



“Pensions time bomb: Employee attitudes to auto-enrolment and pensions”

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Abstract

Each country around the world is facing a crisis of a rapidly aging population, the World Economic forum White Paper from May 2017 has identified that there will be over 600 million retirees in China and India by 2050. The retirement funding gap across all major economies is increasing each year. In response to this the Irish Government are reviewing the pensions systems for Ireland with the primary aim of increasing pension coverage among the private sector to ensure its citizens have adequate financial resources in place when they retire.

The literature review examines the themes around auto enrolment and pensions and examines the Irish Pension system through the academic literature. The research focused on a qualitative approach for data collection and examines the interview responses from employees in the private sector.

The dissertation is exploratory in nature. The researcher has adapted an inductive approach based on the findings of semi structured interviews with employees working in the private sector with a view to exploring their attitudes to auto enrolment and pensions with the introduction of the Government initiative being introduced in 2022. Specifically the participants interviewed were asked about their attitudes to elements involved in the scheme design including level of contributions, attitude to risk and their levels of financial knowledge.

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List of Abbreviations

DB	Defined Benefit
DC	Defined Contribution
NRA	Normal Retirement Age
OECD	Organisation for Economic Co-operation and Development
PA	Pensions Authority
SPC	State Pension (Contributory)

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“Pensions time bomb: Employee attitudes to auto-enrolment and pensions”

Chapter - 1 Introduction

A decade on from the financial crisis of 2008 and the world economy is preparing for the next financial crisis with the pension's time bomb. Each country around the world is facing a crisis of a rapidly aging population, the World Economic forum White Paper from May 2017 has identified that there will be over 600 million retirees in China and India by 2050. The retirement funding gap across all major economies is increasing each year. (World Economic Forum, 2017)

The issue lies at the doorstep of all major economies in the world including Ireland. The 2016 census produced by the Central Statistics Office has highlighted that 76 percent of the population do not have a private pension and would be solely reliant on the state contributory pension of €12,651.60 a year. In Ireland the main forms of employee private pensions are defined benefit and defined contribution schemes. Employers are now moving away from defined benefit schemes as they operate on the basis on the employee's final year salary and length of service. These schemes have been running up deficits such as Bank of Ireland which is currently experiencing a deficit of €900m (Quinn, 2017). This has been identified due to the cost of annuities, rapidly increasing liabilities and developments in equity markets. (Department of the Taoiseach, 2006)

A report from the OECD (2017) highlights that at present, for every 1 retired person, there are 6 people in employment and by 2050, there is expected to be less than 2 people in employment for every retired person in which Mills (2005) highlights how the retirement savings gap will leave the burden of paying for retirement of many falls on a few. While the topic of the pension's time bomb has been discussed before, the rapid ageing population has promoted Governments to act to ensure provisions are put in place so that its citizens will have adequate retirement funding when they leave employment and not be a drain on state funds.

The investment firm Mercer (2017) noted that the pension system in Ireland requires urgent reform to improve sustainability and protect the country's ageing population. The retirement age in Ireland to collect the state pension has increased over the past few years in line with people living longer. In 2014 it rose from 65 to 66 years in 2014 and will rise to 68 years by 2028.

In order to avert the pensions' time bomb governments are now looking to establish an auto enrolment scheme that will start pension savings at a young age to ensure they will have an adequate fund when they retire. The savings accumulated by individuals for retirement is dependent on two pillars in which the pension framework is involved; there is the state contributory pension and a supplementary private pension provided by employers. This runs in the form of a defined contribution or a defined benefit scheme. While Government and semi-state employees are members of the state

run scheme this leaves private sector workers and those who are self-employed to be proactive in signing up to a scheme to ensure there is income for when they retire.

Walker and Foster (2006) note that public policy should be set up with the aim that retired people enjoy an adequate standard of living. A key part of the policy when setting up the auto enrol scheme is that all eligible participant's sign up therefore reducing the lack of coverage of pensions within the private sector and those who are self-employed. O'Connell (2009) highlights the Kiwisaver kick-start from the New Zealand Government of \$1,000 as an incentive to get people to start their pension. The Irish Government can view established schemes around the world to form an adequate pension system for its citizens while reforming the state pension. The aim of this study is to review the literature from an Irish perspective on employee's attitudes towards pension and the introduction of auto enrolment.

Dissertation Structure

The dissertation is divided into six chapters. Chapter One is the introduction which explains the nature of the topic and the reason for conducting research in this area. The aims of the research are outlined in this chapter, as is the justification for examining employees attitudes to pensions and auto-enrolment.

