

Thoresen Review of Generic Financial Advice

Executive Summary

The NAPF welcomes the opportunity to respond to the Thoresen review of generic financial advice. We support the general view that there is a gap in the market for affordable generic advice.

The NAPF is the leading voice of workplace pensions in the UK. Our 1300 members provide pensions on behalf of more than 15 million people and have combined assets of around £800 billion.

The NAPF recognises that the terms of reference for the Thoresen Review are to determine a range of models for achieving greater access to generic financial advice on a national scale, taking account of future developments in financial services markets and, in particular, Personal Accounts. Our evidence primarily focuses on retirement and pension savings and the extent to which generic financial advice impacts on these activities.

The NAPF recognises that a new generic financial advice service cannot tackle every issue at once, and that there will be a need to prioritise and focus on areas where needs are greatest. We therefore believe that generic financial advice should be focused on working age adults, rather than being segmented. We feel this is appropriate given that approximately 44% of working age adults are not saving for their retirement (Table 712 - Family Resources Survey 2005/2006) and there is likely to be a greater demand once Personal Accounts are introduced.

In general the NAPF accepts the proposed working definition of "Generic Advice". In terms of providing support for pension reform we consider that the scope of advice should extend to basic information on state and private pension savings and specific guidance on auto-enrolment and options available under Personal Accounts. A generic financial advice service should be able to cover the following:

- Debt
- Protection
- Savings
- Credit
- Pensions

We suggest that the guidance would be provided in four distinct stages: signposting, interpreting, coaching and steering. Further information on each of these is provided in our response.

In considering how best to deliver generic financial advice, it is important that the Review thinks beyond the traditional financial services model of providing financial help to consumers and consider new, cost-effective delivery channels.

In this context NAPF believes that the workplace is a cost-efficient way of reaching large numbers of people. In a world where consumers have shown they are reluctant to pay for individual retirement planning advice, the workplace offers the opportunity to provide support in a cost effective manner. Providing guidance through the workplace would be far cheaper than the traditional financial services industry model of one to one advice in the home or as a result of a direct approach from the individual. In a study by Oliver, Wyman & Company, for the ABI in 2002, it was found that the length of time it takes to provided individual regulated advice was around 8.3 hours. This compared to providing regulated advice through the workplace where it only took on average 2.3 hours

The NAPF has experience of offering information and support directly to individuals through the workplace on a collective basis via its PENSIONSFORCE initiative. PENSIONSFORCE is a free, independent and non-branded service which provides information about pensions to working people at their workplace. It has proved popular with employers and their employees alike, and moreover it has proved an efficient way of providing basic savings and retirement information to individuals. (Details of PENSIONSFORCE and how it functions can be viewed in Appendix 1). We would welcome the opportunity to work with the Government using the PENSIONSFORCE model to develop the provision of generic financial advice in the workplace, in the context retirement planning and pension savings.

STRATEGIC ISSUES

A. What is happening today, how and to whom?

AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?

The NAPF is aware of a number of organisations that provide generic financial advice, these include commercial organisations, not-for-profit advice services, employers, colleges and universities and other publicly funded groups and organisations. One example is PENSIONSFORCE, more information on PENSIONSFORCE can be found in the "Operational Issues" section of this response.

AS2. For the services in AS1 please give some information on structure (e.g. funding, governance, scope of service, geography, legal basis of advice, scale constraints etc.)

See response to the Operational issues section.

AS3. What do you believe is the most appropriate way of describing "generic financial advice" provision?

The NAPF supports the definition outlined by the FSA - generic financial advice is a set of services and tools that use information about individuals' circumstances to help them to identify and understand their financial needs and to plan their finances. Generic financial advice helps consumers to identify:

- choices and possible priorities for action which are appropriate to their needs;
- how to take the next steps in addressing their priorities; and
- how to access other relevant sources of information and advice.

http://www.fsa.gov.uk/pubs/other/fin_cap_gen_advice.pdf

AS4. Are there examples from overseas which offer good models for a national approach to generic financial advice and why?

The New Zealand Retirement Commission provides an online service called Sorted. Sorted is a totally independent and impartial site that helps individuals get sorted on money matters. They do not endorse any financial institutions, financial products or services.

The Sorted programme is based around a website called www.sorted.org.nz. Since its establishment in October 2001, Sorted has had over 2.6 million unique visitors with well over 6 million calculations being made on its online calculators.

Sorted's content and tools are syndicated through a range of New Zealand's most popular websites and portals including Trademe.co.nz, Scoop.co.nz, FindA.co.nz, STUFF.co.nz, XtraMSN.co.nz, NZCity.co.nz and NZflatmates.co.nz. For people with limited internet access the Commission also offers Sorted Offline. This is a series of six

publications that provides some of the information available on the Sorted website. Sorted Offline is also available from all public libraries and Citizens Advice Bureaux offices.

