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and  
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**“Simplicity, security  
and choice”**

**“Empowering individuals to make real and  
informed choices on working and saving  
for retirement”**

# UK Pension Approach

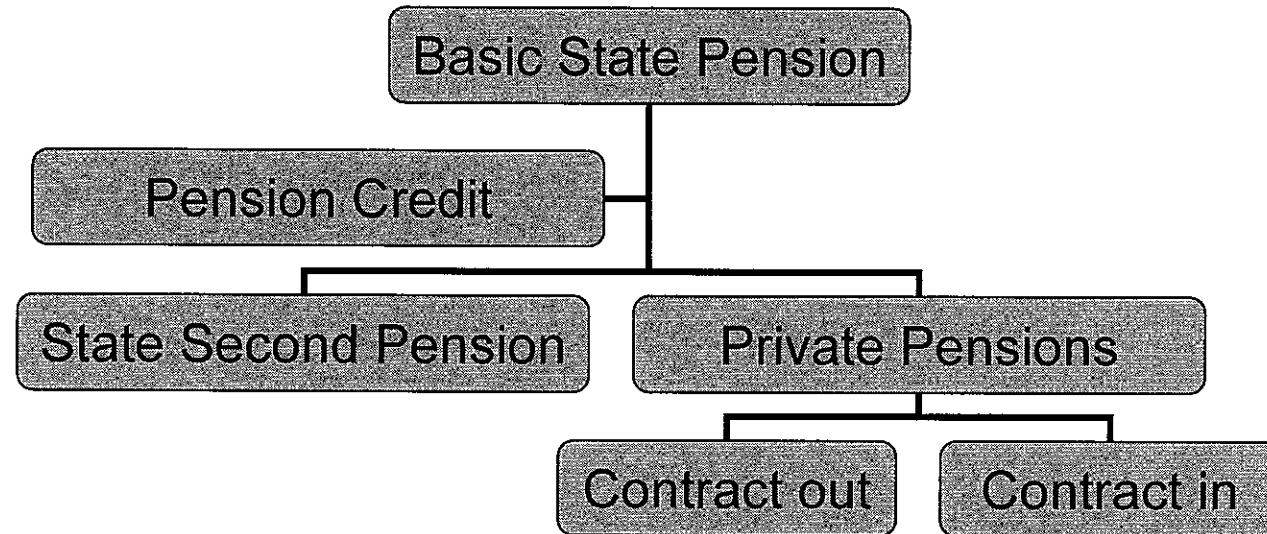
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UK approach is:

- State as foundation - aimed at alleviating poverty
- Occupational & private pensions:
  - long history
  - significant addition to state provisions
  - voluntary system

# UK Pension System

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•**State Pension Age: 65 for men, 60 for women (rising to 65 by 2020)**

# State Pensions - Contributory

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- **PAYG funding**
- **Contributions from employers and employees**
- **Basic State Pension**
  - Flat rate, linked to RPI - £79.60 (NZ\$ 200)
- **State Second Pension**
  - Earnings-related supplementary pension
  - Redistributive for low and moderate earners
  - Can contract out (National Insurance rebate)

# State Pensions - Non-Contributory

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- **Pension Credit**
  - Tax funded
  - Income-related credit
  - Tapered to reward modest saving
  - Guarantees a minimum income (single £105.45; couple £160.95)  
(single - NZ\$ 264; couple - NZ\$ 403)
  - 3.2 million people in receipt

# Private Pensions

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- **Important role in UK pension system**
  - 66% pensioner households have income from private pension
  - 60% of working population are contributing to an occupational or personal pension
- **Many employees “contract-out” of State Second Pension**
  - Reduced rate of National Insurance
  - Must pay into approved personal or occupational pension