The literature Review is contained in chapter two which examines both industry and academic studies and reports into the subject area.

Chapter three deals with the research question and Methodology chapter.

Chapter four looks at methodology and concentrates on collection of data. Qualitative and quantitative research methods will be discussed along with the rationale for the researchers chosen research method. The chapter addresses how the data was treated, subsequent analysis and any ethical considerations.

Chapter five is the findings and analysis chapter. This chapter highlights the findings from the qualitative research undertaken. The interview questions are discussed in light of the overall aim of the research project and the sub objectives.

Chapter six is a critical evaluation of the study. Discussion of the outcomes and key themes, comparing and contrasting these themes with the Literature Review are the focus of this chapter.

Chapter 2 - Literature Review

Introduction

A literature review will be undertaken to review the latest research surrounding the Irish pension sector and the threat affecting Irish private sector employees with the potential pensions' time bomb approaching. A review of the auto enrolment schemes of OECD member countries such as New Zealand and the United Kingdom and the key areas of the scheme design will be assessed and explored in addition to the key segments that have the potential to add to the pensions' time bomb. Lastly, the existing literature will be discussed in an effort to identify any gaps of interest that can steer the focus of this study.

The Pension System of Ireland

The Irish Pension system is composed of three pillars; the first pillar is the state pension, the second pillar consisting of occupational pensions and the third pillar which is comprised of individual, private pension plans.

Pillar One – The contributory State Pension

The foundations of the contributory state pension lay with the Old Age Pension Act 1908 and the Social Welfare Act 1960. The Passing of the Social Welfare Act formulated the introduction in 1961 for the Old Age Contributory Pension (Whelan, 2005). Ó Gráda (2002) described the introduction of the Contributory State Pension as “the most radical and far reaching piece of welfare legislation enacted in Ireland in the twentieth century” as it provided a assistance to the rural community and immediate welfare of the elderly.

The basic foundation of the state pension is to provide an adequate income for its citizens in retirement. An objective of the Government is to provide retirement benefits at the bench mark rate of 34% of average earnings. According to the Government Roadmap on Pensions 2018 there are three key objectives for the state pension which are adequacy, sustainability and equity. Part of Government policy is to reform the state pension as people are now living longer. (Department of Employment Affairs and Social Protection, 2018).

From 30 March 2018, the Government will change the method of assessment for the contributory state pension to a new Total Contributions Approach. Under this method credit will be provided for people who spent time outside the workplace to raise families or to take on a care role. At present

the Contributory State Pension is paid from age 66. Further to this the Government have decided that the State pension age will be increased to 67 in 2021 and 68 in 2028.

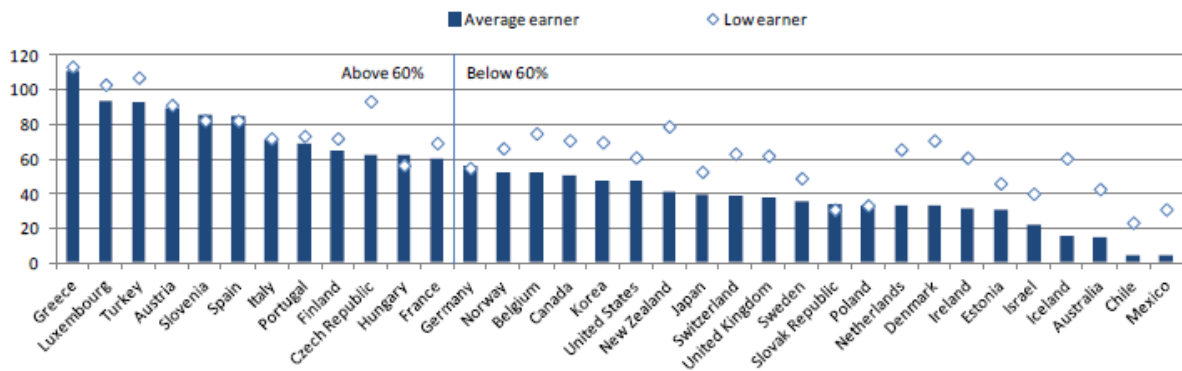
There are challenges being faced by public pension programmes (Disney, 2000). The World Bank (1994, 2005) produced a report in 1994 with a further update in 2005 based upon averting the old age pension crisis. This will be of interest to governments around the world which highlight the growing concern of longer life expectancy along with falling fertility rates. Disney (2000) further points to a rapidly ageing population in OECD member countries in conjunction with pension systems that are provided a high cost to Governments will not be sustainable.