For further information see www.sorted.govt.nz

AS5. What academic and other research, UK or international, should the review be aware of that would be relevant to generic financial advice provision?

The FSA has carried out a great deal of research in this area as part of its financial capability work, we think this review should build on and develop the work that has already been undertaken by the FSA and the FSSC. The FSA carried out some relevant research in August 2005 – Advice and the best way of delivering it.

AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?

We do not believe that the current infrastructure can deliver the kind of generic financial advice envisaged by the review, according to the consumer body - Which? there is no proven business case for the financial services industry to deliver generic advice. However, there are a number of third sector services which could do the job. These are outlined in the box below.

PENSIONSFORCE is a free, independent and non-branded service which provides information about pensions to working people at their workplace

FSA's Moneymadeclear is a free online service from the Financial Services Authority, the UK's financial watchdog. It provides clear, impartial information on money matters.

Adviceguide The Adviceguide website is the main public information service of Citizens Advice, providing people with round-the-clock access to CAB information on their rights - including benefits, housing and employment, and on debt, consumer and legal issues.

It is worth noting that whilst there are a number of third sector organisations involved in the provision of generic advice, there is currently no national funding stream that supports a generic financial advice service or structure. The DWP are currently funding the Pensions Education Fund Project. The Pensions Education Fund is an initiative which aims to increase financial awareness among working people - both employees and the self employed - to help them make better plans for their retirement. The fund is aimed at not-for-profit organisations, which are using the money to develop innovative ways to engage with working people about pensions and retirement planning - giving them the information they need to help them to

make their own decisions about their retirement. PENSIONSFORCE is one of the projects. The NAPF believe that further funding should be made available to the Pensions Education Fund so that it can be extended. There are a number of reasons for this. Firstly, the tendering process has already been established and contracts awarded, secondly, some of larger costs involved in establishing such projects come at the initial setting up stages, these have already been undertaken and paid for by projects such as PENSIONSFORCE and thirdly, the services funded by the Pensions Education Fund by have established a solid customer base and built up a reputation as a trusted source of independent generic advice.

It is also important to note that any structure would have to ensure that there is a proper system for accreditation and qualification for those involved in the delivery of the service envisaged.

B. What should the scope of a national approach to generic financial advice be? These questions are aimed at some of the 'nuts and bolts' issues of delivering a generic financial advice (or other relevant) service: getting the content right, identifying and targeting consumers, delivery mechanisms, staffing and accreditation.

BS1. Who should generic advice aim to serve including a view on segmentation?

We do not believe there is a need to focus on segmenting the market. The NAPF believes that generic financial advice should be targeted on adults of working age. We believe that those who currently seek and pay for independent financial advice will continue to do so.

BS2. Are there groups it should not aim to serve and how might they be excluded or steered away?

We do not think that any groups should be excluded from having access to generic financial advice, although some individuals will require additional specialist independent financial advice.

BS3. What are the best ways of reaching the target market (i.e. those most vulnerable to the consequences of poor decision-making)?

Ensuring that access to the advice is publicised through the most appropriate channels is the best way of reaching the target market. In the case of retirement planning, we believe this could best be done through the workplace.

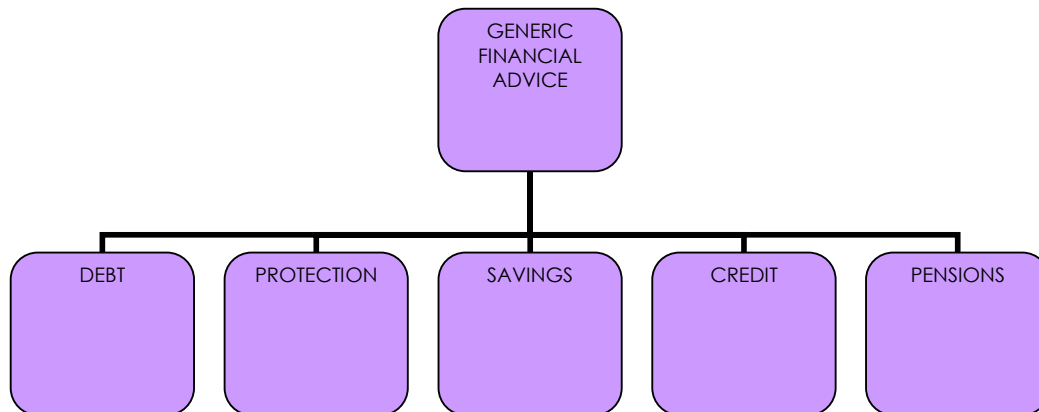
There is some evidence to suggest that providing a service through the workplace can help achieve significant economies of scale and that individuals feel comfortable in a familiar environment.

BS4. What should be the content of generic financial advice? Which subjects should be included/excluded?