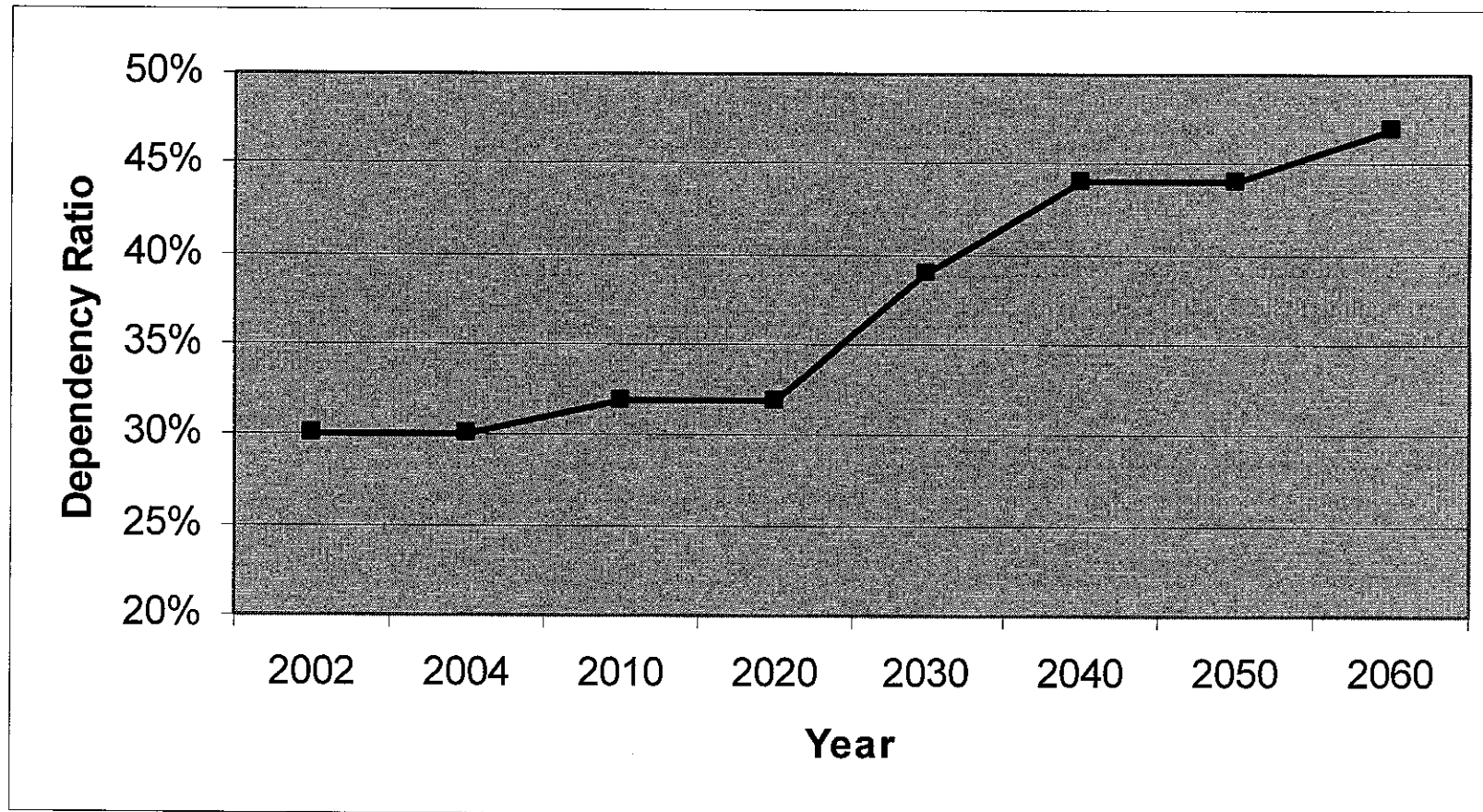
# Government Objectives

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There are three main objectives of Government policy:

