

Delivering information on pensions: The role of intermediaries

By Andrew Thomas, Richard Stockley and Ben Hewitson

Introduction

The Pensions Act 2008, introduced into Parliament in 2007, contains the private pension reforms. The Act is designed to encourage and enable more people to save towards their retirement. The reforms include: a duty on employers to automatically enrol eligible jobholders into a qualifying workplace pension arrangement; a mandatory minimum employer contribution; and the establishment of NEST (National Employment Savings Trust), formerly known as the personal accounts scheme.

BMRB Social Research was commissioned by the Department for Work and Pensions (DWP) to conduct qualitative research that focused on the advisory role of intermediaries in relation to employers. The research examined the information requirements of intermediaries in order for them to adequately support employers in relation to the forthcoming workplace pension reforms. The research specifically examined: intermediaries' relationship with employers and their perceived influence; the information sources currently used by intermediaries; and the information needs of intermediaries prior to the implementation of the workplace pension reforms in 2012.

The research was based on 50 face-to-face, qualitative depth interviews conducted with a range of intermediaries including accountants, actuaries, independent financial advisers, lawyers and pension consultants. To ensure that the research captured intermediaries working with a range of different sized employers, intermediaries were selected according to the size of business with which they did the majority of their business. These were categorised into

four groups: micro (1-5 employees); small (6-249 employees); medium (250-499 employees) and large (500+ employees).

Key findings

- Successful relationships between intermediaries and employers were based on four key factors: The intermediaries' reputation; the rapport they had with the employer; their ability to demonstrate that they were client-focused and; the employers perception of their integrity.
- Intermediaries perceived that their influence was greater with small and micro employers as they were less likely to be able to draw on pensions expertise from within their company.
- When communicating generic information to employers, intermediaries utilised face-to-face methods, such as workshops, forums and seminars, as well as newsletters and websites.
- In one-to-one communications, they used the telephone, e-mail as well as written and face-to-face contact. The actual method used would depend not only on the time available to the employer, but also the complexity of the issue, the stage of the relationship between employer and intermediary, and the perceived value of the employer as a client.
- Intermediaries tended to be proactive in initiating contact in relation to legislative changes, whereas employers tended to initiate contact to discuss ad hoc queries relating to the business.

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- Intermediaries perceived web-based channels as the most effective in sourcing information. DWP, HM Revenue & Customs, The Pensions Regulator and Personal Accounts Delivery Authority websites were sources that intermediaries used regularly as well as subscription databases. There was no anticipation that these preferred sources would change in the run up to the reforms.
- Non-web-based channels, such as the industry press and networking with colleagues, were also regarded as important sources of information.
- Intermediaries' awareness of the 2012 reforms was good. However, levels of knowledge and understanding were greater among those intermediaries working with medium and large employers.
- Intermediaries felt that they would need between six months and three years to prepare themselves and employers for the reforms, with larger employers likely to need more time.
- However, on the whole, comprehensive information at least one year before implementation of the reforms should provide sufficient time to prepare employers.

Summary of research

Relationships and interaction between intermediaries and employers

Overall, intermediaries suggested that relationships and successful interactions between themselves and employers were based on four key factors:

- the intermediary's reputation, both corporate and personal;
- personal rapport between the employer and intermediary;
- the intermediary's ability to demonstrate that they were client-focused; and
- trust (or perceived integrity).

Of greatest importance was the issue of trust, with respondents suggesting that client relationships were built on trust and that trust fed in to the other three factors.

Communication

Intermediaries reported using a variety of modes in order to communicate with employers. Common methods included: face-to-face; written; telephone and e-mail contact. The mode of contact chosen tended to depend on several factors:

- the stage of the relationship between intermediary and employer;
- the importance and complexity of the issue(s) at hand;
- time available to either party; and
- the value of the employer to the intermediary.

On the whole, intermediaries tended to contact employers if there was news to inform them of, such as a change in legislation that would affect their pension scheme. However, employers tended to initiate contact with intermediaries in cases where they had an ad hoc enquiry, such as how to close an old pension scheme.

Sourcing and processing information

Intermediaries reported using numerous channels to access information about pensions, including web-based channels such as the internet and electronic subscription databases (which include reference libraries and up to date coverage of legal and regulatory texts); financial industry press publications and networking with other intermediaries. Web-based channels were preferred as they were considered efficient and easy to access for the most part, with government department and public body websites cited as particularly favourable sources due to being considered trustworthy and authoritative on pension-related issues.

Services provided by intermediaries

Intermediaries reported providing a range of services to employers that were broadly seen as information, advice, guidance and assistance. These services tended to follow on from one another if required by the employer. Whereas small and micro sized employers tended to require a greater level of service, i.e. being guided and assisted with an issue; larger employers were on the whole more comfortable with receiving information and advice and making their own decisions. This was because it was not uncommon for medium and large sized employers to employ in-house pension specialists that would merely seek confirmation from an intermediary that they were proposing a feasible idea.

Intermediaries and the forthcoming workplace pension reforms

Intermediaries were generally well aware of the 2012 reforms. Levels of knowledge and understanding varied, with those working with medium and large sized employers tending to have a greater understanding due to larger employers perceiving that they would need a longer time to prepare for the reforms. As such, it was not uncommon for those working with the larger employers to have already begun providing information about the changes to workplace pensions.

Intermediaries suggested that they were using, or would use, the same sources for information on the reforms that they were using for other pensions issues, such as the websites of government departments and public bodies and subscription databases. Intermediaries suggested that any information on the reforms would need to be clear and finalised, i.e. not subject to change and generally be available at least one year before the implementation of the workplace pension reforms.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 731 0. Research Report 642. March 2010).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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Paul Noakes,
Commercial Support and Knowledge
Management Team,
3rd Floor, Caxton House,
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