Whatever their reason for seeking generic advice individuals are, of course, unlikely to be tidy in their questioning, and will often start with a question about what is possible,

which may lead to further questions about what the response means. Individuals may then want help which will enable them to make their own decisions, perhaps using the information given.

Generic advice should therefore aim to include the five areas identified in our introduction. These are included in the chart below:



With regard to retirement planning, the NAPF proposes that the advice can be broken down in to four stages:.

- Signposting;
- Interpreting;
- Coaching;
- Steering.

Signposting

The purpose here is to identify and possibly provide access to relevant sources of reference material e.g. scheme documents, websites, guidance leaflets etc, which might help the party seeking the advice to understand the issues relevant to their circumstances. It may also help identify if there are any choices to make. The signposting role does not involve explaining or interpreting the information that is provided.

Interpreting

If 'signposting' is not sufficient to enable the individual to take action, it may be necessary, for the Generic Financial Adviser to interpret and communicate terms used in the reference material; or provide answers to questions where the answer is verifiable as a matter of fact (e.g. does my wife get a pension under this arrangement if I die?).

Coaching

And if signposting and interpreting are not sufficient “coaching” may be required. Here the aim is to identify and communicate the choices available, the consequences of making choices, and the factors that should be taken into consideration when making a decision. “Coaching” may involve a personal fact find to ensure the individual’s preferences and attitudes are taken into account when identifying choices.

Steering

In most cases advice is not given on what the best course would be since the decision should be made by the individual. There may be occasions, however when it would be helpful for the adviser to provide a steer for the individual of a preferred course of action or actions. For example where an employer is contributing towards a pension arrangement and it is clear that saving via a pension is not going to affect any entitlement to means tested benefits.

As is the case now, only regulated advisers would recommend specific products.

BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?

There should be a clear boundary between generic and regulated advice. In our view generic financial advice should give individuals information and where necessary provide explanation on some of the factors people should take into account in reaching a decision on their own. Regulated advice involves giving specific advice on what an individual should do, and make recommendations on what specific regulated products the individual might buy.

BS6. What organisations and services should or could be expected to refer people to generic financial advice?

There are numerous organisations that can be expected to guide individuals towards generic financial advice on retirement planning; in particular, we think the workplace and the employer will be key. Many employers may wish to offer employees generic financial advice sessions in the workplace, or provide on-line access to such advice. In addition it could include organisations such as government and government agencies, voluntary organisations, financial service providers, friends and families.

BS7. Where should people be referred to after receiving generic advice? Should it be possible to refer people to a commercial provider? If so, how?

We do not think there should be direct referrals from generic financial advisors to providers. It will be essential to ensure that those advisors providing generic financial advice are seen as independent. However, we think it should be possible to refer individuals to the FSA website where further information could be provided on

commercial providers using the comparative tables that already exist. This would allow the individual to compare the products that interest them and the commercial providers offering those products. The individual could also be referred to an independent financial advisor.

BS8. What qualifications/training do generic financial advisers need and where could the advisers be sourced from?

The NAPF believes that given the complexity of the issues involved, and the importance of simplifying them into an easily digestible message, it will be important for generic financial advisers to be well qualified and competent.

First they need to be competent in debt, protection, credit, savings and pension. Secondly, for advisors focusing on retirement planning, they will need to be able to explain in detail the state pension, private pensions and the decumulation stages. Thirdly, only those with sufficient experience and expertise, who are able to recognise situations where regulated advice is necessary, should provide generic advice, of the interpreting and coaching standard.

The Financial Services Authority (FSA), as part of its wider initiative of the National Strategy for Financial Capability, has already approached the Financial Services Skills Council (FSSC) to engage with employers and stakeholders to develop industry performance standards that could be approved as National Occupational Standards (NOS) for providers of generic financial advice.

These standards will define the boundaries for generic financial advice as a stand-alone service and establish a set of core skills and competences for those who engage in this activity, whether in the private or not for profit sector.

The FSSC is also being funded by the Qualifications and Curriculum Authority (QCA) to work with employers to complete a portfolio of National Occupational Standards and S/NVQs for pensions management, advice, consulting and administration which also encompasses generic advice as it specifically affects pensions.

Generic financial advisers should be people who not only hold the necessary experience and knowledge and who meet the standards once established by the FSSC but also have the ability to adapt and communicate at a level commensurate to the needs of their audience.

BS9. What are the legal implications of giving generic financial advice?

We are aware of a number of legal implications associated with giving generic financial advice; these include implications for individuals around liability of providing advice.

This will need to be fully investigated to ensure that the envisaged service will be designed to offer appropriate protection for the individual giving and receiving generic financial advice.

BS10. How would the creation of a new generic financial advice service materially affect advice providers?