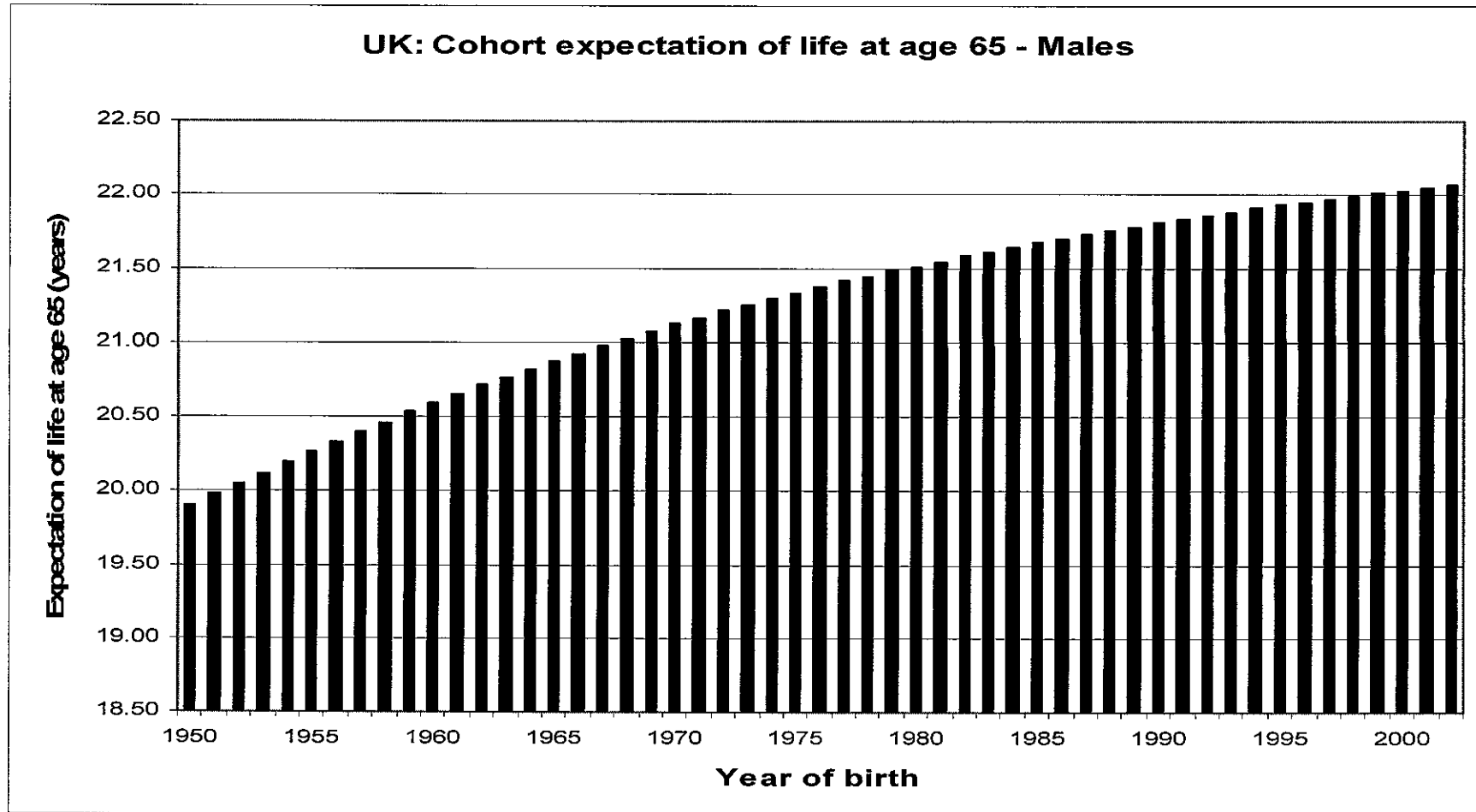
- Combat pensioner poverty now, and in the future
- Maintain budget sustainability
- Help individuals make sufficient provision for retirement, on top of State provision

