slightly more common among men (18 per cent compared to ten per cent of women).

Respondents who recalled the letter and/or the leaflets were asked directly if it had increased understanding of their State Pension entitlement and the options for saving for retirement. After prompting, over two-thirds of APF recallers felt that the APF provided them with a better understanding of:

- their own State Pension income in retirement (74 per cent);
- the State Pension system and their entitlements (70 per cent).

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

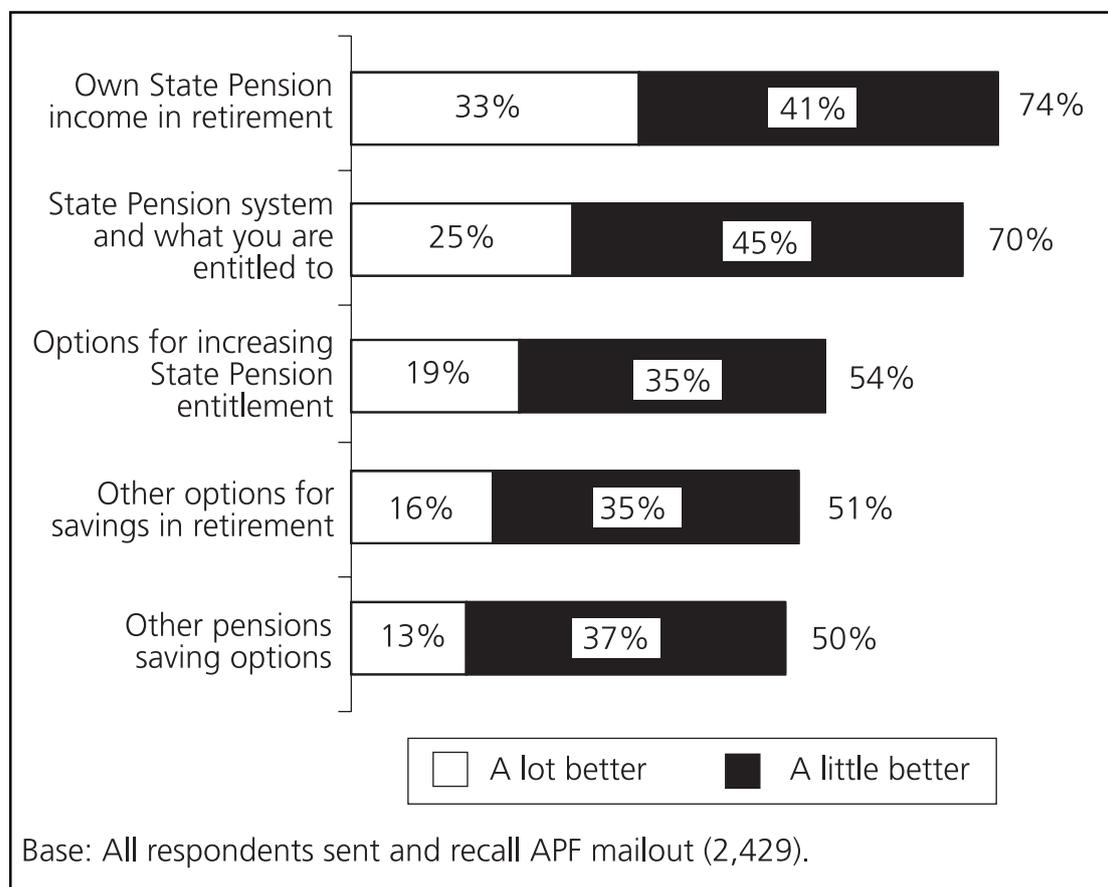
- their options for increasing State Pension entitlement (54 per cent);
- their options for saving in retirement (51 per cent);
- other pensions saving options (50 per cent).

As might be expected, these proportions were higher amongst those who read some or all of the leaflets: 87 per cent, 84 per cent, 72 per cent, 67 per cent and 70 per cent respectively.

The pattern in agreement to the various statements suggests that respondents felt that the APF provided useful information but did not help with options for future decision-making as much as it could have done.

The breakdown of those who felt their understanding had been improved a lot or a little is shown in Figure 4.3.

Figure 4.3 Whether APF provided better understanding of pensions issues



The majority (85 per cent) felt that the APF improved their understanding in at least one of the prompted areas. Women were slightly more likely to feel that their understanding was improved (87 per cent compared to 83 per cent of men). 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).

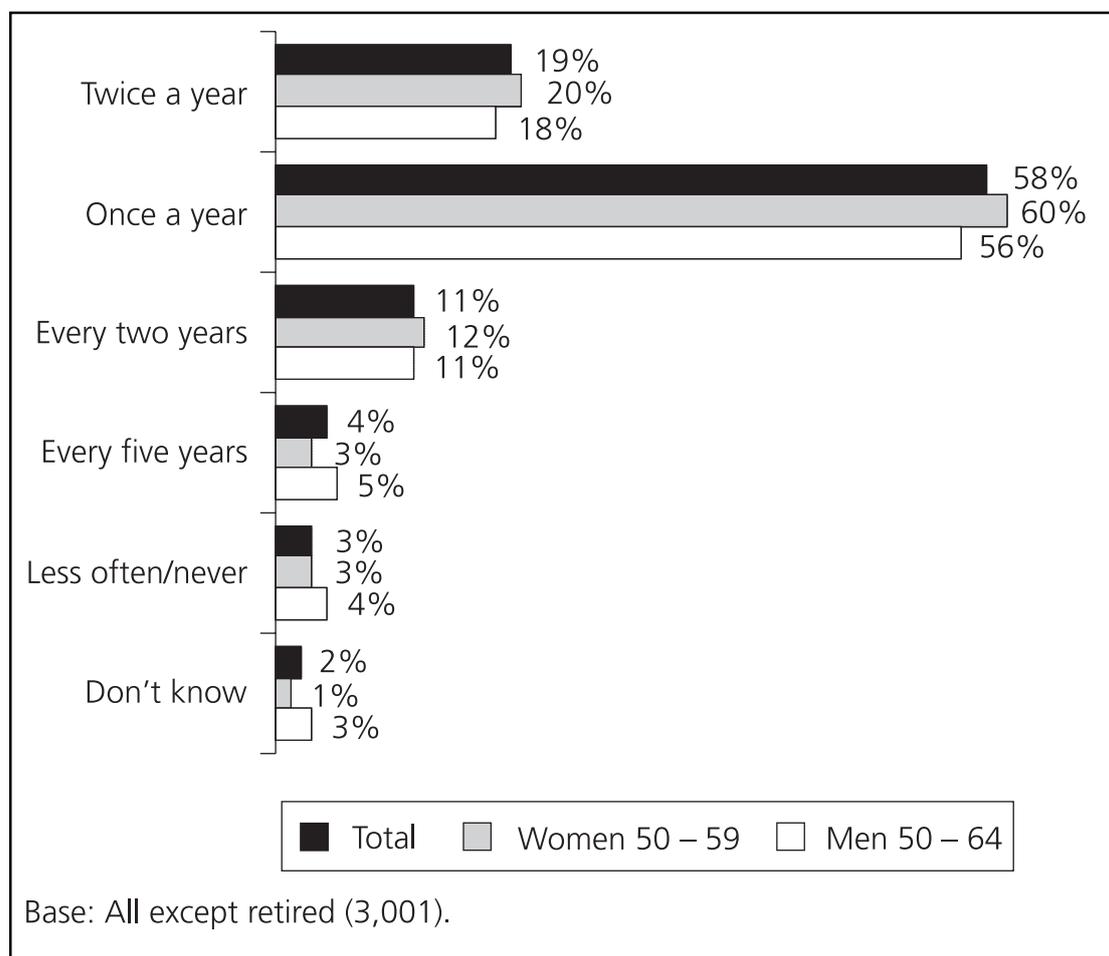
Around a third (32 per cent) of those who received the APF felt that it had improved their understanding of all areas. This proportion increased to almost half (48 per cent) amongst those who had read at least some of the leaflets. It was also slightly higher amongst those with a good or basic knowledge of pensions (35 per cent

compared with 26 per cent of those with only a patchy or no knowledge), reflecting that those with better knowledge of pensions were more likely to have read some/all of the APF.

4.3 Preferred frequency of information

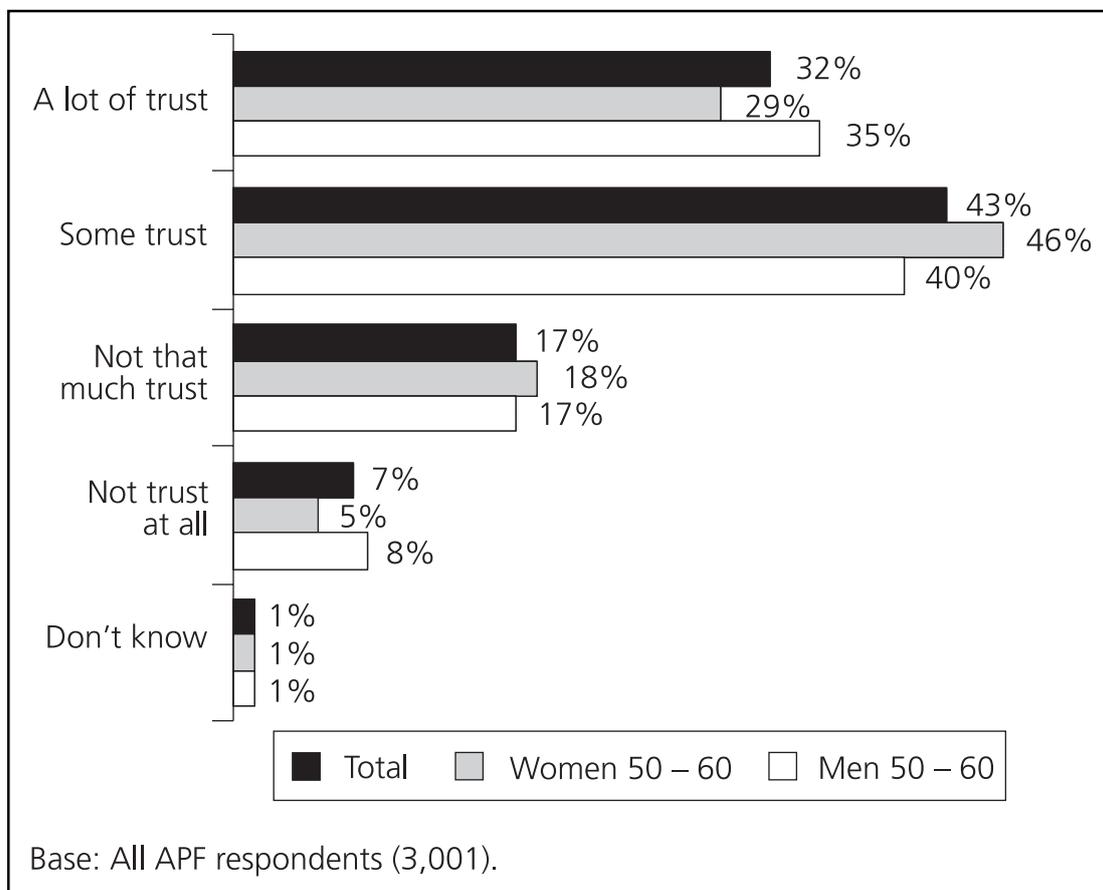
Over half of all APF respondents (58 per cent) would like to receive State Pension information once a year. As shown in Figure 4.4, the remaining respondents were split fairly evenly among those who would like the information more frequently and those who would prefer it less frequently.