We think the creation of a new independent generic financial advice service would not materially affect existing commercial advice providers. Indeed, it might have a positive impact, firstly, they may wish to become providers of generic financial advice and secondly, they may benefit from more informed and confident consumers.

C. Cost and funding

These questions are aimed at getting data on the costs and benefits of a generic advice service. As well as detailed costs, the Review Team is also interested in quantifying benefits, including individuals, wider society and different parts of the financial services industry.

CS1. To what extent should generic financial advice be free at the point of delivery?

The NAPF believes that generic financial advice should be free at the point of delivery. Recent research by the FSA (Advice and the best way of delivering it. Literature survey for the Financial Capability Generic Advice Project) suggests that some less financially sophisticated respondents would be decidedly unwilling to consider going for advice if a fee was charged. The FSA paper goes on to say that if consumers are to be encouraged to use a generic advice service, it should – initially, at least – be provided for free.

CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?

We are not aware of any evidence.

CS3. How can the wider benefits of generic financial advice, to individuals and society as a whole, be quantified?

The NAPF has been calling for the establishment of a Pensions Monitoring Board, the job of which would include monitoring savings levels in the UK. This could include targeted monitoring of the increase in savings for particular groups of individuals. The table below outlines the proposed terms of reference for the Pensions Monitoring Board.

Remit: to monitor the adequacy and sustainability of the pension system.

- **Adequacy:** monitoring the adequacy of retirement provision in both the state and private sectors against government-set benchmarks. The analysis would also take account of non-pension sources of retirement income such as housing wealth, welfare payments and inheritances.
- **Sustainability:** monitoring the sustainability of the pension system, especially with regard to life expectancy, affordability for public finances and the success or otherwise of private pensions saving. This would include an early warning of any adverse trends (eg levelling-down of existing pension provision, poor take-up of pensions among the self-employed, high auto-enrolment opt-out rates) and an ongoing review of the need for adjustments in the State Pension Age in light of demographic change.

Outputs: a triennial report on developments, including any implications for pensions policy, to the Secretary of State for Work and Pensions, laid and debated in the House of Commons.

Structure: a Board comprising a small number of expert appointees supported by a small secretariat.

Accountability: to Parliament.

CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?

Initially we think that government should fund the cost of providing such a service. This will need to be kept under review. The industry should be willing to make a contribution to the overall funding of the service envisaged. Industry could be major beneficiaries of the more financially aware consumer.

CS5. How can the “generic” element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the “fact find”?

We do not have any views on this question.

D. How can potential users be engaged?

These questions are aimed at getting evidence on how consumers can best be attracted to using a generic financial advice service, including how they can be motivated to take an interest in their financial affairs before ‘crisis intervention’ is needed.

DS1. How can consumers be encouraged to improve their financial capability and take an active interest in their personal finances?

There appears to be very little information on what prompts a consumer to seek generic financial advice. An FSA report - Advice and the best way of delivering it, shows there is some evidence in other areas that suggests once consumers are aware there is a trusted source, this may in itself prompt them to seek out the service.

The same FSA report indicated that there is also some evidence to suggest that access to advice can be a barrier; we believe this could be overcome through the provision of a free at the point of delivery advice.

DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?

As outlined in response to the above question, we believe that removing the barriers – whether perceived or actual - that exist will encourage individuals to change their behaviour and attitudes.

The review should look at some of the research undertaken by the DWP on Combined Pension Forecasts; this research found that recipients of forecasts became more aware of their financial situation in retirement.

There are examples of public awareness campaigns that have worked to increase awareness of specific issues and helped change attitudes; these include the drink drive campaign – Don't drink think; the road safety campaign – Stop, look, listen. The review team should look at these campaigns and the simple messages that worked to increase public awareness and change behaviour.

In addition, the TUC ran two help lines that proved very successful for a number of reasons. Firstly, there was a big demand for the service, the number of phone calls reflected this; secondly, the service was provided free of charge and thirdly, the service was provided by an independent and trusted source. The DWP monitored behaviour following the help lines and found that some individuals changed their behaviour as a result of calling the help lines.

DS3. What would an attractive brand for a generic financial advice service look like?

The NAPF believe that the brand needs to be independent of government and create trust for consumers. It should also be separate from the financial services industry.

DS4. Is there evidence on which engagement mechanism(s) is likely to work best overall and with different segments of the target population (e.g. which media, messages etc.)?

There is some evidence from the FSA study - Towards a national strategy for financial capability, November 2003, to suggest that the best way to give advice is face to face. This is supported by feedback to our PENSIONSFORCE service.

Whilst we support this approach, we think the Thoresen review should carry out some market testing to establish which engagement mechanism or mechanisms would be most appropriate.

DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?

The workplace is seen by many as a trusted source of information, as such, we believe the workplace would be an attractive location. In addition, for those without jobs, we suggest Job Centre plus could provide individuals with a trusted environment in which to obtain guidance and advice.