# Demographics

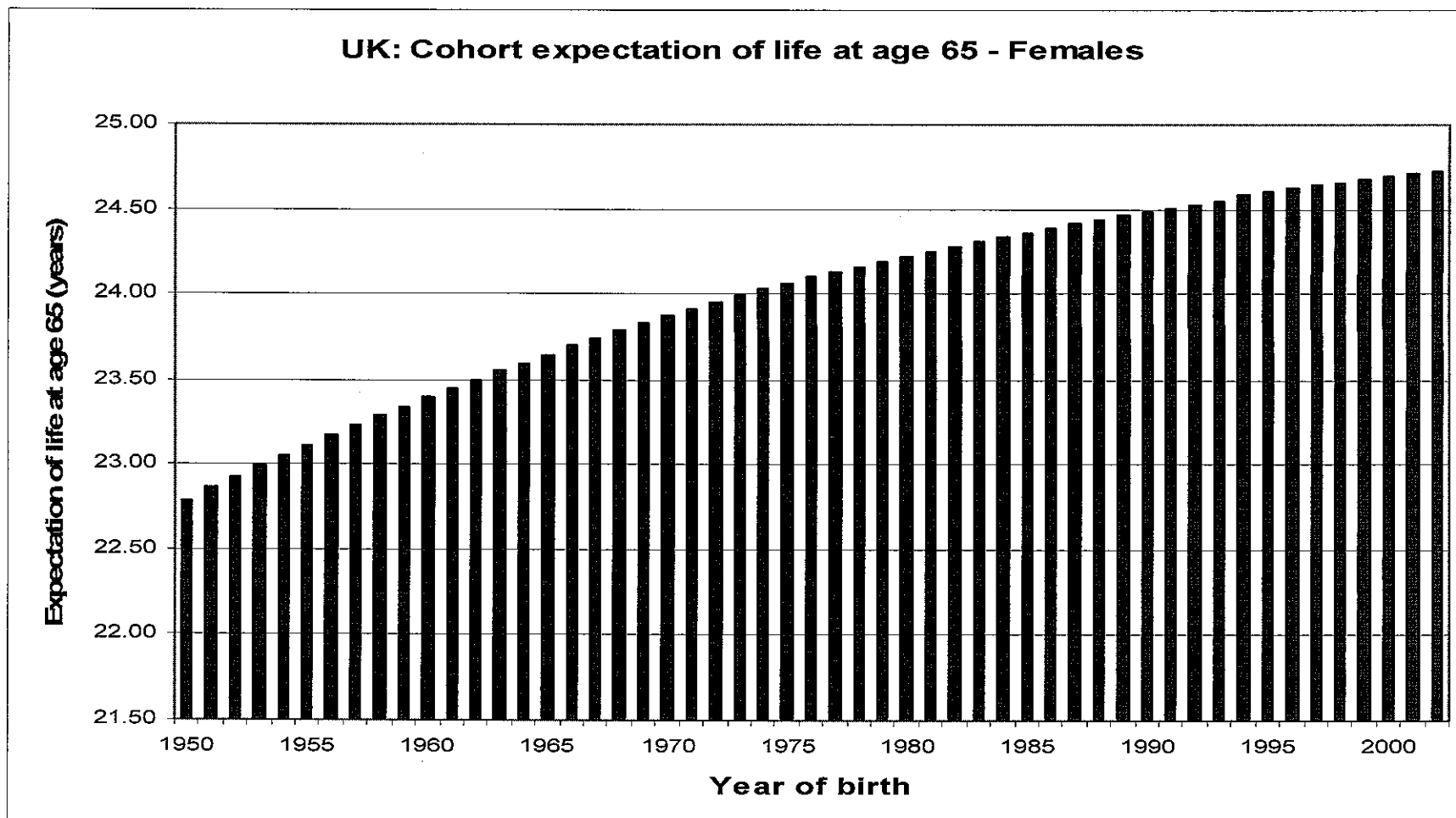


Source: 2002-based population projections (GAD)

# Demographics



# Demographics



# Informed Choice - Aims

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- To put in place changes needed to support the voluntary aspects of the UK pension system
- To achieve a shift in attitudes and behaviours, so that people actively and regularly plan for their retirement

# Informed Choice – Steps

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**The Informed Choice Programme is based around three steps:**

- **Education** – improving financial education and raising people’s awareness of their pension options
- **Information** – ensuring that everyone has access to high-quality, accurate and timely pensions information
- **Activation** – helping people make the most of existing pension provision

# Informed Choice – Education

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The 'Education' strand has three key components:

- **Financial Capability**
  - partnership between voluntary and private sector leading to joint initiatives on retirement planning
- **Strengthening financial education for children and young people**
  - providing children with the necessary skills to make financial decisions throughout their lives
- **Financial education as part of Active Labour Market programmes**
  - linking pension savings and employment
  - outreach through the "Challenge Fund"

# Informed Choice – Information

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The 'Information' strand has three key components:

- **Pension Forecasts**
  - accurate, timely, personalised, targeted
- **Pension Tracing Service**
  - tracking preserved pension benefits from previous periods of employment
- **Web-based 'Retirement Planner'**
  - projecting total pension income, identifying income shortfall and providing options to address that shortfall.

# Informed Choice – Activation

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The 'Activation' strand has three key components:

- **Maximising Membership**
  - promoting benefits of membership of employer pension schemes
  - looking at options for individual savings products
- **Workplace Information Pilots**
  - testing a range of options to increase employees' awareness of pensions issues
  - encouraging employees to make informed decisions, in order to plan more effectively for their retirement

# Informed Choice – Summary

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## Long-term programme – No ‘Quick-fixes’

- Evidence gathering – trying and testing to establish what works
- Mixture of behavioural techniques, education, information, advice and encouragement
- Requires real partnership – Government, Pensions industry, voluntary sector, employers

# Informed Choice

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**Thank You**

**Any Questions?**