According to the OECD (2017) Ireland's Government spending on Old Age Pensions was 4.8% compared to the OECD average of 8.2%. This spending is projected to grow approximately 9.5% of GDP by 2050 for member countries. Whelan (2005) presents an alternative outlook for Ireland through his research observes that should state spending on pensions increase with earnings, by 2050 Ireland will have still have one of the lowest spending output on pensions for an OECD member.

Figures from the The Actuarial Review highlight the costs of the Social Insurance Fund over the next 50 years that while the cost of maintaining current level of benefits will increase that Ireland has sufficient room to cope with this increase level of expenditure compared to other EU countries (Department of employment affairs and social protection, 2016).

While the State Pension is there to alleviate poverty for the retired generation, Moloney & Whelan (2009) note how heavily dependent Irish citizens are on this benefit being paid. Current figures from the OECD (2017) suggest that people who have a private pension outside of the Contributory State Pension is less than 50% of the population employed.

According an OECD report, Antolin, Payet and Yermo (2012) the net pension replacement rates for the majority of pension systems of OECD member countries will not reach 60% of an employees final salary.



Source: OECD (2011), *Pensions at a Glance: Retirement-income systems in OECD and G20 countries*, OECD Publishing, Paris.

The replacement rate varies across member countries. Those with rates above 60% face a funding crisis and Ireland’s case represents approximately 34% of average earning. In order to supplement this income the Government have sought to reform the state pension and while aiming to increase coverage in the private sector (Department of Employment Affairs and Social Protection, 2018).

Pillar Two – Occupational Pension Schemes – Defined Contribution/Defined Benefit

There are significant challenges for the Government in relation Pillar two schemes comprised of defined contribution and defined benefit. Whelan (2005) highlights that it is well documented that these schemes present a number of issues from the level of coverage in the private sector, the income replacement ratio is considerably below the levels required due to employees not contributing sufficiently to provide an adequate pension when they retire. Further to this employees with defined benefit pensions are at risk from the employers not being able to fund these pensions due to the increasing costs to maintain.

Defined Benefit Pension deficits

The fall in prices for equities and annuities has meant that defined benefit schemes will be unable to meet the funding requirements when employees retire. In recent years there has been a move from employers to enrol new employees into a defined contribution scheme while the defined benefit scheme is being wound up. A review of defined benefit schemes from the Pensions Authority (2016) highlighted that 164 of the 684 schemes in operation were not meeting the funding standard. The high exposure to equities as opposed to bonds has meant that companies will not be liable to make substantial top ups to employees pensions. This has not been helped by increasing life expectancy and lower investment returns. The OECD (2017) review highlights that the funding situation of defined

benefit plans has worsened since the financial crisis as 80% of defined benefit schemes are in deficit. In comparison, in 2007, nearly 73% of DB plans satisfied the funding standard at the most recent actuarial funding certificate. Further to this, changes in accounting practices meant that they were required to declare pension fund performance in their balance sheets, therefore allowing trustees and pension schemes members to easily identify the liabilities and assets of the scheme (Casey, 2012). Companies offering a defined benefit scheme detracts from their core business while they take bets on financial markets (The economist, 2008). This in turn can lead to a credit risk which has been experienced by employers in Ireland that have large deficits in their defined benefit pension schemes. By converting to a defined contribution scheme allows the employer to concentrate on their core business while moving the risk element to the employee.

The employer operating a defined benefit scheme will underwrite on the understanding they will provide a set level of benefits upon retirement to the employee (McCarthy, 2006). The benefits which are largely viewed as guaranteed (Assa, 2011) in the public sector as they are underwritten by the Government, however in the private sector employers operating defined benefit schemes after under pressure to meet deficits in their pension funding that leave employees vulnerable should the employer be unable to meet their commitments.

Auto-enrolment Systems Opt In/ Opt Out

Prabhakar (2017) notes from their research there is very little data available about the public attitudes to auto enrolment and pensions. Research has been completed in the area of employees deciding to opt or not opt out of their pension scheme and having the choice to re-enrol by the (DWP) Department of Workplace Pensions in the UK.

Madrian and Shea (2001) and Prabhakar (2017) highlight how auto enrolment can increase participation across company pension schemes as they suggest procrastination as a major factor in people delaying whether to join the company pension scheme. Further to this they advocate through the “power of suggestion” by auto enrolling employees into the company and assisting them in saving for retirement.

