

National Pensions Debate: 18th March 2006

Background

Saturday 18th March 2006 was National Pensions Day. Over 1000 people from across the UK took part in the National Pensions Debate. Participants gathered in six locations – Northern Ireland, Scotland, South Wales and three cities in England, Birmingham, London and Newcastle - to spend the day discussing issues around pensions. The debate hosted by John Hutton, Secretary of State for Work and Pensions, will help the Government understand the public's views and inform its decisions on long term pensions reform.

Our society is ageing. One result of this is that we need to make changes to our pensions system to ensure that tomorrow's older people receive a fair and adequate retirement income. It is vital that the UK public have their say on reforms which directly affect them.

The National Pensions Debate is about giving people the opportunity to find out more about the pensions challenges we face and to examine and review the solutions put forward by the independent Pensions Commission.

Doing nothing is not an option. We must make changes to our current pensions system if we are to generate a lasting system which works for everyone. The views of the public play an integral part in the Government's decision-making process.

This preliminary end of day report presents the initial UK results from those attending the day-long discussions on the Pensions Commission's proposals for reform¹.

How were participants selected?

We wanted people from all backgrounds to come together and share their views and opinions on this challenge. So we:

- recruited people to reflect the UK's adult population and to cover all sections of society
- ensured that we recruited people from a range of backgrounds who don't always get involved in this kind of consultation.

¹ This preliminary report is a piece of instant feedback, designed to summarise some of the key UK findings from those participants attending the day.

On the day a total of 1,075 people took part across the UK. Nationally, slightly more women attended than men. There was a wide range of age groups, with participants ranging from 16 to 92. Some had made provision for their retirement but many had not yet started saving in a private pension.

Agenda for the day

People spent their day in groups of 10, made up of people from a range of backgrounds. In their groups they had detailed discussions on the Pensions Commission's proposals. They also had the opportunity to 'vote' on questions at the heart of the Pensions Commission's proposals, using voting keypads.

The day started with people finding out about the current UK pensions system and the challenges that will be faced in the UK if no action is taken. Participants learned that we can all expect to live for longer and that, as a result, in 2050 there is likely to be 1 pensioner for every 2 people of working age. People heard from Adair Turner (who chairs the Pensions Commission) on the Commission's proposals to reform the State Pension system and to encourage more people to save.

During the course of the day each group discussed:

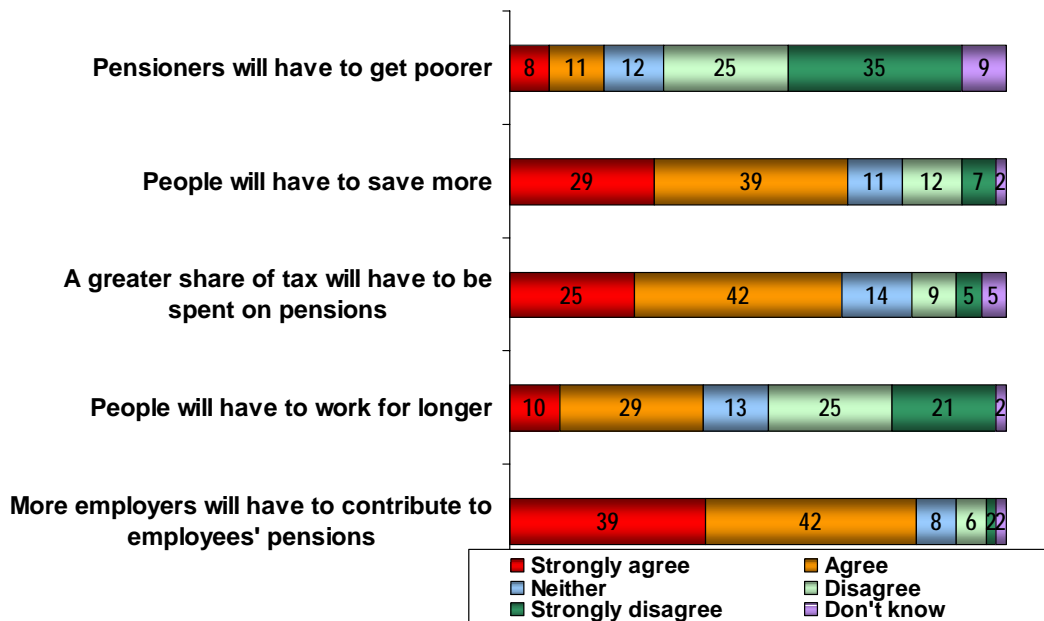
- Why are we having a National Pensions Debate?
- What are your reactions to the Pensions Commission's recommendations?
- Who should get a State Pension? What you think about gradually increasing the State Pension age?
- What are your views on the proposed National Pension Savings Scheme?

THE OUTCOMES OF THE DISCUSSION

Attitudes to pension reform

At the start of the day, nationally only 9% said that they knew a lot about pensions. There was also some uncertainty about key facts like the average retirement age, how long people live on average and how many people are saving towards their retirement.

Before being briefed on proposals for reform, the public were asked how they thought pensions issues in the UK should be solved. More than 4 out of 5 people agreed that more employers would need to contribute to their employees' pensions, with a majority (60%) rejecting the option of pensioners getting poorer compared to the rest of society.



Participants were asked the same questions at the end of the day. Overall, people felt that pensions issues in the UK could be solved by a combination of people working longer (16% more agreed with this statement after discussions), saving more (19% more agreed) and a greater share of tax being spent on pensions (12% more agreed).

On average, at the start of the day people said they had retired or expected to retire at 61 and spend 25 years in retirement. Following discussions, the expected age at which people had retired or expected to retire rose to 63 and time in retirement fell to 23 years.