Figure 4.4 Preferred frequency of State Pension information



4.4 Trust in information from the Government

Trust in printed information from the Government was fairly high, with three-quarters of those receiving an APF stating that they put at least some trust in such mailings: 32 per cent put a lot of trust in them and 43 per cent some trust. Only seven per cent did not put any trust at all in government information.

Figure 4.5 Trust in information from the Government

5 Knowledge of State Pensions

This chapter explores respondents' knowledge of the State Pension system to measure the impact, if any, of receiving the Automatic State Pension Forecasts (APF) on this knowledge. Both the main and control samples were asked about how the State Pension is calculated, other ways entitlement may be built and the State Second Pension.

While there was no statistically significant difference in knowledge of the State Pension system between those who received the APF and the control sample, readership of the APF seemed to have improved awareness and knowledge slightly (for instance 69% of those who read the APF were fully aware of how the State Pension was calculated after prompting, compared to 61% of all those who received the APF and 58% of the control sample). However, as those who read the mailing were more likely to be those that had a good or at least basic knowledge of pension issues and there was only a slight difference in knowledge between the main and control samples, there is no evidence to directly suggest that receiving the mailing has had a significant impact on awareness and knowledge of the State Pension system. It could be that respondents' knowledge level increased after reading the APF and that the control sample had more knowledge than the APF group at the outset¹⁵ – however this conclusion can not be drawn from the available evidence.

¹⁵ This may be the case given that the control sample had a higher level of pension provision (96 per cent had any pension provision beyond State Pension compared with 85 per cent of the APF sample) and knowledge of pension issues was higher amongst those with any pension provision (64 per cent had a good/reasonable knowledge versus 38 per cent of those who had never had a pension), although differences in level of knowledge between APF and control sample overall were not great (66 per cent of the control had good/reasonable knowledge versus 60 per cent of the APF group) and there was no significant difference in the proportions with good knowledge.

5.1 Awareness of State Pension age

The majority of respondents (95 per cent) were spontaneously aware of the correct earliest age at which the State Pension may be drawn. Almost all (96 per cent) of those who felt they had at least a basic knowledge of pension issues were aware of the correct age at which State Pension could be drawn, compared to nine in ten (90 per cent) of those with no knowledge.

There were no marked differences between the APF and control sample in knowledge of age at which State Pension could be drawn, either within each segment or at a total level. Neither were those who recalled or read the letter any more likely than the control to know the correct age.

Women were very slightly more likely than men to be aware of the correct age at which State Pension can be drawn (97 per cent versus 93 per cent), although this may in part be because it is harder to accurately measure whether a correct response had been given by the women due to the shift in the age at which women will be entitled from 60 to 65 years (to bring them in line with men) in the future.¹⁶

Those nearer State Pension age were slightly more likely to know the age at which they were entitled to retire. Virtually all, 96 per cent of 60 – 64 year old men were aware of the correct age compared with 92 per cent of 50 – 59 year old men. Among women, 98 per cent of 55 – 59 year olds gave a correct response compared to 96 per cent of 50 – 54 year olds.

5.2 Awareness of how basic State Pension is calculated

Around half (51 per cent) of those surveyed were spontaneously aware of how the basic State Pension is calculated. This was slightly more common among:

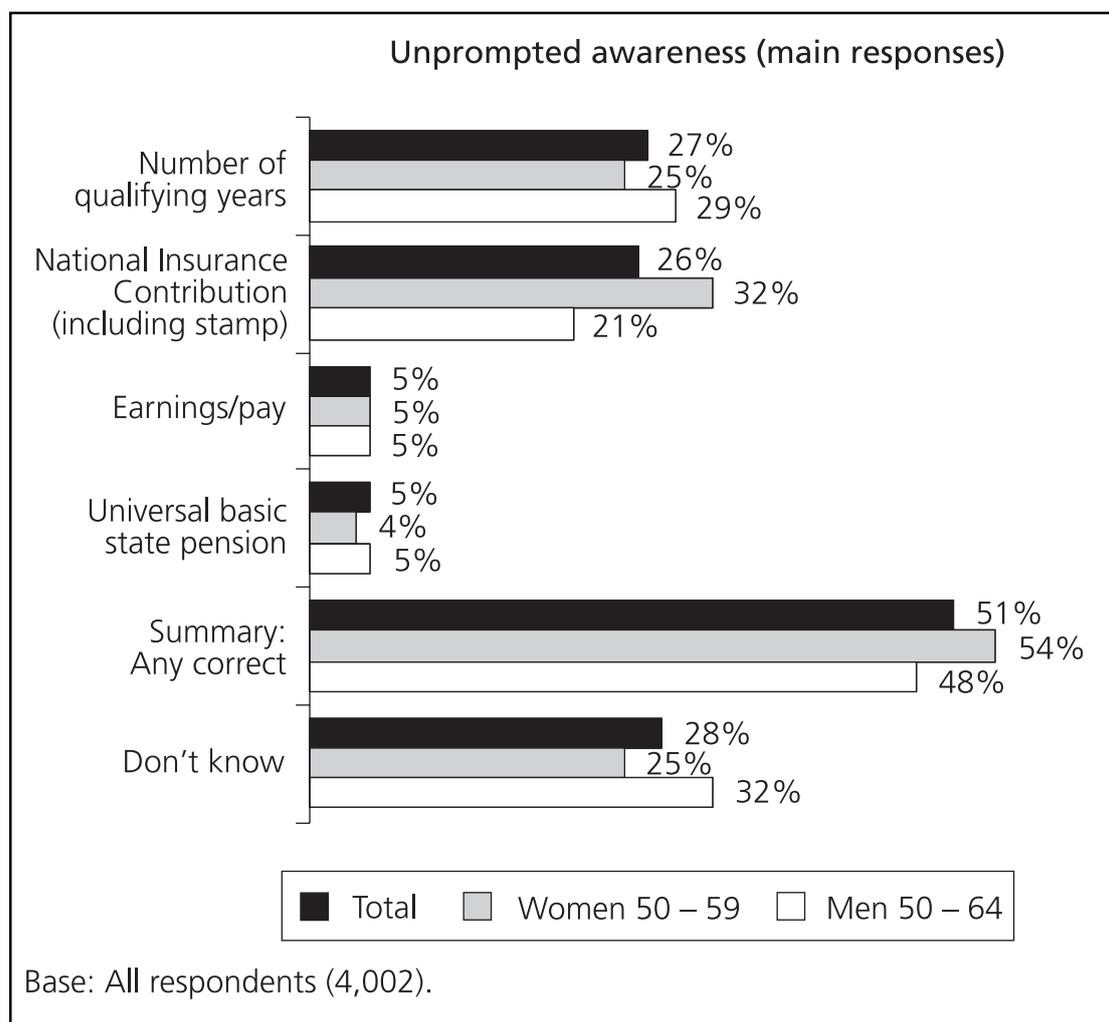
- women (54 per cent compared to 48 per cent of men);
- those who felt they had good knowledge of pension issues (66 per cent as opposed to 27 per cent of those who feel they had no knowledge);
- those who had at least a reasonable idea of their own income in retirement (57 per cent versus 38 per cent among those with a vague or no idea);
- those nearing State Pension Age (59 per cent of 55-59 year old women versus 49 per cent of 50-54s; 52 per cent of 60-64 year old men versus 47 per cent of 50-59s).

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

¹⁶ Responses accepted as correct for women were 60 – 65 as well as 'The age is changing for women' and 'From 65 but can delay taking it'. For men, accepted responses were 65 and 'From 65 but can delay taking it'.

Figure 5.1 shows that the main ways respondents (correctly) thought entitlement to the State Pension is calculated was using the number of qualifying years (mentioned by 27 per cent of all respondents) and through National Insurance contributions (26 per cent, more commonly mentioned among women (32 per cent)). A small proportion incorrectly said that the basic State Pension was related to pay or earnings (five per cent) or thought that there was a universal basic State Pension (five per cent).

Figure 5.1 Awareness of how State Pension was calculated



Respondents were then given a brief description of how the State Pension was calculated (that entitlement is built by paying or being credited with National Insurance contributions over a number of years and that the amount of Basic State Pension is dependent on how many years in the working life can be classed as qualifying) and asked how aware they were of how it worked. Around six in ten (61 per cent) said they were fully aware of how it worked.

Men were more likely to say they were fully aware than women (66 per cent and 55 per cent respectively), as were those who felt they had a good knowledge of pension issues (83 per cent fully aware, compared with 33 per cent of those with no knowledge), those who had at least a reasonable idea of their own income in retirement (68 per cent versus 44 per cent with vague or no idea) and those aged 55 or over (65 per cent versus 54 per cent of 50 – 54 year olds).

There was no significant difference in the proportion of APF and control respondents who were fully aware of how it worked, either at an overall level or within segment. However, those who read all or some of the APF were more likely than average to be fully aware once prompted (69 per cent compared to 61 per cent for all APF respondents and 58 per cent control).