Financial Knowledge/Literacy

The lack of knowledge and complexity of pensions products make it difficult for people to make a decision about their retirement savings (Ring, 2012). Compulsory enrolment for employees removes procrastination and inertia, Antolin *et. al* (2012) which acknowledged through behavioural economics research surrounding individuals putting in place retirement savings.

Auto enrolled scheme

Behavioural economist and Nobel Prize winner Richard Thaler created the idea of the nudge where subtle policy shifts can be in everyone's best interest. Under the Save More Tomorrow programme in the United States, Thaler and Bernatzi (2004) highlighted that employees of a company who operated a defined contribution plan, the onus was on the employee to sign up to the pension plan. Through inertia Madrian and Shea (2001) highlighted staff members who were slow to put in place a savings plan for their retirement, however once auto enrolled in the scheme the employees who had the choice to opt out but few rarely did. The Pensions Authority (2016) notes low levels of understanding of pensions by current and potential savers. This contributes to a lack of confidence in the system and it is likely that this plays a part in low levels of pension coverage and adequacy.

There is an opportunity now for the Irish Government to simplify pensions and discuss with people about taking control for their retirement income. Following on from the publication of The Green Paper 2007 the Irish Small and Medium Enterprises (ISME, 2008) discussed bringing in legislation to force retirement savings on the employee and taking the responsibility away from the employer and approaching auto enrolment with easily understood benefits which was done very successfully for the special saving incentive account (SSIA).

Australia introduced major change to its pension system in order to increase the number of workers taking out a supplementary pension (Turner and Muir, 2011). They established a compulsory auto enrolment scheme for both employers and employees to increase coverage. While Australia have gone down the mandatory route, countries such as New Zealand the UK have chosen voluntary opt out and automatic re-enrolment for its citizens.

New Zealand introduced an auto-enrolment scheme for its citizens in 2007 called Kiwisaver which would supplement their retirement benefit from the Government called New Zealand Superannuation. A key advantage of Kiwisaver (Law et al. 2016) is that each member has one Kiwisaver account that is linked to their revenue number. New Zealand's Inland Revenue Department is responsible for the collect of employer and employee contributions. (Law et al. 2016) describes how employees are opt out of the scheme which if they feel its beneficial that someone needs to take a payment holiday while they may have other financial commitments at the time.

Under a 2016 review from the Pension's Authority Reform simplification of supplementary funded private pensions was examined for the process of auto enrolment. O'Connell (2009) identified two differences between the New Zealand and UK auto enrolment which would be relevant to policy makers in the establishment of such a scheme in Ireland. The Kiwisaver scheme operates as a whole

market solution where an individual has one retirement account that they will bring with them as they change employment as opposed to having numerous schemes as they may make it difficult to administer for the employee who has to contact numerous employers for an update on the value of the holding in the scheme. In addition the New Zealand model also incorporates saving for the purchase of a home as the scheme allows for individual to make a withdrawal on the basis of home purchase. Such an incentive would likely be a positive impact for the Irish economy as young professionals will be saving for their first home while remaining enrolled in the pension scheme.

Automatic enrolment schemes are characterised by the OECD (2014) under by the coverage rate, the contribution rate, the financial incentives offered to join, the possibility to opt out and to re-enrol and to take contribution holidays. At present coverage of pensions in the private sector is less than 50% and in order for the Government to increase this rate they would need to decide on how to meet the objective of pension coverage and ensuring sufficiently high contribution rates.

Coverage

The Government has acknowledged that the number of people who are relying on the state pension alone has cause for concern. This has been identified by a number of published reports such as the 2007 Pensions Green paper followed by the National Pensions Framework 2010. The Quarterly National Household Survey from the CSO (2015) showed that coverage for a supplementary pension was 47% in 2015. While the coverage of pensions in the private sector is well documented notes Delaney (2017) as the Government must also discover the extent to which people are making other provisions for their retirement. This may be through property investment or an overseas pension policy. In New Zealand, the Government identified an issue with pension coverage for its citizens and introduced KiwiSaver in 2007. Initially forecast to have 346,000 members at the end of its first year the number of people joining Kiwisaver doubled showing the success of the rollout.(Colland and Moore, 2010).

The Government have a number of options to increase coverage in the private sector which could include further tax incentives, financial education programmes and compulsory schemes. Australia and the Netherlands have introduced mandatory and quasi – mandatory schemes to increase participation (Antolin et al , 2012). Options to overcome obstacles to achieve high and uniformly distributed levels of coverage include compulsory and automatic enrolment, providing financial incentives, developing financial education programmes.