DS6. Do you believe a new generic advice provision would lead to a change in consumer behaviour? If so, how?

Yes. The NAPF believes providing generic advice would increase consumer understanding and knowledge. This would, in turn, lead to greater confidence in the consumer who may then feel able to seek the best products or services to suit their needs.

E. What should the governance arrangements look like?

These questions are about the governance of generic financial advice provision on different bases, including a possible joint Government-industry venture

ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?

The NAPF thinks that oversight and delivery should be undertaken by a separate body. We think the separate body should be responsible for awarding contracts to those who will deliver the service. This body should be at arms length from government, with clear accountability for awarding such contracts.

ES2. How should any generic financial advice service be made accountable (e.g. targets, performance management, reporting lines etc)?

We think this could be done during the tendering stage. The delivery body would have clear accountability to government, the providers of generic financial advice would need to demonstrate at the tendering stage how they would meet the targets set, what the reporting lines to the delivery body would be, etc. There are many Non Departmental Public Bodies which provide an example of this kind of accountability.

ES3. What should the relationship be between any new delivery body (assuming one is deemed necessary) and existing services?

The new delivery body will be responsible for awarding contracts. Some tenders may come from existing service providers. We do not see this as a problem providing they meet the criteria set by the delivery body. They must be able to demonstrate independence from any commercial organisation providing financial products. Independence and trust are key to the success of the envisaged service.

ES4. What mechanism should be used to collect and distribute any potential financial contributions e.g. from Government, industry etc?

Distribution of the financial contributions should be done through the competitive tendering process.

OPERATIONAL ISSUES

A. What is happening today, how and to whom?

AO1. What advice service are you or your organisation responsible for delivering (this need not be generic financial advice)?

NAPF has experience of offering information and support direct to employees through the workplace via its PENSIONSFORCE initiative. (Details of PENSIONSFORCE and how it functions can be viewed in **Appendix 1**).

AO2. How is your advice delivered (e.g. face-to-face, web-based or telephone)?

PENSIONSFORCE is provided by volunteers called Pension Guides who have been engaged from within all sectors of the Pensions Industry. Guides are appointed because of their wide knowledge of pensions but also because they have an ability to communicate in a straightforward and balanced manner. Pension Guides are accountable to the PENSIONSFORCE Project Manager. At no time do Pension Guides provide regulated financial advice.

Presentations and scripts have been prepared by the NAPF and handouts signed off by the FSA. Other literature offered to attendees is produced by the DWP.

AO3. What is the legal, organisational and governance structure of your service?

NAPF is a leading pensions lobbying organisation and as such our day-to-day interface with Government and Regulators means that we are very familiar with FSMA and the need for caution regarding the boundaries between the provision of 'information' and retirement savings choices, and 'advice' that is Regulated by the FSA.

PENSIONSFORCE is run by full-time project manager, Frances Corbett, an employee, of the NAPF, reporting direct to its Chief Executive, Joanne Segars. Ms Corbett has over 30 year's experience of working as a professional in the pension industry and is a Fellow of the Pensions Management Institute (FPMI).

The Project Manager provides monthly reporting direct to the DWP and quarterly financial accounts.

AO4. How is your service funded?

PENSIONSFORCE is funded until 31 December 2007 by the DWP'S Pensions Education Fund as part of the Informed Choice Programme.

AO5. How did you identify your customer and their needs?

PENSIONSFORCE currently aims to reach individuals who are most at risk of not having enough income in retirement, particularly

- women;

- those who have access to a workplace pension scheme but choose not to join it; and
- employees of small to medium sized companies.

While PENSIONSFORCE aims to concentrate on those who are most in danger of not being able to meet their future obligations, the importance of planning for retirement also needs to be accepted by those with middle incomes who although able to meet their future obligations, could make better use of their finances. NAPF would welcome further discussions with Government concerning how PENSIONSFORCE can be developed to reach all employees.

B. What should the scope of national approach to generic financial advice be?

BO1. Who is your target market, and how do you target them? How well do your actual clients match your expected target market?

PENSIONSFORCE aims to reach as many employees as possible. Our current funding is limited and so the service has been targeted to employers in the following geographical areas:

- Yorkshire and Humberside
- West Midlands
- South West

We have however made visits to employers outside these regions too.

NAPF is working with delivery partners; Community the trade union, EEF the manufacturers' organisation and NAPF Local Groups to source employers willing to host meetings. We have also engaged professional Marketing and PR services to promote PENSIONSFORCE to employers for the benefit of their employees. As our target market includes SME's, marketing has concentrated primarily on small business networks and business parks.

BO2. How many people use your service per annum? What sorts of questions do they ask?

PENSIONSFORCE started to deliver its service at the end of September 2006 and since then has arranged 68 meetings covering over 1000 attendees.