Table 5.1 Awareness of how State Pension is calculated (prompted)

	<i>Column percentages</i>			
	Total	APF	APF Reader	Control
	%	%	%	%
Fully aware of how it worked	61	61	69	58
Aware that it is related to National Insurance, but not aware you have to build up a number of qualifying years	31	30	26	33
Not aware of it, thought everyone got the same basic pension	8	8	5	9
Don't know	*	1	*	*
<i>Base</i>	<i>4,002</i>	<i>3,001</i>	<i>1,628</i>	<i>1,001</i>

Table 5.2 Awareness of how State Pension is calculated (prompted)

	<i>Column percentages</i>					
	Segment 1 Segment 2		Segment 1		Segment 2	
	%	%	APF	Control	APF	Control
	%	%	%	%	%	%
Fully aware of how it worked	55	66	56	52	67	65
Aware that it is related to National Insurance, but not aware you have to build up a number of qualifying years	36	25	36	38	24	27
Not aware of it, thought everyone got the same basic pension	8	8	8	9	8	8
Don't know	*	1	1	*	1	*
<i>Base</i>	<i>2,001</i>	<i>2,001</i>	<i>1,501</i>	<i>500</i>	<i>1,500</i>	<i>5,001</i>

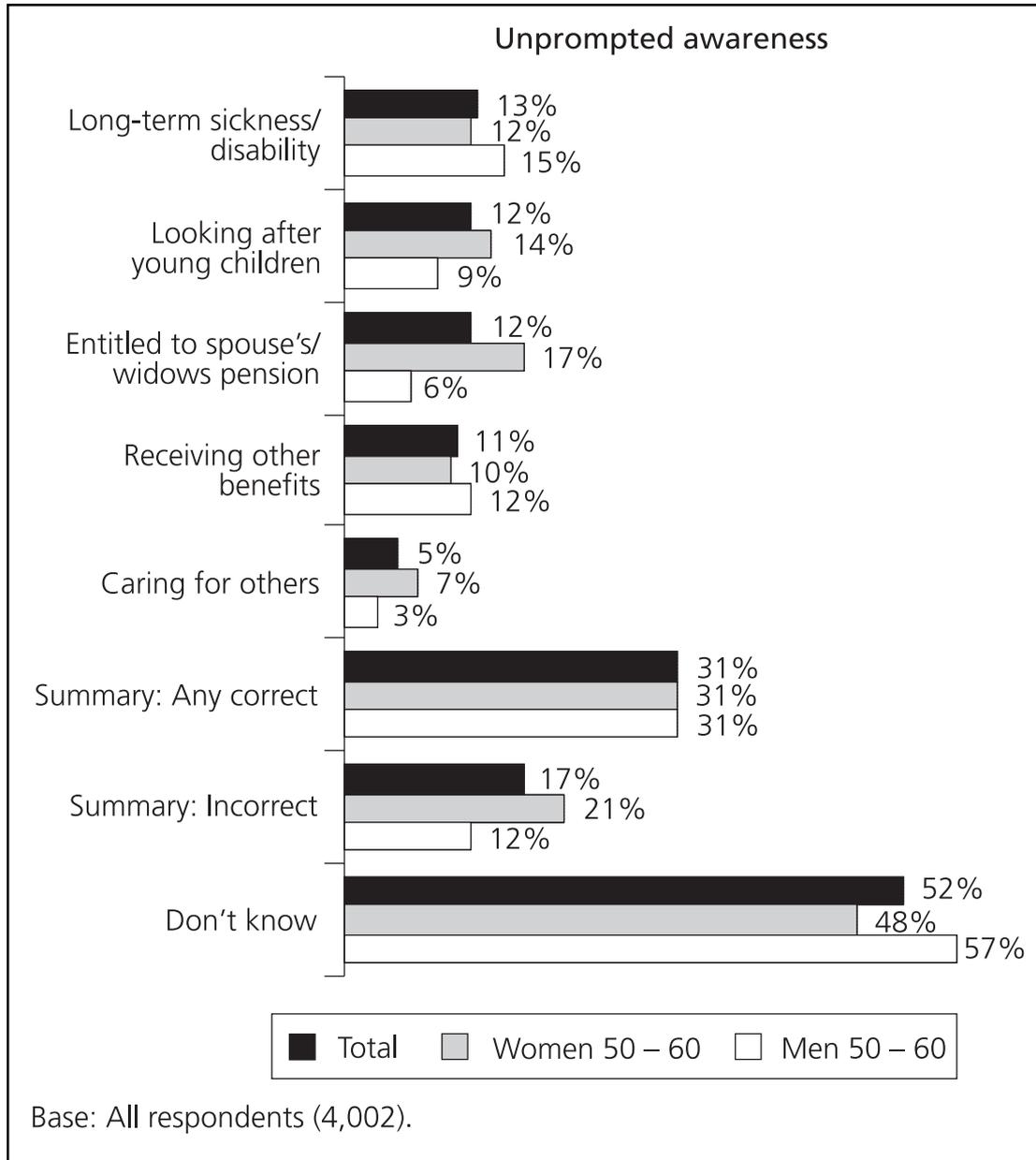
Just over three in ten (31 per cent) said they knew that calculation of the State Pension was related to National Insurance Contributions, but not that entitlement was built up over qualifying years (more common among women – 36 per cent compared to 25 per cent of men), and around one in ten (eight per cent) were unaware of how the State Pension was calculated and believed that everyone was entitled to the same amount of basic State Pension. Those with no additional pension provision beyond the State Pension were more likely than average to have thought that everyone was paid the same amount of basic State Pension (16 per cent).

It should be noted that only around three in five (59 per cent) of those who claimed they were fully aware of how the State Pension was calculated, after being prompted with a definition, actually gave the correct response when asked for their spontaneous, top-of-mind, awareness. We can infer from this that the prompted awareness figures do include some over-claiming and should be used with this in mind.

5.3 Alternative ways of building entitlement

Respondents were also asked whether there were any other ways entitlement to the basic State Pension may be built up. Only around one-third (31 per cent) were spontaneously aware that people can be credited with National Insurance Contributions when they are either caring for children or other relatives or are unable to work for other reasons, to build entitlement to the State Pension in the periods they are not working. Just over one in six (17 per cent) gave an incorrect response, the rest did not know.

Figure 5.2 Awareness of alternative ways entitlement can be built



Those who felt they had a good knowledge of pension issues were more likely to be (correctly) aware of alternative ways to build entitlement than those who felt they had no knowledge (41 per cent and 22 per cent respectively). Recall and readership of the APF leaflets has seemingly made no impact on knowledge of alternative ways of building entitlement.

The main alternative ways of building up entitlement correctly mentioned spontaneously were:

- long-term sickness or disability (mentioned by 13 per cent);
- looking after young children (12 per cent);
- entitlement to spouse’s or widows pension (12 per cent);
- receiving other benefits (11 per cent);
- caring for others (five per cent).

Incorrect responses included that there was universal entitlement and that people received credits if they were going abroad, self-employed or had set up a private pension.

After being prompted with an explanation of ways in which entitlement can be built up if someone is not working, almost half of respondents (47 per cent) claimed they were aware of this and a further ten per cent thought they probably were. There was no difference in awareness between men and women overall although age differences varied by gender. Men over 60 years of age were more likely to be aware of how entitlements can be built up than men between 50 and 59 years old (51 per cent versus 45 per cent) however there was no significant difference by age among women.

There was no difference in awareness between the APF and control samples overall or within segment, as shown in Table 5.3. Prompted awareness was higher amongst those who had read some or all of the mailing (54 per cent) and those who had a good knowledge of pension issues (66 per cent), reflecting that those with a good knowledge of pension issues were more likely to have read the mailing. However, it also again needs to be noted that under half (45 per cent) of those who claimed they knew after prompting, actually gave a correct spontaneous response.

Table 5.3 Awareness to entitlement of State Pension if not working – prompted

	<i>Column percentage</i>			
	Total %	APF %	APF reader %	Control %
Yes	47	47	54	48
Maybe – think / assume so	10	10	11	10
No	42	42	35	43
Don’t know	*	-	*	-
<i>Base</i>	<i>4,002</i>	<i>3,001</i>	<i>1,628</i>	<i>1,001</i>

Table 5.4 Awareness to entitlement of state pension if not working – prompted

	<i>Column percentages</i>					
	Segment 1 Segment2		Segment 1		Segment 2	
	%	%	APF %	Control %	APF %	Control %
Yes	48	47	48	47	47	48
Maybe – think/assume so	11	10	10	11	10	8
No	41	43	41	42	43	44
Don't know	*	*	*	-	*	-
Base	2,001	2,001	500	1,500	500	501

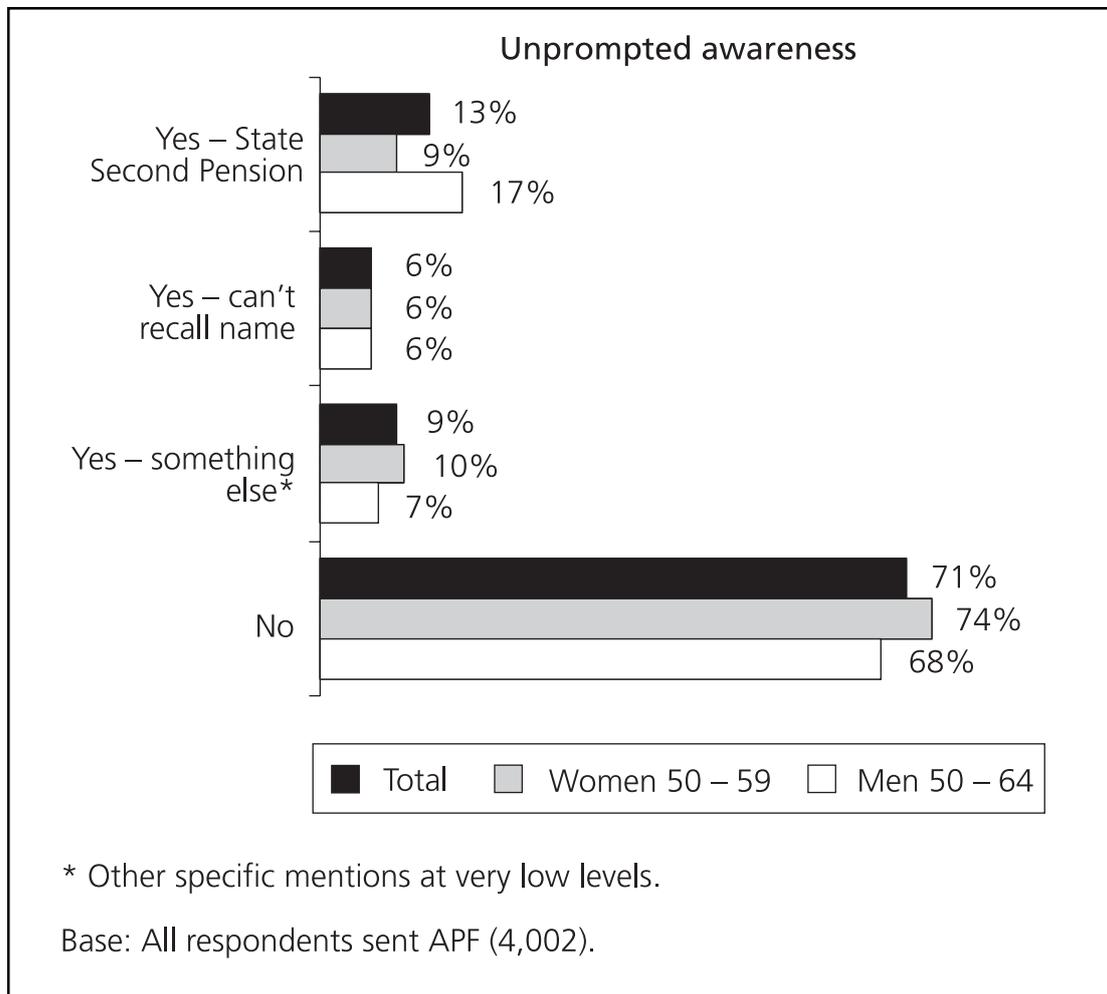
5.4 Awareness of the State Second Pension