Furthermore the aim to increase coverage will also need to include take into account the rise of the gig economy in recent years as employees are moving away from traditional careers with the evolution

of technology creating new roles while others are become obsolete. Beioley and Cumbo (2017) provide a contrasting view on auto enrolment for those working part time or with multiple jobs put them at a disadvantage as they are below the minimum earning levels to be captured in the auto enrolment scheme under NEST. They further note how self-employed people are also left to arrange their own pension arrangement as the auto-enrolment was not extended to this sector. In addition workers with several jobs and lower earners on salaries below £10,000 are also being left out of the pension reforms as they would still need to earn over that threshold in one workplace to qualify for auto-enrolment, leaving those working part-time or with multiple jobs at a disadvantage.

Choice and Default funds

Following on from the financial crisis D'addio and Whitehouse (2010) highlight how countries were in a weak fiscal position which impact on reforming private pensions and increasing coverage. Ireland for example had €20 billion in the National Pension Reserve which was used to rescue the financial sector. Private pensions were negatively affected due to their exposure in equity positions. As highlighted by the World Economic Forum white paper (2017) the rapidly increasing population will have an impact on healthcare and government policy in the long term.

Gallagher and Ryan (2017) note from their research surrounding the contribution level of participant's in a scheme that the National Pensions Framework had suggested an 8 per cent contribution rate for an auto enrolment scheme, this however differs great from the 15 percent as set out by the OECD (2014) to ensure the accumulated funds meets participant's needs in retirement.

Failing Equity Prices

The financial crisis highlighted the importance of investment risk for pensions (OECD, 2017) where pension returns are linked to equity markets. The value in scheme values for pension members would need to be addressed the set-up of an auto enrolled scheme for Ireland. D'Addio and Whitehouse (2010) observed from their research that pension values for OECD countries fell by 24% following the 2008 crash and fell by 38% for Ireland. The issue for private sector employees is that those who are close to retirement or lost their job will have seen their pension values fall with insufficient time to recover the lost values and would be unable to build up their retirement funds. The composition of the pension portfolios in the case of Ireland was mainly comprised of equities. As was the case in 2008 a large number of pension portfolios' held positions in banks shares which saw their value drop. In 2007 the equity composition of Irish pension portfolio's reached 66.3% and reduced to 52.7% by 2011 (OECD, 2014).

Members of a pension fund would normally adopt a life-styling or target date approach as highlighted by Gallagher and Ryan (2017) where funds are switched out of higher risk equities and into lower risk items such as government bonds and cash funds based on the members retirement date. The approach behind this strategy is to preserve capital as an employee gets closer to retirement. Arnott (2013) is critical of this approach from his research and suggests a reverse strategy to increase equities in an employee's portfolio over time arguing that this method will deliver a greater retirement fund. The argument surrounding this method is that investing conservatively at a later stage when a participants wealth has accumulated is counterproductive and not availing of the opportunity for significant growth as the member would have significant units built in their retirement fund to capitalise on higher returns from equities (Basu and M. Drew ,2009). Further to this Shiller (2005) comments how this would affect the overall return of a retirement fund where the participant is contributing minimum amounts each month:

"The lifecycle portfolio would be heavily in the stock market (in the early years) only for a relatively small amount of money, and would pull most of the portfolio out of the stock market in the very years when earnings are highest."

Advocates of the dominant lifestyle strategy highlight the risk posed by investing in equities when the participant is nearing their retirement. Events such the financial crisis in 2008 eroded the value of pension funds that had a high exposure to equities. The individual would then be left in a situation where they would have insufficient time to recover from investments that had not performed. By deleveraging the portfolio closer to retirement ensures capital is preserved (Basu and M. Drew ,2009). Under the design for auto enrolment the choice and lifestyle strategy available to participants is an important decision to make as this not only affects the growth rate of the retirement fund but also the risk rating the individual is willing to accept.

Literature Review Conclusion

According to the ISME the issue that the Government need to address is how to increase the coverage of supplementary pension across the private sector and to educate workers that they are saving enough for their retirement. Increasing pension's coverage is a priority of the Government in order to prevent the pension's time bomb. The literature from the reports provided to the government show that the Irish pension system is in need of reform.

The complicated nature of pensions is a barrier for people to setting out their retirement plans for the future and creating a national enrolment scheme that is simplified like the SSIA initiative would go a long way to increasing pension coverage.