Generally, most people want to consider one or more of the following four key questions when establishing a plan for their retirement savings:

- Should I save?
- How much should I save?
- Where should I save?

- What should I do at the decumulation phase?

BO3. Do you know how many people you turn away? If so, is this a capacity issue or have they come to the wrong place?

We don't turn people away! The real challenge is to encourage people to attend meetings. Peoples' attitudes and prejudices about the overall concept of retirement planning need to be addressed before they are willing to review information about pensions as savings vehicles.

If people are, for example, unwilling to engage with those who are providing information about pensions or to read related communications then education on financial matters aimed at improving financial capability will be redundant as far as retirement planning is concerned.

BO4. If you operate some form of "triage" or "sifting" of calls, what criteria do you use?

One of the advantages of PENSIONSFORCE is that in the first instance we deal with employers and so the need to sift calls has not arisen.

BO5. What referral policy do you operate and how (e.g. boundaries with other organisations, relationship with others, potential issues to manage etc.)?

PENSIONSFORCE provides information and helps people identify where to go to get more information.

BO6. What management information do you capture?

We collate the following details:

- Number of employers and employees targeted
- Number of meetings held and media used
- Operation costs
- Numbers of people attending meetings
- Ethnicity, sex and age of attendees
- Geographical location of attendees
- Nature of attendees' employer's pension arrangements, if applicable
- Employer's business sector
- Key opinions from attendees on the following:
 - Main concerns about planning for retirement;
 - Reasons why pensions communications are hard to understand
 - Whether they think pension savings are more likely to fail than other forms of saving;
 - The type of media they prefer to receive information about retirement planning e.g. face to face, websites
 - What action they intend to take as a result of attending the PENSIONSFORCE meeting

BO7. How do you monitor quality and consistency of advice given (e.g. quality control, customer feedback, complaints handling etc.)?

All our Pensions Guides use the same presentation and script and we run update meetings every two months to ensure our Guides are familiar with current events within the pensions industry. Our guides work or have worked recently as pensions practitioners and all have a wide understanding of state and private pension provision.

Every meeting attendee receives a feed back form to complete which is collected at the end of each meeting. The PENSIONSFORCE website also provides for employers and attendees to provide comments as free text at any time so there is no limit to when and how they can provide feed back.

We have not had any complaints to date but if we do receive any they will be handled in accordance with the NAPF's Complaints Procedure.

BO8. How do you deal with questions of liability for inappropriate advice (e.g. indemnity insurance)?

PENSIONSFORCE does not provide regulated advice and Pensions Guides only provide information and help people identify where or who to go to obtain detailed advice. We do not believe, therefore that the subject of liability is an issue.

The NAPF is aware of views within the industry which favour the need to steer individuals towards an appropriate course of action, particularly once Personal Accounts are introduced. There are many practitioners, however, who are uncertain of the extent to which they and their organisations are able to provide generic advice which steers an individual to take a particular course of action, even where no particular product advice is given and the NAPF would welcome clarification from Government in this area.

BO9. What level and type of training do you offer for your staff (e.g. costs, duration), suppliers, accreditation, etc.)?

As indicated in BO7 our Pension Guides are all experienced pensions practitioners who act on a voluntary basis. We provide them with all the material to run meetings and provide them with reference material aimed at ensuring they are conversant with current issues. We also hold regular update meetings which the Guides attend in person.

Going forward we believe our Guides would be competent to carry out the role of Generic Financial Adviser (GFA) who would operate outside the existing function of regulated advice although a regulated financial adviser holding the necessary expertise could also function as a GFA.

The NAPF would welcome the opportunity to work with Government using PENSIONSFORCE model to develop the provision of generic financial advice in the workplace, using the services of GFAs who can demonstrate they meet nationally recognised standards of competency.

BO10. What are the payment arrangements for your advisers (e.g. payment levels?) sponsorship, pro bono etc.)?

Our Pension Guides receive travel and subsistence expenses.

BO11. Who are your advisers (background, length of service etc.)?

The role profile for our current Pension Guide can be viewed at **Appendix 2**.

BO12. How do you ensure that you work effectively with other relevant organisations?

Before a PENSIONSFORCE meeting is carried out the Pension Guide carries out a fact find with the employer hosting the meeting in accordance with a documented procedure.

This enables the Pension Guide to understand, for example, the nature of the employer's organisation and its employees, to find out whether there is an employer's pension scheme and if so what type of scheme and how much the employer (and employee) would contribute to the scheme, how many employees are members of the scheme and any more facts as required. With an understanding of the culture, nature and experience of the employer the Pension Guide is more equipped to provide information about retirement planning to employees and to ensure that he or she is sensitive to any issues from the employer or employees' perspectives.

C. Cost and funding

CO1. What is your operational model?

See **Appendix 3**

CO2. What is the cost structure of your service (e.g. set-up vs. ongoing; capital vs. operational)?