One in seven (13 per cent) of those interviewed were spontaneously aware of and were able to name the State Second Pension. Men (17 per cent) were more likely to be aware of this pension than women (nine per cent), as were those who felt they had a good knowledge of pension issues (28 per cent compared with three per cent of those who felt they had no knowledge). Additionally, those who felt they had a good or reasonable idea of their income in retirement (16 per cent) were more likely to be aware of the State Second Pension (seven per cent with a vague/no idea). Those who read all or some of the APF were also slightly more likely than average to be aware of the State Second Pension (18 per cent).

As can be seen in Figure 5.3, a further one in twenty (six per cent) were aware of the existence of a second pension, but were unable to recall the name. Around one in ten (nine per cent) mentioned something else (specifics mentioned at one per cent or below).

Around seven in ten (71 per cent) were unaware of the existence of a State Second pension. Those with no knowledge of pensions issues (91 per cent), those with a vague or no idea of their own income in retirement (82 per cent compared with 65 per cent of those who feel they had a good or reasonable idea), those who had not read the APF (77 per cent), women (74 per cent versus 68 per cent of men) and the under 55s (75 per cent versus 68 per cent of 55+) were more likely than average to be unaware of the State Second Pension before prompting.

Figure 5.3 Awareness of the State Second Pension



Once prompted with the name 'State Second Pension' and how it works, around one in five (19 per cent) said they were fully aware of how it worked. The 55 and over age group were particularly likely to be fully aware (22 per cent versus 14 per cent of 50 - 54 year olds) as were men (23 per cent compared with 14 per cent of women). There was no difference between the APF and control samples overall or within segment (see Tables 5.5 and 5.6). However, those who had read the APF were more likely to be fully aware of how it worked (23 per cent) as were those who felt they had a good knowledge of pensions issues (39 per cent) and those who felt they had a good or reasonable idea of their own retirement income (23 per cent).

Table 5.5 Awareness of State Second Pension – prompted

	<i>Column percentages</i>			
	Total	APF	APF Reader	Control
	%	%	%	%
Fully aware of State Second Pension and how it worked	19	19	23	18
Aware that State Second Pension is related to National Insurance Contributions but not sure how it works	42	42	44	43
Not aware of it/heard of but know nothing about it	39	39	32	39
Don't know	*	*	1	*
<i>Base</i>	<i>4,002</i>	<i>3,001</i>	<i>1,628</i>	<i>1,001</i>

Table 5.6 Awareness of State Second Pension

	<i>Column percentages</i>					
	Segment 1		Segment 1		Segment 2	
	Segment 2		APF	Control	APF	Control
	%	%	%	%	%	%
Fully aware of State Second Pension and how it worked	14	23	14	15	23	22
Aware that State Second Pension is related to National Insurance Contributions but not sure how it works	41	43	41	41	43	44
Not aware of it/heard of but know nothing about it	45	33	45	44	33	33
Don't know	*	*	1	*	*	1
<i>Base</i>	<i>2,001</i>	<i>2,001</i>	<i>1,501</i>	<i>500</i>	<i>1,500</i>	<i>501</i>

Three in ten (30 per cent) of those saying they were fully aware of the State Second Pension and how it worked were able to name the pension spontaneously. Around half (52 per cent) of this group were not spontaneously aware of the State Second Pension.

Just over four in ten (42 per cent) once prompted were aware of an extra pension related to National Insurance Contributions but were not sure how it worked. Around a further four in ten (39 per cent) were not aware of how the State Second Pension worked even after prompting. This was more common among those who felt they had:

- no knowledge of pensions issues (64 per cent);
- those who had not read any of the mailing (56 per cent):
- those who had little or no idea of their own likely retirement income (53 per cent):
- women (45 per cent not aware after prompting).

6 Actions to plan for retirement

This final chapter examines whether the Automatic State Pension Forecasts (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 in the future.

6.1 Actions already taken for retirement or intended to be taken

When prompted with a list of possible actions, most respondents (90 per cent) claimed to have taken some action in relation to planning for retirement or to be intending to do so in the future. Almost eight in ten (77 per cent) said they had taken some action in the last three-four months in regards to planning for their retirement and a further one in seven (13 per cent) had not taken action but intended to do so in the future.¹⁷

As seen in Table 6.1, women were more likely than men to have taken action in the last three to four months. Eighty per cent of women claimed to have taken any action in the last three to four months compared with 74 per cent of men, although the proportion claiming they have not done so, but will in future, was very similar (14 per cent and 13 per cent respectively).

There was little difference by age in terms of action taken, the only significant difference being that 60–64 year old men were less likely to have taken action in the last three to four months (67 per cent versus 77 per cent of 50–59 year olds), reflecting the high proportion of this group who are already retired.

¹⁷ The specific actions we asked about (on a prompted basis) are discussed later in this chapter and are shown in Tables 6.2 and 6.6.

There was no difference between the control and APF groups overall (76 per cent compared with 77 per cent) or within segments. However, whilst recall of the mailing had no significant impact on overall levels of action taken or intended, those who recalled the mailing were more likely to have already taken action, as opposed to just be intending to (79 per cent already taken action compared with 69 per cent of those who did not recall the mailing).

Readership of the APF also affected behaviour, as those who had read all or some of the APF were significantly more likely to have or be intending to take action than those who had received but not read the APF mailing (92 per cent versus 88 per cent). In particular, they were more likely to have already taken action, rather than just be intending to (83 per cent of those who had read the mailing had already taken action compared with 73 per cent of those who had not).

Those with a good knowledge of pensions were significantly more likely to have already taken action, than those who had only a patchy or no knowledge of pension issues (82 per cent versus 70 per cent). Conversely, those with a patchy or no knowledge of pensions were more likely to be intending to take action in the future but not to have done so yet (20 per cent versus six per cent of those with good knowledge).

Those who had ever had any pension provision were also more likely to have already taken action (79 per cent compared with 61 per cent who had never had a pension). Notwithstanding that the control sample had a higher level of pension provision, this has not had an impact on overall levels of action taken by the control sample, relative to the APF group.

The fact that there was no significant difference between the APF and control samples overall leads 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 behaviour of people aged 50+ 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 good knowledge of pension issues.

Further statistical analysis we have undertaken¹⁸ shows that knowledge rather than readership of the APF is the key driver of taking action. Readership of the mailing is also a driver of behaviour but not as strong as knowledge. Thus, this analysis has also shown that for some sub-groups with some (basic or patchy rather than good)

¹⁸ Chi-square Automatic Interaction Detection (CHAID) analysis was undertaken to identify which factors were most important in determining the likelihood of respondents having taken action. The factors tested included recall and readership of the APF, age, pension provision and knowledge of pensions. A copy of the results is appended.

knowledge of pensions, readership of the APF has enhanced their likelihood to take action. The two sub-groups affected are:

- APF respondents with a patchy knowledge of pensions who were significantly more likely to have taken action if they had read the mailing than if they had not.
- younger APF respondents (aged 50-59) who had a basic knowledge of pensions who were also more likely to have taken action if they had read the mailing than if they had not.

Again, as with awareness and knowledge of the State Pension system, it could be suggested that respondents' knowledge had increased after reading the APF and that the control sample had more knowledge than the APF group at the outset. However, this hypothesis cannot be verified from the available evidence.

Table 6.1 Whether taken action or intend to take action in the future

	Total have/ intend to take action %	Already taken action %	Intend to take action (but not done so yet) %	Base: All respondents
Total	90	77	13	4,002
Women 50-59	93	80	14	2,001
Men 50-64	87	74	13	2,001
APF sample	91	77	13	3,001
Control	89	76	14	1,001
Segment 1 APF	93	80	13	1,501
Segment 1 control	93	79	15	500
Segment 2 APF	88	75	13	1,500
Segment 2 control	85	73	13	501
Read all/some of APF mailing	92	83	10	1,628
Not read APF mailing	88	73	16	124
Any recall of APF mailing	91	79	12	2,429
No recall of APF mailing	89	69	20	572
Good knowledge of pensions issues	88	82	6	516
Patchy/no knowledge of pensions issues	91	70	20	1,495
Any pension provision (beyond State)	91	79	12	3,550
No pension provision (beyond State)	86	61	25	421