The discussion topic of auto enrolment is quite large given the reform that would be required to take place before implementation. The Government would also need to decide if public sector workers would be able to join in the new national scheme or if this would be for the self-employed and private sector only. The above represent a selection of the themes, the researcher aims to expand on these areas to include scheme design, regulation and governance, operational matters and investment structure, education and impact on existing schemes.

Chapter 3 - Research Question

The research question for the dissertation proposal will be: Pensions Time Bomb: An examination of the Irish pension system and employees attitude to auto-enrolment and pensions.

The research aims to address the following questions throughout the dissertation while identifying areas for further research.

1. To explore what employers doing to ensure their employees will have adequate provision for their retirement.
2. Examine how the increasing population will have an affect on current pension schemes and how will they be able to cope.
3. To examine how the default level of contributions and how to deal with those who opt out based on the academic literature and from auto enrolled schemes established in other countries.

Chapter 4 - Methodology

Introduction

The dissertation will look to investigate employee's attitudes to an auto enrolled pension scheme, their current knowledge of pensions, their willingness to pay an established funding rate as set up by the scheme and their attitude to risk

Research which investigates employee's attitudes on auto enrolment in Ireland has yet been undertaken in an academic context. This study will further explore the employee's attitudes to scheme design, contribution rates, role of incentives, investment choice and default funds, taxation, administration, management fees and governance.

According to Quinlan (2011) Research can be described as an action undertaken by people which aims at finding out things in a systematic way, thereby increasing their knowledge. They further highlight the importance of a clear methodological framework to any research since it provides the researcher with ideas, instruments and models in order to obtain the knowledge and skills crucial to answer the research question.

In order to obtain the required information to fulfil the research's purpose, this chapter covers several points including the methodology of design, sample selection, data collection methods to answer the research question as well as ethical considerations which underpin the research.

Research Philosophy

The epistemological position which was adopted for this dissertation is an interpretivist philosophy. Quinlan (2011) notes under this philosophy "that all knowledge is a matter of interpretation". The researcher adopted this position for the study as they could appreciate the differences between people. Saunders *et al.*, (2009) highlight the significance of the researcher as a "social actor" as they appreciate the differences between people. Further to this Phenomenology and symbolic interactionism should also be taken into consideration as these ideas identify how we as humans make sense of and interpret the world around us.

Using an interpretivist approach the researcher can attempt to minimise the distance to the subject matter being examined (Collis and Hussey, 2009). Creswell (2007) acknowledges that bias from the research can arise under this approach. It is important for the researcher to remain objective by not steering participants towards a particular response or the researcher's own belief and values.

On the other side of the paradigm the researcher acknowledged the results from a positivist approach would yield unbiased views as they remain independent of the subject matter being researched however this approach was rejected on the basis that an interpretivist approach could extract a greater depth of information from the participants as they interact with the researcher. Again the researcher can empathise with the participant and gain rich data.

Research Approach

Bryman & Bell (2007) describe the inductive approach moving from the specific to the general. An induction approach typically focuses on qualitative data which allows the researcher to attach a degree of flexibility as the research progresses (Saunders et.al, 2009). Beiske (2007) identifies how themes looked for in the data while under a deductive approach the information attained by the researcher is tested against the theory (Kothari, 2004). Additionally Yin (2003) notes the deduction method is used in order for theories to be tested. Hlady-Rispal and Jouison –Laffitte (2014) contrast both methods observing that deduction derives information from universal laws which in contrast to induction that processes information based on observations from a limited number of events.

For this study the researcher has conducted an inductive approach as it was felt that this approach would enable data of a higher quality to be obtained as the researcher is part of the research (Saunders et.al, 2009). Additionally it was also felt by the researcher that a deductive approach which would require samples of sufficient size in order to gain conclusions would not yield a depth in data that inductive approach would gain through the flexibility around the structure.

Saunders et.al, (2009) highlights to researchers that the induction process builds theory and the approach should therefore concentrate on a smaller sample of subjects which whereas the deductive approach is assisted by gathering large numbers. Applying critical analysis to the method of approach (Gill and Johnson 2002) discuss the importance of applying a structured methodology which allows reliability to be maintained throughout the process.

Research Strategy

When adopting a research strategy from a qualitative or quantitative approach the researcher must examine previous studies, the questions driving the study and the contribution's the researcher is hoping to receive (Johnston, 2014).

The researcher conducted a review of the research methods available for this study. Creswell (2016) identifies three traditional methodologies: Qualitative, quantitative and mixed methods. Historically Onwuegbuzie and Leech (2005) observe that both qualitative and quantitative methods have

been pitched against one another. It is the focus of the researcher to identify the method that will best placed to analyse the research. Best and Khan (1989) note how both methods are not mutually exclusive and is possible for a researcher to apply both qualitative and quantitative methodologies to their research approach.