State Pension reform

The Pensions Commission propose that people should receive a basic State Pension based on the number of years spent living in the UK, rather than the current system which is based on contributions. They have also suggested that people get an additional State Pension based on contributions.

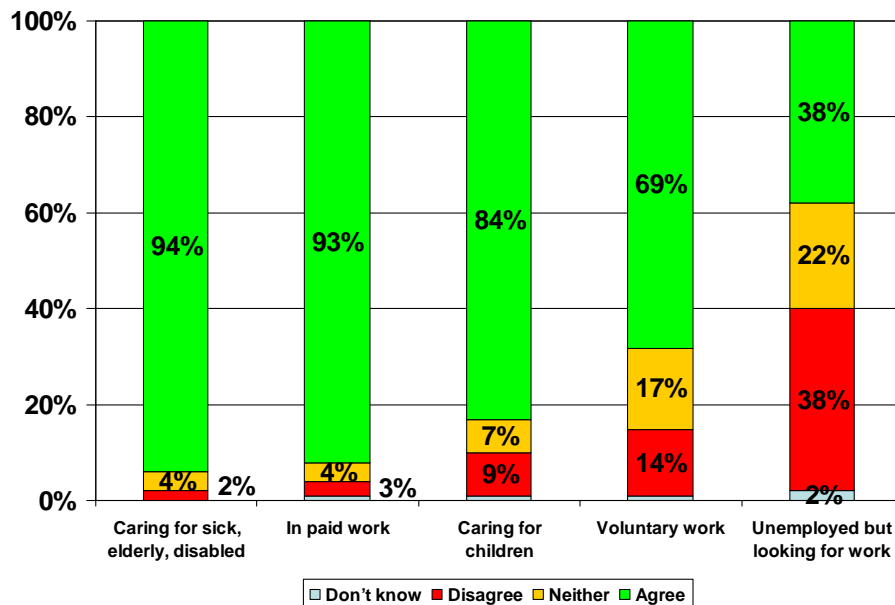
People were asked to consider the Pension Commission's proposals for State Pension reform. In their discussions they considered the basis on which people should get a basic State Pension and also which activities should count towards an additional State Pension.

Who should get a basic State Pension?

Half of the participants agreed that years living in the UK, regardless of what the individual was doing (i.e. working or not), should count towards the basic State Pension. Just over one third (35%) disagreed with this.

Who should get an additional State Pension?

Participants were asked for their views on whether paid work, voluntary work, time spent looking for work or caring for others should count towards people's additional State Pension.

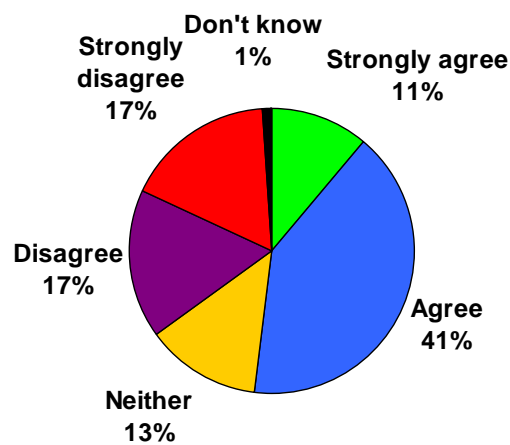


4 out of 5 people felt that if someone is long term sick or disabled and unable to work, the period of sickness should count towards an additional State Pension.

Should the State Pension age rise?

The Pensions Commission's proposals to make the State Pension more generous and more widely available would cost more money. The Commission believe that this could be funded through a greater share of taxes being spent on the State Pension system along with a gradual rise in State Pension age.

Just over half of participants agreed with the idea of a gradual increase in the State Pension age; one third disagreed.



Saving more

Participants discussed the Commission's proposal to automatically enrol people in a National Pension Savings Scheme. They were asked whether or not employees should be automatically enrolled with or without the choice to opt out. They were also asked to consider whether they personally would opt out of a National Pension Savings Scheme. Participants also discussed whether or not employers should have to make a contribution if employees stayed in the scheme.

When asked what best describes their views on employees being automatically enrolled into the National Pension Savings Scheme:

- The majority of people (74%) thought employees should be automatically enrolled with the choice to opt out
- 18% thought employees should be automatically enrolled with no choice to opt out
- And 8% thought that employees should not be automatically enrolled at all

When asked how likely they would be to personally opt out of the National Pension Savings Scheme, only 17% indicated that they would be likely to opt out. 39% stated that they would be unlikely to do so and the remaining 36% said that the question was not applicable to them (because they were retired or already in an employer scheme).

The vast majority (87%) of people agreed that employers should make a contribution as part of the National Pension Savings Scheme.

Pensions Commission's options

Early on in the day, people heard about the Pensions Commission's four options for reform and that a balance of these four options was required to overcome the challenges facing the UK pension system.

1. Pensioners being poorer compared to the rest of society
2. A greater share of taxes going to pensions
3. Saving more
4. Increase in average retirement age.

They were asked to consider these options again, after their day's discussion, and decide for themselves what the balance should be.

Each participant was given 10 points to allocate between the four options.

Option one received the lowest share of votes overall (on average across the UK less than one point was allocated to this option). The most popular option was an increased share of taxes going to pensions (on average this option had a share of just over four out of the 10 points), followed by saving more (a share of over three points).

Next steps

The National Pensions Day provided an opportunity for members of the public to have their say about the future of our pensions system. We would like to thank everyone for being part of this important debate. Their contributions have provided the Government with a vital insight into the views of the people of the United Kingdom.

The Government will set out their proposals for long term pensions reform this Spring.

An online survey has been set up for other people who want to be part of this crucial discussion. If you have friends or family who would like to have their say the web link is www.dwp.gov.uk/debate