Set up costs were £100,000 (50% of these costs were provided in the form of an 'in kind' contribution from the NAPF covering staff costs).

The service is provided free to employers.

CO3. How long did it take to set up the service from blueprint to launch date? Did you pilot it first? If so, please provide details.

Six months.

We piloted the service with our own staff and with new recruits at a third party administrator.

CO4. What are the components of your model and how do they relate to each other (e.g. telephone, face-to-face and online)?

Face to face group meetings, written leaflets and booklets designed especially for the purpose and booklets issued by Government and the FSA, all of which are backed up on the dedicated PENSIONSFORCE web pages.

CO5. If you operate an online service, how many people use your site and do they have to pay to use it?

Our service is not provided on line except as described under CO4.

CO6. Please provide information on the key statistics about your service (e.g. duration of session, average cost per session, approach to booking etc.).

Sessions can last from 30 minutes to 1 hour and we offer up to 4 meetings in a day with the same employer.

We prefer up to one month's notice to run a meeting since this facilitates adequate advertising of the event. We provide posters for the employer to advertise meetings and text for individual invitation if the employer wishes to invite employees by name. We carry out all the meeting logistics and supply all the hand out material. The employer simply needs to arrange for a meeting room for the meeting to be held and if possible provide presentation equipment. If the employer is not able to provide the latter we provide portable equipment. We also run meetings for a number of employers where for example the employer has a very small number of employees.

CO7. How are you funded and what do you have to do to qualify (e.g. grant-in-aid, customer payments, commercial capital etc)? How much do customers pay?

PENSIONSFORCE is fully funded by the DWP's Pensions Education Fund and is provided free to employers for the benefit of their employees.

CO8. Are you able to quantify the social / public policy benefits of your service?

The NAPF believes that although the retirement planning industry has gone to great lengths to communicate the 'ins and outs' of pension arrangements and financial products, it has traditionally placed less emphasis is placed on educating and supporting people on the principles of planning for retirement.

PENSIONSFORCE engages directly with employees and focuses on the key issues which individuals need to consider regardless of age, income or geographical location. The service is independent and not driven by product sales or employer interests. It simply provides information and help for employees wanting to find out more about retirement planning, where they can go to get extra information and how to assess their own circumstances for example to determine how they might save for their retirement.

PENSIONSFORCE is suitable for those who have not yet started to save for their retirement, those with access to an employer's pension scheme or those who do not have access, those who have already started to save and those who are close to retirement.

CO9. If your service is required to show a return on capital, what are the Internal Rate of Return (IRR) and payback periods?

This does not apply.

CO10. How do you measure the effectiveness of your service?

Apart from collating the direct feedback referred to in BO6, the DWP appointed an independent research organisation to contact employers to review the PENSIONSFORCE process and employees after attending a meeting to find out what action they might take as a result of attending the meeting. The researchers then contacted the individual a further six weeks later to follow up on the action. This research continued for 3 months after the first PENSIONSFORCE meeting. The independent research organisation will report back to the DWP once it has collated its results.

NAPF began to collate its own data concerning actions people intend to take following their attendance at a meeting from January 2007 and will report on its findings at the end of June and December 2007.

D. How can potential users be engaged?

DO1. What market research did you do before setting up your service?

DO2. What approach to advertising have you taken at the various stages of the development of your service (including an indication of level)?

The NAPF conducted a wide range of advertising of PENSIONSFORCE starting with its own contacts. The service was launched at the NAPF's Annual Conference and Exhibition 2006. This includes articles and advertisements in pension's periodicals, NAPF news, HR magazines, and through our own and delivery partner's websites. We have also exhibited at Conferences.

In January we expanded our marketing campaign with the objective of reaching more SME's through business parks, small business links and business centres.

DO3. How has your service evolved over time?

From the immediate feedback we have received from attendees, we believe that the PENSIONSFORCE message has been pitched at the appropriate level for our intended audience.

From the outset we have understood that PENSIONSFORCE is a service for the employee giving emphasis to how the retirement planning message should be delivered, who should deliver it, understanding what the retirement planning

message should be including the range and standards of message. We also recognise that there are likely to be employees with special circumstances which require additional attention i.e. investment choices in DC schemes, Personal Accounts and annuities.

However reaching employees through their employers has in some instances presented us with more of a challenge (for example employers are also individuals and often have similar prejudices about retirement planning and saving for retirement as their employees). As a result how we market our service to employers has become more focused and we now concentrate on the benefits of PENSIONSFORCE to employers as well to employees.

We have also introduced accreditation for employers i.e. recognition that they support retirement planning for their employees by way of a certificate and authorisation for them to use the PENSIONSFORCE logo with the words 'Certified Employer'.

DO4. How did customer usage build up over time?

We are still reviewing this as the PENSIONSFORCE service is still at an early stage of existence.