Merriman (1998) defined qualitative research approach to be based on meaning and the experience of the participants and highlights the role of the researcher playing a pivotal role in capturing the perceptions of participants. In contrast, Tuli (2010) discusses quantitative analysis to be undertaken to test a hypothesis under a positivist approach. The positivist researcher according to Sarantakos, (2005) will be detached from the participants by which they will measure and observe. By taking one approach over another the researcher must acknowledge the advantages and disadvantages each method which will assist in their decision when attempting to answer the research question.

Crawford, Couper and Lamias (2001) found from their research of on online questionnaires that there were higher levels of partial responses from participants. Further to this this Elias (2015) highlighted 'Gathering quality data is dependent upon the quality of the questions that you have constructed'. The research objective of examining employee attitudes to pensions and auto enrolment requires the intuitive approach of qualitative methods, gathering and examining data in a manner that reveals detailed aspects about the topic (Kirchoff, Omar and Fugate, 2016).

In order to gain a better understanding of the research area the method of study will be exploratory in nature. Saunders *et al.*, (2009) identifies three ways in which exploratory research can be conducted through a search of the literature, interviewing and focus groups. Qualitative data refers to non-numerical data through words, videos.

Cooper and Schindler (2008) note where research is conducting an exploratory study will likely involve standardised interviews. Semi- structured interviews offer the researcher the opportunity to "probe" answers, Saunders *et al.*, (2009) and have participant's build on responses that were given as part of the interview. Given participant's level of knowledge surrounding the research area it was felt that quantitative methods such as online questionnaire would not yield accurate results due to participant's not being able to understand what is being asked. Additionally a questionnaire lacks the ability to ask follow on questions in a particular area in which the participant provided a response.

Flick (2014, p. 542) defines qualitative research as:

"analysing subjective meaning or the social production of issues, events, or practices by collecting non-standardised data and analysing texts and images rather than number and statistics."

Under this method the study is able to gauge participant's emotions and feelings, Denzin (1989) around the topic as the researcher is able to adapt and bring a flexible approach. Additionally (Cohen, Manion, & Morrison, 2011) discuss the detailed analysis that can be obtained through a face to face interview situation which facilitates further follow on questions to be asked to gain a greater depth of information from the participant that would be otherwise lost through a quantitative approach. Finally the behaviour of participants can be observed that offer non verbal cues that provide the interviewer vital feedback as to the approach of the interview session and how likely the participant is willing to engage in the process. North *et al.* 1983, cited in Healy (1991) discuss the significance of the researcher establishing personal contact with the participants which allows interviewees to reflect on responses adding to the richness of data received. Additionally it was found that participants preferred to be interviewed than completing a questionnaire.

Sampling

When conducting research an important aspect of sampling draws on the concept of representation to which the sample selected are representative of the population (Quinlan, 2011). Participants for this study were employed through non-probability convenience sampling. In this method of sampling each participant was selected to get responses based on a varied employment background of Irish society. Participants in the study were drawn from the private sector where the literature focuses on the lack of pension coverage. The participants were gathered through the researchers LinkedIn contacts.

To critique convenience sampling a disadvantage to this method can lead to bias from the researcher where judgements and generalisations have been based on matching criteria (Robinson, 2014).

Participants

The participants were selected at random from the private sector with an emphasis of getting a variety of backgrounds in the aim of getting a better representative sample. Participants invited to partake in the research and were provided with a consent form and information about the master's dissertation study on auto enrolment. 20 participants were invited to take part in the research with a total of 9 participants were interviewed in July 2018.

It was important to get a gender balance for the research with 5 male and 4 females interviewed. The age profile of the participants ranged from 20-60 years with the majority in the 30-40 age category.