6.2 Profile of those not taken or intending to take action

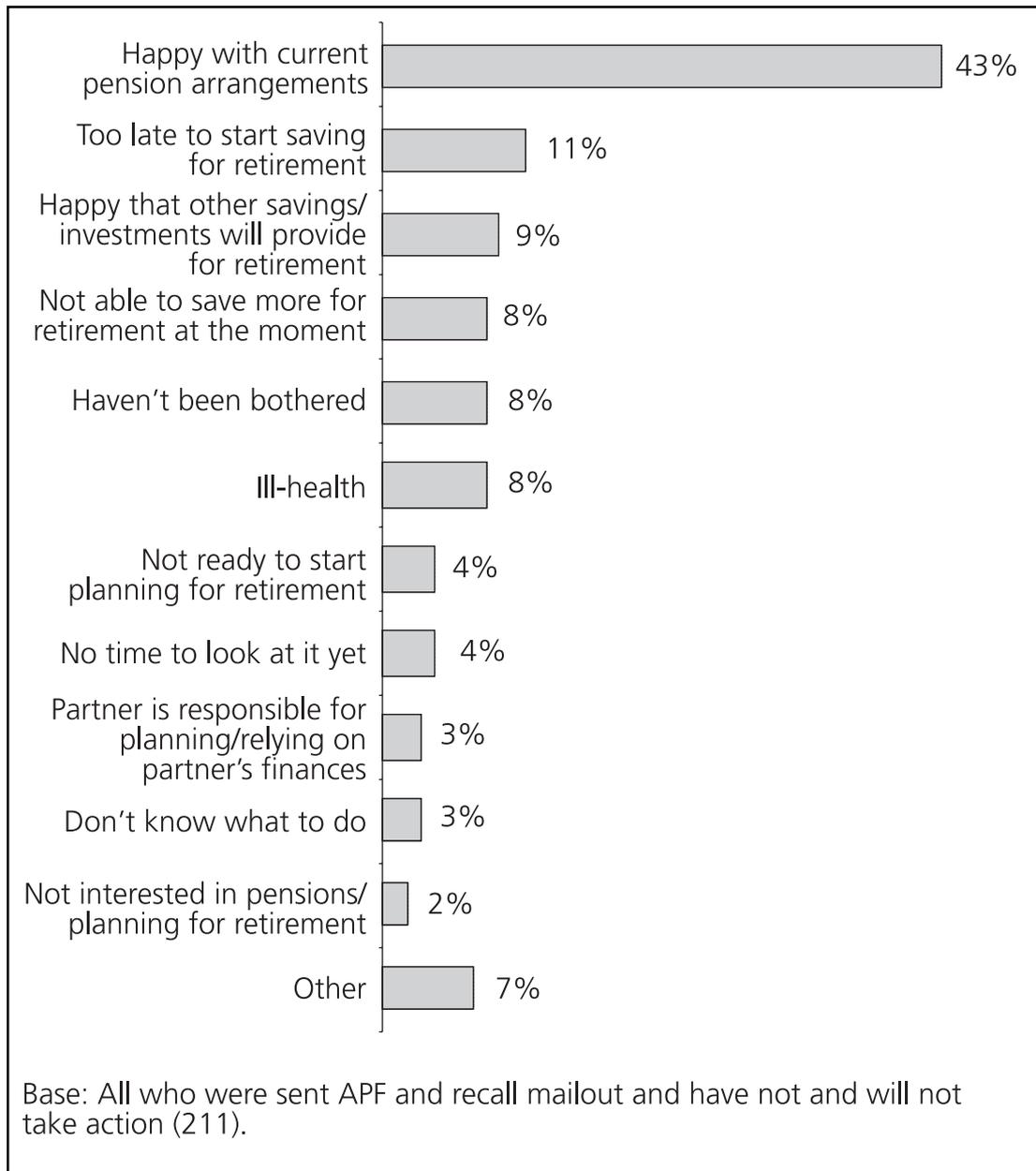
One in ten (ten per cent) of those who were sent the APF had not taken action and also did not intend to take any action in the future; this proportion was similar (eleven per cent) among the control sample. Men were more likely than women to

have not taken or be intending to take future action (13 per cent versus seven per cent), particularly 60 – 64 year old men (21 per cent). Those who felt they needed to save less for a comfortable retirement (13 per cent) were also more likely to have not taken or be intending to take future action.

However, some were less knowledgeable and had less provision for their retirement. Almost one in five (19 per cent) of those who felt they had no knowledge of pensions issues, one in seven (14 per cent) of those with no pension provision beyond state entitlements and around one in nine (ten per cent) of those with an individual income of below £40,000 had not and did not intend to take any future action.

Those who *recalled* receiving the APF but had not taken and were not intending to take any action in relation to planning for their retirement were asked about the reasons for this. The main reason for not having taken or intending to take action in the future was being happy with current pension arrangements (mentioned by 43 per cent). This was more commonly the case among men (50 per cent versus 31 per cent of women), and those with an individual income of more than £40,000 per year (70 per cent). A further nine per cent mentioned that they (also) had other savings and investments that will provide for their retirement.

Figure 6.1 Reasons for not taking or intending to take action in the future



As can be seen in Figure 6.1, other reasons for not having taken and not intending to take action in the future included feeling that it was too late to start saving for retirement (11 per cent) or not being able to afford to save for retirement at the moment (eight per cent), including because of ill-health. Women were more likely than men to be unable to afford to take action for their retirement (11 per cent compared with six per cent). Others said they could not be bothered (eight per cent), felt they still had time to take action (four per cent) or were leaving it to their partner (three 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.

6.3 Type of action taken

As shown in Tables 6.2 and 6.3, while almost eight in ten (77 per cent) respondents said they had taken some action in regards to planning for retirement in the last three to four months, only around two in five (37 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: 77 per cent.
- Hard and soft actions taken: 34% per cent.
- Hard action(s) taken only: 3% per cent.
- Soft action(s) taken only: 40% per cent.

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

- women (39 per cent compared with 34 per cent for men) and consequently women in the control sample (46 per cent compared with 36 per cent of men in the control sample);
- those who had read some/all of the mailing (39 per cent compared with 31 per cent who only glanced at the APF or did not read it at all (32 per cent));
- those with good knowledge of pensions (41 per cent compared with 20 per cent who had no knowledge);
- those in the control sample (41 per cent compared with 35 per cent in the APF sample).

This last finding seems odd, suggesting that the APF serves to actually impact negatively on savings relative to what might have happened in the absence of the APF, but is almost certainly the result of the differences in characteristics between the APF and control samples. To recap, given the higher levels of employment and 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.

6.3.1 Hard actions (changes to savings behaviour)

Table 7.2 also shows the 'hard' actions (changes to savings behaviour) that respondents had taken. The main change made (mentioned by 27 per cent of all respondents) was to have started or made changes to some other form of saving for retirement (other than a pension). Women were more likely to have taken this action than men (30 per cent compared with 24 per cent). Otherwise there were no marked differences between subgroups.

Table 6.2 Hard (savings) actions taken – APF versus APF readers versus control

	<i>Multiple response</i>			
	Total	APF	APF readers	Control
	%	%	%	%
Any action taken	77	77	83	76
Any hard	37	35	39	41
Started or made changes to other saving for retirement	27	26	29	29
Changed contributions to current pension	9	9	10	10
Contracting back into State Second Pension	4	4	4	5
Taken out a (new) pension	3	3	3	4
Contracting out of State Second Pension	2	2	2	4
Other hard actions taken ¹	2	2	2	3

¹ This comprises spontaneous responses of 'Paid off mortgage/other debts', 'House move /sale/downsizing/equity release' and 'Reducing spendings/outgoings'.

Table 6.3 Hard (savings) actions taken – Segment comparison

	<i>Multiple response</i>							
	Segment 1		Segment 2		Segment 1		Segment 2	
	Total	Total	APF	Control	APF	Control	APF	Control
	%	%	%	%	%	%	%	%
Any action taken	80	74	80	79	75	73		
Any hard	39	34	37	46	33	36		
Started or made changes to other saving for retirement	30	24	29	33	23	24		
Changed contributions to current pension	9	10	8	10	10	9		
Contracting back into State Second Pension	4	4	4	6	4	3		
Taken out a (new) pension	3	3	2	4	3	3		
Contracting out of State Second Pension	2	2	2	3	2	4		
Other hard actions taken	2	2	2	3	2	3		

Smaller numbers took action relating to pensions including changing contribution levels (nine per cent), taking out a new pension (three per cent) and contracting in (four per cent) or out (two per cent) of the State Second Pension. There were no significant differences in the proportions taking these actions between any subgroups.

Those who had taken out a new pension most commonly joined an occupational pension (59 per cent of this group) as may be seen in Table 6.4. Just over a third of this group took out a new personal pension (35 per cent). Small base sizes mean sub-

group analysis can only be indicative rather than statistically significant. The control sample tended to have been more likely to have taken out an occupational pension than the APF group.

Table 6.4 Type of pension taken out

	<i>Row percentages</i>			
	Occupational %	Personal %	Don't know %	Base*
Total	59	35	6	114
APF	53	41	6	78
APF readers	52	42	6	43
Control	72	23	6	36
Women 50-59 (Segment 1)	56	37	8	58
Men 50-64 (Segment 2)	63	33	4	56

*Note: Small sample bases for subgroups means results are not statistically significant and should be treated with caution.

Around a further one in ten (nine per cent) changed their contributions to a current pension. The majority of these (70 per cent) increased contribution levels to their current pension. This action was slightly more common among APF readers than among the control sample (although there was no significant difference between APF readers and the APF group as a whole). Men seem slightly more likely to have increased their contributions (74 per cent compared with 67 per cent of women) however this is not statistically significant. Very small numbers decreased (five per cent) or stopped (eight 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 6.5 How changed contributions to pension

	<i>Row percentages</i>					
	Increased %	Decreased %	Stopped %	Other %	Don't know %	Base
Total	70	5	8	4	13	380
APF	73	7	8	3	10	279
APF readers	77	6	7	2	8	166
Control	64	2	7	6	22	101
Women 50-59 (Segment 1)	67	8	6	6	13	182
Men 50-64 (Segment 2)	74	3	9	1	12	198

6.3.2 Soft actions (seeking information or advice)

As discussed earlier in this chapter, and shown in Table 6.6, over half 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 (74 per cent versus 72 per cent) but APF readers were more likely to have taken some sort of 'soft' action (80 per cent). This in turn suggests readership is a potentially important factor in influencing retirement planning behaviour as 'soft' actions may well lead to 'hard' savings actions.

Table 6.6 shows the other (softer) actions that respondents had taken over the last three to four months. Overall, just over half (55 per cent) had thought about how much they needed to live on in retirement and around two-fifths (44 per cent) had reviewed their current arrangements (and found they were adequate). A quarter of respondents checked/requested forecasts from other pensions, checked their entitlement to their partners/spouses' pension and/or talked to someone or sought information about pensions.

There were some notable differences by key subgroups. The main ones were:

- Women were slightly, but significantly more likely than men to have thought about how much they needed to live on in retirement (57 per cent versus 53 per cent), checked their entitlement to their spouse's pension (27 per cent versus 23 per cent) or talked to someone or sought information on pension issues (24 per cent versus 21 per cent).
- APF readers were more likely to have thought about how much they will need to live on in retirement (64 per cent), reviewed their current arrangements (50 per cent), checked their entitlement of their spouse's pension (29 per cent) or talked to someone or sought information about pensions (26 per cent). However there were no significant differences between the overall APF and control samples other than the control sample being slightly but significantly more likely to have sought information on pensions (25 per cent versus 22 per cent for APF).