DO5. Do you have information about what your customers do as a result of your advice?

See CO10

Michelle Lewis
Senior Policy Advisor
NAPF Ltd
020 7808 1310
Michelle.lewis@napf.co.uk

For further information please contact:

Nigel People Nigel.people@napf.co.uk
Michelle Lewis Michelle.lewis@napf.co.uk or
Frances Corbett frances.corbett@napf.co.uk (PENSIONSFORCE Project Manager)
Tel: 020 7808 1300

Appendix 1

PENSIONSFORCE

PENSIONSFORCE is a free, independent and non-branded service which provides information about pensions to working people at their workplace.

Pensions are most efficiently provided through the workplace. Workers in small firms are very often untouched by Independent Financial Advisers (IFAs) and employee benefits consultants (EBCs) because it is simply not profitable to sell advice services. And around 3 million people do not join an occupational-based pension scheme even though one is open to them. So many people are foregoing a valuable savings opportunity that will help to ensure they have an adequate income in retirement.

PENSIONSFORCE aims to address these weaknesses and help to maximise the benefit of workplace pensions by providing an independent, non-commercially-branded, service for employers to use for the benefit of their employees. PENSIONSFORCE IS available free of charge to employers and their employees and acts as a trusted third party offering information-based services to employers and their employees.

PENSIONSFORCE concentrates on three groups in particular who are under pensioned, these being:

- employees with access to a workplace pension scheme but choose not to join;
- women;
- employees in small and medium sized companies.

The service:

- increases awareness of the need to plan for retirement, and the risks of not doing so;
- raises awareness of the options available when planning for retirement, (including working longer);
- ensures that when individuals are in a position to make a decision they can do so on a more informed basis;
- help and empower people to seek further advice and information where appropriate.

PENSIONSFORCE is provided by volunteers called Pensions Guides whose role it is to provide information about the benefits of planning for retirement. (See **Appendix 2**)

Overall, the aim is to ensure that individuals understood the need to think about providing for their old age, were empowered to make a decision, take an informed choice, and seek further advice where appropriate.

Delivery is at the workplace and in work's time via group presentations lasting 30 minutes to 1 hour which focus on

- helping people recognise key factors about planning for their retirement,
- how to obtain a state pension forecast and why this action makes sense;
- recognising the nature of occupational and personal pension provision and
- how to trace old pension arrangements through the DWP's pensions tracing service.

NAPF works with a range of delivery partners to help provide access to employers including:

- NAPF member pension funds – the NAPF has a diverse membership of around 900 pension funds.
- Community – a trade union representing over 70,000 working people across a wide range of traditionally under-pensioned industrial sectors in smaller companies including clothing (with a high proportion of women workers), call centres, steel, carpet weaving and glass manufacture.
- EEF – represents over 6,000 mainly smaller businesses (with between 150 and 400 employees) in the manufacturing, engineering and technology-based sectors.

Appendix 2

Pension Guide Profile

Pension Guides

- deliver presentations on pensions and planning for retirement;
- liaise with participating employers to identify the scope of the workplace presentation and the needs of the workforce;
- provide written feedback to the PENSIONSFORCE Project Manager about the presentation.

Each Guide has an excellent understanding of all types of workplace pensions and a good understanding of retirement planning issues. The ability to communicate complex topics in easy-to-understand language for non-pensions experts is essential as well as enthusiasm for planning and saving for retirement.

Currently the guides that have been appointed come from a wide range of backgrounds, have a collection of related skills and expertise and at least 10 or more years relevant experience. Most have experience or qualifications, as appropriate, of some or all of the following areas of expertise:

- actuarial;
- trusteeship,
- pensions administration and management,
- pension scheme taxation
- pensions training and education.

Some Guides are trustees or act as the secretary to a trustee board and a few are also advisers for the Pensions Advisory Service.

Appendix 3

Operational Model

| | |
|------------------------------|---|
| Industrial Sector | PENSIONSFORCE targets workers in under-pensioned sectors of the economy, in particular low paid sectors of the manufacturing industry and the retail sector. |
| Workforce | PENSIONSFORCE targets <ul style="list-style-type: none"> • women; • those who have access to a workplace pension scheme but choose not to join it; and • employees of small to medium sized companies |
| Size of Employers | As noted above PENSIONSFORCE will focus on SME's but also large employers where poor scheme take up prevails. It also seeks to engage with employees in sectors that have traditionally been under-pensioned. |
| Geographical Location | Primarily (but not exclusively) <ul style="list-style-type: none"> • West Midlands • Yorkshire and Humberside • South West |
| Media | <ul style="list-style-type: none"> • Face-to-face group meetings lasting from 30 minutes to one hour, in the workplace during working hours • Reference material provided free after meetings • Follow up facility via NAPF website to support post meeting activity |