

Occupational and Group Pensions - UK - June 2010

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What is this report about?

The demise of final-salary or defined-benefit (DB) pension schemes is resulting in defined-contribution (DC) pension schemes becoming the major type of pension scheme. With this change has been a continuing decline in the proportion of private sector workers in workplace pensions. At the same time greater uncertainty attached to DC schemes that are tied to financial markets means the affordability of retiring at or under age 65 will be less of an option.

This report examines all these issues, as well as the potential implications of the change in government on the industry. Looking at the overall size of the market, it identifies potential growth areas, as well as changing distribution patterns. Consumer research aims to gain an understanding of the current level of provision, and the extent to which people value company pensions.

What have we found out?

- One of the traditional advantages of offering a company pension is that it's a useful recruitment tool. Mintel's research suggests that it's of limited use, though - just a fifth of non-retired adults say that a good pension would be a major issue if they were looking for a new job.
- Pensions are still useful when it comes to staff retention, though - three quarters of those with a company pension really value their employer's contributions.
- To get maximum value from their pension schemes, firms need to raise employee engagement. Pension firms are increasingly trying to help their clients do just this - Friends Provident, AXA and Aviva, among others, have launched online tools intended to demystify occupational pensions, and to make it easier for scheme members to check on how their pension is performing.
- In the recession, people have been prioritising short-term factors such as job security over the quality of a company pension scheme.
- The launch of NEST should reverse the declining level of company pension ownership, although the relatively low level of compulsory contributions has led some to question how valuable it will be for lower earners.
- The public sector has overtaken private firms when it comes to final salary pension schemes, but government cutbacks will reduce both the number of public sector workers and the value of their pensions.

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