Table 6.6 Soft (seeking advice or information) actions taken – APF versus APF readers versus control

	<i>Multiple response</i>			
	Total	APF	APF readers	Control
	%	%	%	%
Any action taken	77	77	83	76
Any soft	74	74	80	72
Soft only	40	42	44	35
Thought about how much will want/ need to live on in retirement	55	56	64	54
Reviewed current arrangements and found they were adequate	44	44	50	42
Checked/requested forecasts from other pensions	26	25	27	28
Checked entitlement to spouse's pension	25	25	29	25
Talked to someone or sought information about pensions	23	22	26	25
Enquired about increasing contributions to current pension	5	5	5	6
Enquired about starting or taking out a new pension	3	3	3	3
Other soft actions taken ¹	2	2	3	2
<i>Base</i>	<i>4,002</i>	<i>3,001</i>	<i>1,628</i>	<i>1,001</i>

¹ This comprises spontaneous responses of 'Considered options' and 'Set retirement date'.

Table 6.7 Soft (seeking advice or information) actions taken – Segment comparison

	<i>Multiple response</i>							
	Segment 1		Segment 2		Segment 1		Segment 2	
	Total	Total	APF	Control	APF	Control		
	%	%	%	%	%	%		
Any	80	74	80	79	75	73		
Any soft	76	71	77	75	72	70		
Soft only	41	40	43	33	42	37		
Thought about how much will want/ need to live on in retirement	57	53	58	55	54	52		
Reviewed current arrangements and found they were adequate	44	43	45	42	43	42		
Checked/requested forecasts from other pensions	25	27	23	30	28	26		
Checked entitlement to spouse's pension	27	23	26	30	24	20		
Talked to someone or sought information about pensions	24	21	23	29	21	20		
Enquired about increasing contributions to current pension	5	5	5	7	5	6		
Enquired about starting or taking out a new pension	3	2	3	3	2	2		
Other soft actions taken	2	2	2	3	2	*		
<i>Base:</i>	<i>2,001</i>	<i>2,001</i>	<i>1,501</i>	<i>500</i>	<i>1,500</i>	<i>501</i>		

Just over one in five (23 per cent) talked to someone or sought information about pensions. As shown in Table 6.8, an Independent Financial Adviser was most commonly approached (by 35 per cent of this group), followed by employers (22 per cent) and banks or building societies (ten per cent). Just under one in ten (nine per cent) had contacted the Pension Service. Use of informal sources (i.e. talking to spouse or other relative or friend) was much less common (14 per cent), but higher amongst women than men (18 per cent versus nine per cent). However, women were more likely to have contacted the Pension Service (12 per cent versus five per cent of men).

In general, the APF respondents were more likely to use informal sources of information than the control sample (16 per cent versus ten per cent of control), for example they were more likely to cite seeking information from their spouse/partner (eight per cent versus four per cent) or other friend or relative (eight per cent versus three per cent). In contrast the control sample were more likely to ask their employer for information (27 per cent versus 20 per cent) – probably linked to the higher number with occupational pensions – or the Pensions Service (13 per cent versus seven per cent). The APF readers displayed no different behaviour from the total of APF recipients.

Table 6.8 Where information sought

	<i>Multiple response</i>					
	Total	APF	APF readers	Control	Segment 1	Segment 2
	%	%	%	%	%	%
Formal	81	80	81	84	79	83
Informal	14	16	17	10	18	9
IFA	35	36	36	32	29	42
Employer	22	20	20	27	22	22
Bank/building society	10	11	10	9	11	9
The Pension Service	9	7	10	13	12	5
Spouse/partner	7	8	8	4	11	2
Other friend/relative	6	8	9	3	7	6
Insurance company	6	6	6	5	5	7
Trade Union	3	2	2	4	3	2
FSA	3	3	3	4	3	3
Media/internet	2	2	2	2	2	2
Work colleagues	1	1	*	2	1	1
Other	4	3	2	6	3	4
Don't know	5	5	5	5	5	5
<i>Base: All who talked to someone or sought information</i>	919	669	428	250	489	430

Overall, just over one in ten (nine per cent) of those who talked to someone or sought information contacted the Pension Service, the majority of whom were looking for general information about pensions (23 per cent) or information on entitlements to State Pensions (51 per cent). Bases are too small to look at any sub-group differences.

Table 6.9 Information sought from the Pension Service

	<i>Column percentages</i>
	Total
	%
Entitlements to state pension	51
General information	23
Pension credit	10
State Second Pension	4
Other	8
<i>Base: All who sought information from the Pensions Service</i>	79

6.4 Future actions intended and likelihood of taking these actions

Almost nine in ten (86 per cent) intended to take (further) action in the future. Most of these (73 per cent) had already taken some action in the last three or four months. Only 13 per cent had not taken any action yet. Reflecting the pattern of action already taken, APF readers were more likely to say they intended to take further action than the control sample (88 per cent versus 85 per cent).

Almost half of all respondents (49 per cent) intended to make a definite 'hard' change, as some of the initial advice or information respondents sought leads to more specific action. Those who were intending to make a 'hard' change were slightly more likely to be women (54 per cent compared with 44 per cent for men), especially women in the control sample (57 per cent compared with 52 per cent of APF women), although there was no difference between the APF and control samples overall.

6.4.1 Specific actions intended

Table 6.10 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 (39 per cent). This intention was more common among women (44 per cent compared with 34 per cent of men).

One in six (16 per cent) intend to change their contributions to a current pension and less than one in ten intend to take out a new pension (nine per cent) or contract back in (eight per cent) or out (three per cent) of the State Second Pension.

Two-fifths of respondents 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 though that many of those planning to change their savings behaviour will also seek information or advice. 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 (71 per cent of all respondents), around a further three in five (63 per cent) intend to review current arrangements to check whether they are adequate. Half (50 per cent) of those surveyed intend to check or request a forecast from other pensions and just under half intend to talk to someone/seek advice about pensions (47 per cent) or check entitlement to a spouse or partner's pension (44 per cent). Other future actions intended include enquiring about increasing contributions to a current pension (16 per cent) and enquiring about starting a new pension (ten per cent).

There were some notable differences by key subgroups, which show a similar pattern to those for actions already taken. The main ones were:

- Women were slightly, but significantly more likely than men to intend to think about how much they would want or need to live on in retirement (73 per cent compared with 68 per cent of men) or review current arrangements to check whether they are adequate (65 per cent versus 61 per cent men).
- APF readers were also more likely than the control to intend to think about how much they would want or need to live on in retirement (73 per cent compared with 68 per cent of the control) or review current arrangements to check whether they are adequate (66 per cent versus 61 per cent control). Differences between the APF and control samples are statistically insignificant at an overall level and in segment 2, among 50 – 64 year old men; however they are significant within segment 1, with APF women more likely to intend to take the actions than the control.

Table 6.10 (Further) actions intended

	<i>Multiple response</i>			
	Total	APF	APF readers	Control
	%	%	%	%
Any	86	87	88	85
Any hard	49	49	51	50
Start or make changes to other saving for retirement	39	39	40	40
Change contributions to current pension	16	16	17	16
Take out a (new) pension	9	9	9	10
Contract back into State Second Pension	8	8	7	7
Contract out of State Second Pension	3	3	2	3
Other hard action	5	5	5	6
Any soft	85	86	87	84
Soft only	37	38	37	35
Think about how much will want/need to live on in retirement	71	71	73	68
Review current arrangements to check whether they are adequate	63	64	66	61
Check/request forecasts from other pensions	50	47	47	56
Talk to someone or seek information about pensions	47	46	47	48
Check entitlement to spouse's pension	44	44	46	45
Enquire about increasing contributions to current pension	16	17	16	16
Enquire about starting or taking out a new pension	10	10	9	9
Other soft action	7	7	7	7
<i>Base</i>	<i>4,002</i>	<i>3,001</i>	<i>1,628</i>	<i>1,001</i>

Table 6.11 Actions intended – Segment comparison

	<i>Multiple response</i>							
	Segment 1		Segment 2		Segment 1		Segment 2	
	Total	Total	APF	Control	APF	Control		
	%	%	%	%	%	%		
Any	90	83	90	89	83	82		
Any hard	54	44	52	57	45	43		
Start or make changes to other saving for retirement	44	34	43	46	34	32		
Change contributions to current pension	17	16	16	18	16	14		
Take out a (new) pension	9	9	9	10	9	9		
Contract back into State Second Pension	8	7	8	9	8	4		
Contract out of State Second Pension	3	3	3	5	3	2		
Other hard action	5	5	5	7	4	6		
Any soft	89	82	89	82	88	81		
Soft only	36	39	38	32	38	39		
Think about how much will want/need to live on in retirement	73	68	75	67	68	68		
Review current arrangements to check whether they are adequate	65	61	67	61	61	61		
Check/request forecasts from other pensions	50	49	47	60	48	52		
Talk to someone or seek information about pensions	48	45	47	52	45	44		
Check entitlement to spouse's pension	45	44	45	45	44	45		
Enquire about increasing contributions to current pension	17	16	16	17	17	15		
Enquire about starting or taking out a new pension	11	9	11	10	10	8		
Other soft action	7	8	7	5	8	8		
Base:	2,001	2,001	1,501	500	1,500	501		

6.4.2 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 future actions.

Nearly three-quarters (74 per cent) of those who intended to take (further) action said they were either very (36 per cent) or quite (37 per cent) likely to take the action they said they had planned. One in five (20 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 who are likely to take (further) action in future will be no more than

64 per cent¹⁹ and most likely to be in the region of 30 per cent – 60 per cent (reflecting that only 36 per cent said they were very likely as opposed to just quite likely to take these actions in future). Furthermore, almost one quarter (24 per cent) of the 13 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 ten per cent.

