

News

Future hope for private sector pensions Major new research from the CIPD and BlackRock

London, 7 October 2009 – Extensive new research carried out by the Chartered Institute of Personnel and Development (CIPD)¹ and BlackRock, has shed new light on employees' and employers' view of pensions.

The research finds that fewer than half of private sector employees regard pensions as the best way to save for retirement. This is in contrast to the employers' attitude that pension provision is a core part of the reward package. As one employer said: *"We want to be an employer of choice, and therefore we recognise the need to have a good pension scheme."*

Only one in four (28%) private sector employees knows how much they should be saving for a comfortable retirement. More than half (56%) are worried that they will not have enough.

While most private sector workers (61%) believe that investing for retirement is their personal responsibility, this has not led to a more active and engaged approach towards saving. Although the majority of employees are aware they might not be saving enough, fewer than half (48%) have reviewed their contribution levels within the last two years. Instead, many are simply resigned to postponing their retirement – 47% expect to have to work longer than anticipated five years ago.

Affordability is a factor in this overall lack of engagement: 31% of employees not saving into a pension cited financial constraints as a major reason. The pervasive scepticism towards pensions means that workers not saving into a company scheme are looking to a wide range

¹ CIPD is the leading professional institute for those involved in the management and development of people

of other sources of funding, including inheritance (19%), downsizing or selling property (21%), the State (14%) and support from family and friends (6%). Sadly, 27% are expecting to get another job after retiring to supplement their income.

Even those currently saving into a pension scheme are looking for other ways to save, a trend that becomes more marked as age increases.

Charles Cotton, CIPD Chief Reward Adviser, said:

"This research clearly shows that employees and employers alike are sleepwalking into a potential retirement disaster. Many employees are planning to rely on downsizing their home, family hand outs or government to support them in retirement, while many employers will face the prospect of trying to motivate an older workforce who are simply soldiering along because they cannot afford to retire.

"While employers are no longer responsible for the retirement planning of their employees, it makes sense for them to educate their staff on the importance of saving into a pension scheme. However, employers can't do this on their own. They need government support to help empower employees to make informed choices on the options available."

Steve Rumbles, Head of UK DC Pensions at BlackRock, said:

"Pensions are too vital for anyone to consign them to the 'Too Difficult' pile. Worryingly, our research shows that many employees do just that, fearful of something they inadequately understand, which seems expensive, inflexible and is wrapped in jargon.

"The good news is that there are measures to deal with this, available now, or soon to be introduced. Employees can already use interactive online tools to gauge what they'll need in retirement, and what to save to achieve that. The 'save more tomorrow' approach – where contributions increase as the employee's salary grows - works well in the US and is gaining traction here.

"If an individual were permitted to take a loan from their pension pot, to be paid back with interest, pensions would become more flexible. They would also *seem* more flexible, an important psychological benefit for employees, since the take up rate for such loans in the US was very low, even during the economic turbulence of 2008.

“The introduction of auto-enrolment in 2012 should help to overcome the inertia that prevents so many employees joining schemes today. Unless those same employees have access to good education and subsidised advice, there is a risk that staff, particularly in smaller companies, elect to opt out and rely on alternative approaches.

“Auto enrolment will serve an important need. The challenge we face is encouraging employees and some employers to accept the reality that the “pay as you go” state pension system is not sustainable and therefore cannot be relied upon to fund retirement. Employers, providers and Government must work together to ensure that generations to come understand that saving for retirement is not a *desirable*, but an *essential*. “Retirement matters!”

About the research

The purpose of the research was to shed light on attitudes to workplace pensions among employers and employees as the shift from defined benefit (DB) to defined contribution (DC) pensions means that the majority of private sector employees can no longer count on a paternalistic employer to ensure they have enough to live on in their old age. Research was conducted in two parts: an employee survey of 840 private sector workers and an employer survey based on 61 in-depth telephone interviews and case studies with a cross section of employers from a broad cross-section of organisations.

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Notes to Editors

- For a copy of the research synopsis, please contact a member of the press team. The full synopsis and a more in-depth report on the findings relating to the HR industry will be available to download from Monday 12 October at www.cipd.co.uk/businesscaseforpensions
- The findings will also be presented at a CIPD reward Forum event on 3 November. For more information about the event and details on how to book a place, please go to: <http://www.cipd.co.uk/communities/forums/fop03.11.09.htm>

About CIPD

The Chartered Institute of Personnel and Development (CIPD) has over 135,000 members and is the leading professional institute for those involved in the management and development of people. For additional information, please visit the website at www.cipd.co.uk.

About BlackRock

BlackRock is one of the world's largest publicly traded investment management firms. At June 30, 2009, BlackRock's assets under management were \$1.373 trillion. The firm manages assets on behalf of institutions and individuals worldwide through a variety of equity, fixed income, cash management and alternative investment products. In addition, a growing number of institutional investors use BlackRock Solutions® investment system, risk management and financial advisory services. The firm is headquartered in New York City and has employees in 21 countries throughout the U.S., Europe and Asia Pacific. For additional information, please visit the firm's website at www.blackrock.com.

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