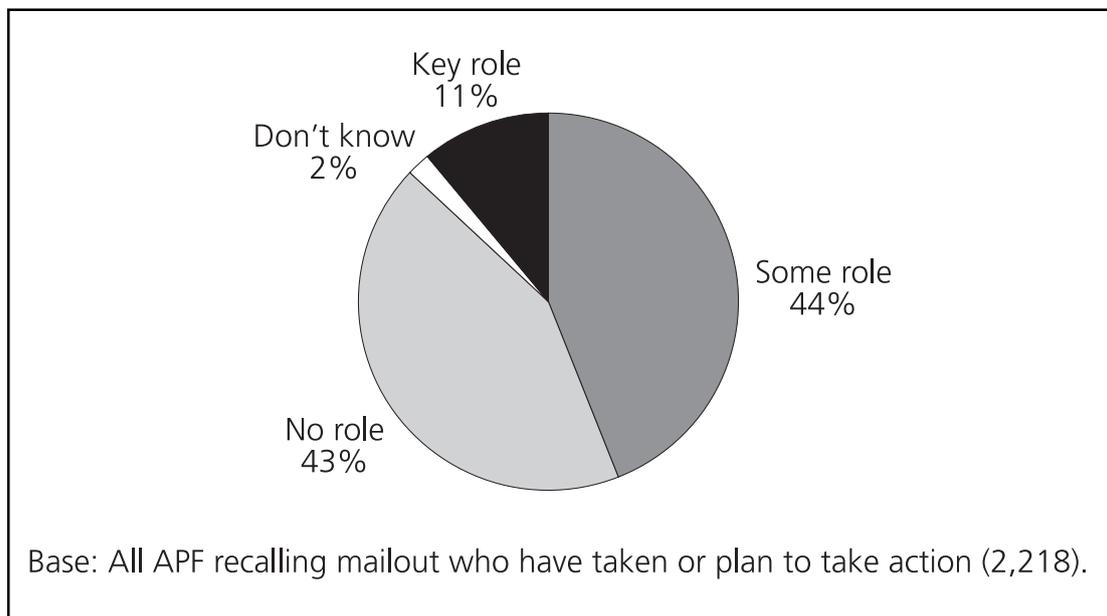
Those who felt they had no knowledge of pensions issues were less likely to take the action they said they intended (29 per cent unlikely to take future action). There was no difference in the likelihood of taking action between APF recipients, readers or the control or between segments.

6.5 Role of the APF in deciding to take action

Respondents who recalled receiving the APF mailout and had taken or intended to take action 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 done this otherwise) in taking or intending to take action, 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 main and control samples indicated that the APF has had no significant impact on retirement planning 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 6.2, around one in ten (11 per cent) said the APF mailing played a key role in deciding to take action, while almost half (44 per cent) said it played some role.

¹⁹ This figure was calculated by multiplying the proportion of those who claimed they were likely to take further action (74%) by the proportion of those who intend to take any action (86%).

Figure 6.2 Role of APF in taking or intending to take action

Those who did not have any pension provision beyond State Pension were more likely than average to say the mailing played at least some role (59 per cent compared with 55 per cent with any pension provision) as were those who did not have good knowledge of pensions issues (57 per cent compared with 46 per cent with good knowledge of pensions). Furthermore those with no pension provision and no knowledge of pensions were more likely to say the mailing played a key role (16 per cent and 15 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 (61 per cent of those with no pension and 54 per cent of those with no knowledge have taken action compared with 77 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 (61 per cent), as were those who read all or some of the APF mailing (61 per cent).

On the other hand, 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 (54 per cent compared to 43 per cent overall). Predictably, those who placed little or no trust in information from the Government were more likely than average to say the APF mailing played no role in their deciding to take action (61 per cent).

6.6 Summary: APF versus 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

slightly but significantly more likely to have or be intending to take action (92 per cent compared with 88 per cent of those who received but did not read the mailing and 89 per cent of the control sample). In particular, they were more likely to have already taken action, rather than just be intending to (83 per cent compared with 73 per cent who had not read the mailing and 76 per cent of the control sample). Those with a good knowledge of pension issues were also significantly more likely to have already taken action (82 per cent had already taken some action, compared with 70 per cent of those with patchy or no knowledge of pension issues; the latter were more likely to be just intending to take action in future – 20 per cent compared with six per cent of those with good pension knowledge).

The results do not clearly indicate whether action is being driven primarily by readership of the mailing or knowledge of pensions issues. However, further statistical analysis supports the proposition that knowledge of pensions issues rather than readership of the APF is the key driver of retirement savings behaviour.

While 77 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 37 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 women (39 per cent compared with 34 per cent for men), those who had read some or all of the mailing (39 per cent), those with good knowledge of pensions (41 per cent) and those in the control group (41 per cent compared with 35 per cent APF). This last finding seems odd, suggesting that the APF serves to actually impact negatively on savings relative to what might have happened in the absence of the APF, but is almost certainly the result of differences in the characteristics (in labour market status and pensions provision specifically) between the APF and control samples.

There was no difference between the APF and control samples in terms of 'soft' actions undertaken (74 per cent versus 72 per cent) but APF readers were more likely to have taken some sort of 'soft' action (80 per cent). This suggests readership is a potentially important factor in influencing retirement planning behaviour as 'soft' actions may well lead to 'hard' savings actions.

7 Conclusions

The findings regarding the views of the APF amongst those over-50s who received it are generally very positive:

- levels of recall (around 80 per cent) and readership (over 75 per cent read/glanced at) of, and trust in, the APF were all high;
- the APF was thought to be useful by the great majority (83 per cent) of those who read/glanced at it;
- the majority (85 per cent) of those who recalled receiving the APF said it had improved their understanding of pensions.

Those APF recipients who read at least some of the APF mailing exhibited better knowledge of pensions and the State Pension system and were more likely to have or be intending to take action in regard to planning for their retirement (women were slightly more likely than men to have read the mailing and taken or be intending to take some action). However, analysis shows that pensions knowledge rather than readership of the APF was the main driver of retirement planning actions. Nevertheless, the evidence does seem to indicate a positive, albeit slight, impact of readership on awareness and knowledge.

The characteristics of the APF and control samples were similar, the main differences relating to higher levels of full-time employment and pension provision in the latter. This may potentially reflect systemic differences due to the nature of the control sample. The analysis cannot reliably estimate the potential impact of these differences on prior levels of pensions knowledge and savings behaviour within the two samples, so by definition the analysis of the net impact of the APF cannot be wholly certain. That there is some impact on savings behaviour due to differences in characteristics (control sample taking proportionately more 'hard' savings actions) seems almost certain.

It therefore proved difficult, given these differences and within the parameters of the evaluation method to discern a positive net impact of the APF on pensions knowledge or on retirement planning behaviour: comparing the findings for those who were sent the APF mailing and the control sample indicates that the mailing has had relatively little net impact on knowledge and retirement planning behaviour amongst recipients aged 50+ overall. If there has been a net impact, one must conclude that it is either small in itself or is simply not large enough to outweigh any effects of the differences in the APF and control samples.

Further analysis did find readership was an influence (albeit less strong than pensions knowledge) for some less knowledgeable sub-groups (notably those with only patchy knowledge and younger people i.e. those aged 50-54, with basic knowledge). Furthermore, those who felt they had poorer pensions knowledge were more likely to feel the APF had played a part in their taking action.

7.1 Further issues

A number of issues and areas for potential further research and policy consideration arise from this research and its conclusions. These include the following:

- the potential impact of further APFs. Research on other types of pension forecast, notably the recent evaluation of Combined Pensions Forecasts (CPFs)²⁰, has noted a cumulative impact on recall and readership of receipt of subsequent forecasts or forecasts from more than one source. Given that this research has highlighted the potential importance of readership of the APF in terms of impact on retirement planning behaviour, it is important to bear in mind that this may increase over time as people receive further APFs;
- the impact of APFs on 'soft' actions. A significantly higher proportion of APF readers than the control group had undertaken 'soft' actions. This suggests the APF has at least prompted people to review their situation, albeit, as noted above, that readership is itself correlated with knowledge of pensions. It is of interest to note to what extent 'soft' actions act as a precursor to changes in retirement savings ('hard' actions). This might potentially be explored in further research;
- it will be of interest to explore just how receipt of APFs motivates individuals to take action – at what level(s) is understanding increased and actions taken or does the APF tend to serve as a 'call to action' in its own right?

All the findings in this report are based on the results from people aged 50+ Further research amongst younger people aged 20-49 may show different results. All these findings and conclusions should therefore be treated with caution.

²⁰ 'Combined Pension Forecasts – a Survey of Their Impact on Recipients' Kelly, Linsdell and Scanlon. DWP Research Report No. 293 (2005)

Appendix A

Ensuring comparability of APF and control samples

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

A.1 Ensuring comparability of APF and control samples

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 covered either men or women, however, age and ACORN profiles required more monitoring and are discussed in the following sections.

A.1.1 Age

Although in segments 1 and 2 the age band of respondents was fairly narrow (from 50 to State Pension age), it was still important that the achieved interviews be reasonably spread across those nearing State Pension age and those ten – 15 years from it as this could affect their pensions behaviour. It was also important that this split be broadly consistent between the Automatic State Pension Forecasts (APF) and control samples to ensure comparability and that the tele-matching and opt out processes have not radically changed the age profile.

As can be seen in Table A.1, for segment 1 (women aged 50 – 59) and in Table A.2, for segment 2 (men aged 50 – 64), the complete interviews are spread across the whole age band. 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 (in such a narrow age band to begin with) to cause concern.

Table A.1 Age profile of completed interviews versus total contacts provided/telematched in segment 1 (women aged 50 – 59)

<i>Column percentages</i>						
Age	APF			Control		
	Total contacts %	Telematched sample %	Complete interviews %	Total contacts %	Telematched sample %	Complete interviews %
50-54	56	51	50	59	55	57
55-59	44	49	50	41	45	43
<i>Base: All respondents</i>	<i>12,100</i>	<i>5,263</i>	<i>1,501</i>	<i>8,001</i>	<i>3,407</i>	<i>500</i>

Table A.2 Age profile of completed interviews versus total contacts provided/telematched in segment 2 (men aged 50 – 64)

<i>Column percentages</i>						
Age	APF			Control		
	Total contacts %	Telematched sample %	Complete interviews %	Total contacts %	Telematched 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
<i>Base: All respondents</i>	<i>11,998</i>	<i>4,736</i>	<i>1,500</i>	<i>7,217</i>	<i>3,265</i>	<i>501</i>

A.1.2 ACORN

ACORN is a geo-demographic classification of the United Kingdom (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.1, for the most part, the number in each of the ACORN categories was broadly similar both across the APF and control samples.

Table A.3 Acorn category profile of completed interviews versus total contacts provided/telematched

Column percentages

Acorn category	APF			Control		
	Total contacts	Telematched sample	Completed interviews	Total contacts	Telematched sample	Completed interviews
1 – Wealthy achievers	28	34	29	29	35	38
2 – Urban prosperity	9	6	7	9	7	7
3 – Comfortably off	30	32	35	30	31	30
4 – Moderate means	15	13	14	14	13	12
5 – Hard pressed	19	15	15	17	14	12
Unknown	0	0	*	0	0	1
<i>Base: All respondents</i>	<i>24,098</i>	<i>9,999</i>	<i>4,002</i>	<i>15,218</i>	<i>6,672</i>	<i>4,002</i>

The exception to this is that 38 per cent of the control sample were categorised as wealthy achievers compared with 29 per cent of the main sample, with a commensurately higher proportion of the main sample being categorised as comfortably off. APF respondents were also very slightly more likely to be hard pressed.

As mentioned in Chapter 2, there was a concern that the slightly different ACORN profiles of the completed interviews for the APF and control sample could diminish the effectiveness of using the control to measure the impact of the APF. To counter this, the data was weighted back to the natural proportion of ACORN codes before telematching (after the figures were re-percentage to exclude cases for which we had no information on ACORN code): at this stage the APF and control profiles were very similar. The data was weighted to the proportions shown in the total contacts column of Table A.3.

Appendix B

Telematching, opt out rates and response rates

B.1 Telematching, opt out rates and response rates

As shown in Table B.1, while telematching rates varied little across the two segments and across APF and control samples, opt out rates showed more variation.

Table B.1 Telematching and opt out rates

	Segment 1 (Women aged 50-59)				Segment 2 (Men aged 50-64)			
	APF		Control		APF		Control	
Telematched	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	

Opt out rates were at a slightly higher overall level for segment 2, men over 50, (22 per cent) than for segment 1, women over 50 (17 per cent). There was also 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 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.

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 on 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 two segments covered in this report was 66 per cent. For each of the two segments, response was over the desired 60 per cent level (68 per cent for segment 1 and 62 per cent for segment 2). 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.

As shown in Table B.2, 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 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 B.2 Response rate calculations

	Segment 1			Segment 2			Total
	APF	Control	Total	APF	Control	Total	1 and 2
Total in scope of study	2,637	721	3,358	3,132	1,075	4,207	7,565
Invalid cases	310	89	399	644	457	1,101	1,500
Unobtainable number	142	39	181	395	77	472	653
Out of quota	0	0	0	0	316	316	316
Cases called many times (10) with no answer	166	49	215	239	63	302	517
Language barrier	2	1	3	10	1	11	14
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%

Appendix C

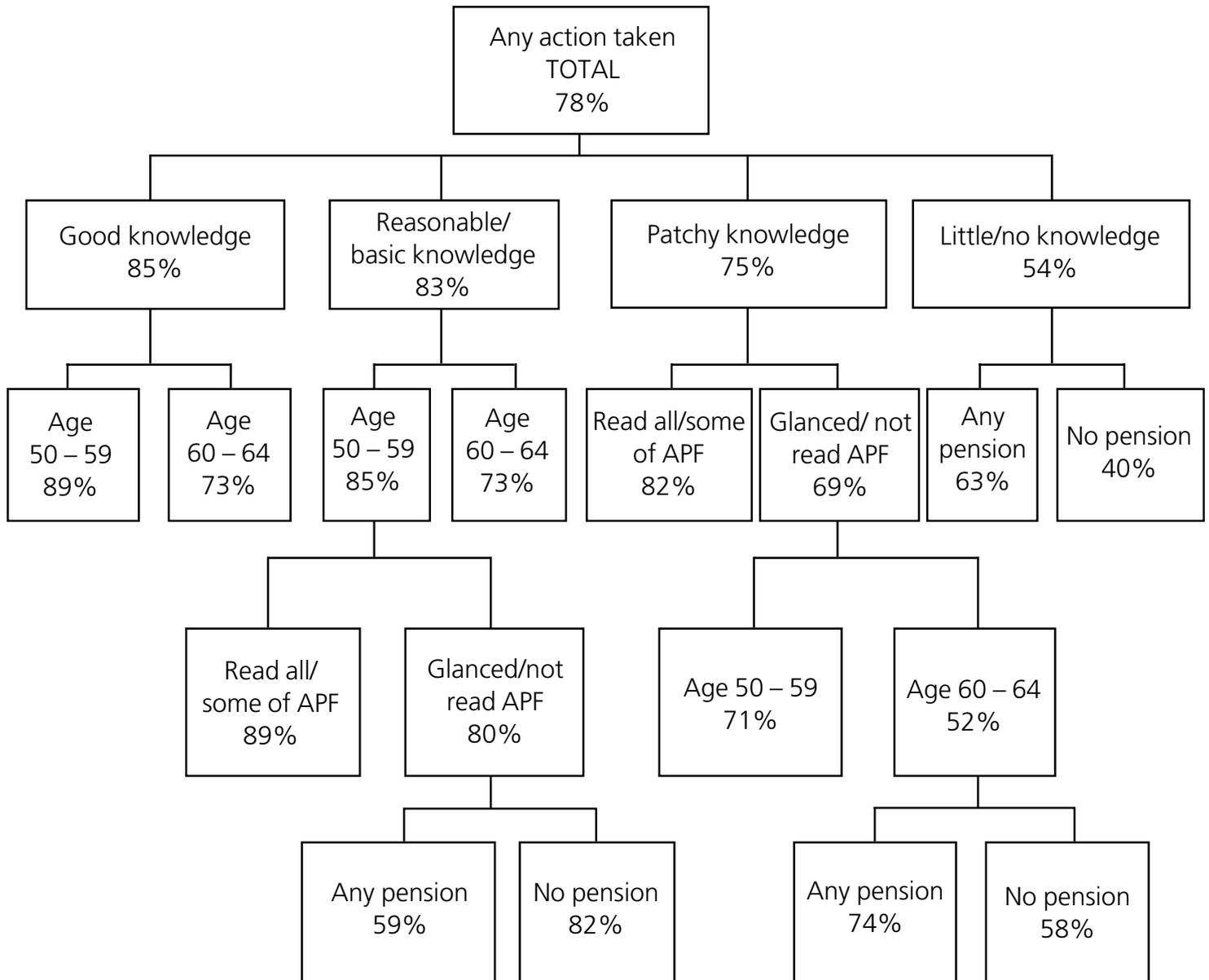
CHAID analysis

C.1 CHAID analysis

As reported in Section 6.1, Chi-square Automatic Interaction Detection (CHAID) analysis was undertaken to further understand the key drivers of taking action. This showed that knowledge rather than readership of the Automatic State Pension Forecasts (APF) is the key driver.

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 of each grouping, using the strongest of the remaining predictors.

The following illustration is based on unweighted data and is based on all APF sample.



Appendix D

Questionnaire

COUNTRY

PRIVATE& CONFIDENTIAL

APF Evaluation
Telephone Survey
Post - Pilot Questionnaire V4

4021
03/07/2006

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 Jane Barlow or Courtney Leo at IFF on 020 7250 3035 or Fraser Macleod at the DWP on 020 7962 8364.

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

Attitudes towards pensions

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

Recall of APF Mailout

- 13) ASK MAIN SAMPLE ONLY (CONTROL GO TO Q34)
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

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

- 15) ASK ALL EXCEPT SPONTANEOUS MENTIONS OF APF AT Q14/1
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 AND 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?**
 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

- 26a) ASK THOSE WHO READ/GLANCED LEAFLETS (q23 = 1-3). OTHERS GO TO Q27.
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

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

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

- 34a) READ OUT FOR EACH STATEMENT.
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

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

- 36) IF SOUGHT INFORMATION FROM PENSIONS SERVICE (Q35 = 8)
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

- 38) IF TAKEN OUT NEW PENSION (Q34 = 2)
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

- 41) IF CHANGED CONTRIBUTIONS TO CURRENT PENSION (Q34 = 4)
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

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

- 44) NO q45

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

- 45) **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

- 46) 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.

- 47) **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

- 48) 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.

- 49) 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

Personal Circumstances

ASK ALL

- 50) 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
- 51) 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)
- 52) 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

- 53) 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

- 54) 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

- 55) 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

- 56) ASK ALL
 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

- 57) 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
Cohabiting with a partner	3
Living with relatives	4
Living with non-relatives	5
Other (SPECIFY)	6
Don't know	7
Refused	8

- 58) 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)

59) Is your partner currently working?

WRITE IN. PROMPT WITH RANGES IF NECESSARY

Yes	1
No	2
Don't know	3

60) 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)

61) 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.

	Q62
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
- 62) **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

- 63) **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

- 64) **AGE – FROM SAMPLE**

- 65) **GENDER – FROM SAMPLE**

- 66) 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 E

A quick guide to State Pensions leaflet

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; and
- 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);
- 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?' on page 4.

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.

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 a year in 2005/06), or you have not received enough credits in any tax year while:

- looking after children 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 per cent 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 per cent of your wife's or civil partner's entitlement.

For people who are divorced, widowed, surviving civil partner, or people whose civil partnership has been dissolved.

If you are divorced, widowed, a surviving civil partner, or person whose civil partnership has been dissolved, we can sometimes use the NI contributions of your late or ex-husband, late or ex-wife or late or former 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;
- State Second Pension;

You may also get:

- Graduated Retirement Benefit - if you paid graduated contributions during the period from April 1961 to April 1975; and
- 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 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* (PC 1L). See page 11 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 11 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 one per cent for every five weeks you delay. (This is equivalent to about **10.4 per cent** extra for every year you delay claiming, compared with about 7.5 per cent 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 comprehensive 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 State Pension Choice – Pension now or extra pension later: A guide to State Pension Deferral (SPD1)
- Your State Pension Choice – Pension now or extra pension later: An 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.pensionguide.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.pensionguide.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.thepensionerservice.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.thepensionerservice.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.thepensionerservice.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.

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Appendix F

Plan your retirement now leaflet

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 per cent, 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 per cent, 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 to 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 on this page, '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 per cent, 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 per cent, 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 savings and investment options.

If you are approaching retirement age or you already have a pension, it may be better to investigate **other savings 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;

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

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- Occupational pensions – Your guide (PM3)
- Personal pensions – Your guide (PM4)
- Pensions for the self-employed – Your guide (PM5)
- Stakeholder pensions – Your guide (PM8)
- Your State Pension Choice – Pension now or extra pension later: A guide to State Pension Deferral (SPD1)
- Your State Pension Choice – Pension now or extra pension later: An 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.pensionguide.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**

ISAs and PEPs

You can get this leaflet from HM Revenue and Customs' leaflet order line 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 email 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** 7

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Appendix G

Opt-out letter



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.