Interview Number	Participant Letter	Sector	Male/Female	Age Profile
1	A	Retail	F	30-40
2	B	Self Employed	F	40-50
3	C	Financial	M	40-50
4	D	IT	M	20-30
5	E	Tourism	F	30-40
6	F	Sales and Marketing	M	30-40
7	G	Financial Services	F	30-40
8	H	Semi-state/Private	M	50-60
9	I	Communications	M	20-30

Conducting interviews

Interviews are one of the ways of gathering qualitative information as the researcher is enabled to engage with participants to develop a greater understanding and expertise (Punch, 2005). The interpretivist paradigm applies less rigor and focus on inquiry over proof. (Ragsdell, 2009)

Robson (2002) advises researchers to dress in a similar style to those being interviewed which makes the interviewee feel at ease with the process and will enable to build confidence and rapport with the interviewer. Focus groups provide the opportunity for participants to engage with each other and the data obtained can be information rich, Kruger and Casey (2005) and free flowing, Zikmund (2000) however this setting can prove difficult if participants are unwilling to share information of a personal nature in a group setting. Additionally Stokes and Bergin (2006) highlight the challenges associated with a focus group setting where a dominant character evolves shutting down opinions or participants openly agreeing with the group but privately disagreeing as to not stand out.

A total of nine interviews were conducted for this research. Prior to the recording taking place each participant was reminded of that they would be granted anonymity as part of the ethical consent the researcher had agreed with the National College of Ireland. The researcher was concerned about protecting confidentiality in writing this dissertation. Interviews were conducted at a location of the participant's choosing. This worked better where the location was the interviewee's office, or home. The interviewee's home did not work as well as an office meeting room due to unexpected interruptions. One interview was conducted in a interviewee's home and transcription was hampered by the volume of the music being played by a neighbour. With the benefit of hindsight, I should have anticipated the problems associated with unknown locations to the interviewer, rather suggesting an office location for optimal focus for both the participant and the interviewer. All participants gave permission for their interview to be recorded.

The researcher recorded the interview using their iPhone and was tested before each recording that took place. The files were downloaded to my encrypted laptop, and then deleted from the recorder and transcribed summaries for each interview. This was time consuming and somewhat physically demanding, however it gave the researcher the opportunity to re-listen to the interview and identify themes emerging. It also allowed remarks made and information given by participants in earlier interviews that might otherwise have been overlooked. Using a qualitative approach the researcher acknowledges that the study will be conducted in an uncontrolled environment. (Jervis and Drake, 2014)

From a qualitative view, the interviews sought to explore and understand views around attitudes to auto enrolment and retirement, rather than to quantify these. This focus is reflected in the decisions around the sample size, the and the method of questioning used, all of which are designed to explore views and experiences in depth and within an individual context, rather than to generate data that can be analysed numerically.

Conducting interviews offers the researcher with rich data which explores the experiences of participants and how they describe those experiences (Rubin & Rubin, 2012). The opportunity available to the researcher is to delve deeper into themes that have emerged from the research (Castillo-Montoya, 2016). The development of interview questions has been addressed by a number of academics. In order to preserve the goals of the research the interview should begin with introductory questions followed by transition and key questions and finally closing questions. (Creswell, 2007; Krueger & Casey, 2009; Merriam, 2009; Rubin & Rubin, 2012).

The researcher opened the interviews with questions surrounding the theme of literacy and financial knowledge. Research from Madrian, and Shea (2001) identified the lack of financial knowledge surrounding pensions and financial products in general. The Irish Association of Pension Funds (IAPF) conducted a study in 2014 surround people's attitudes to pensions and began with introductory questions about their financial knowledge.

Transition questions were introduced by discussing the state Pension and the participant awareness surrounding the level of state support that would be available to them should they retire without a supplementary pension. Further to this participants were asked about the feelings toward the increase in the retirement age for receipt of the state Pension.

These series of questions lead the researcher to build apathy with the participant to then ask the key research question of their attitudes to auto enrolment with the introduction of the Government scheme in 2022. There were further questions which related back to the literature of the topic of their

attitude to risk and attitude to increasing contributions within the scheme. A breakdown of the theme sheet for the interview is included in appendix 1.

Qualitative Data Analysis

Thematic Analysis has been selected for this study. (Guest et al., 2013) outlines this approach as a common method applied under qualitative analysis. Braun and Clarke (2006) define thematic analysis as “A method for identifying, analysing and reporting patterns within data”. The researcher reviewed the literature and documented the common themes emerging. The approach provides flexibility to the research process allowing for detailed analysis of the data obtained. Nowell, Norris, White and Moules (2017) critique this method due to the lack of focus and rigour can have implications on the creditability of the research, however Braun and Clarke (2006) introduced a six step framework which allows the researcher a creditable and usable approach to conducting thematic analysis. Validity of a researcher’s analysed data is essential as where results lack credibility (LeCompte, 2000) then the research being portrayed will not make sense.

Ethical Considerations

Johnson (2014) points out the need to identify and reduce ethical concerns when conducting research. The researcher completed an ethical review prior to interviews with participants to ensure all ethical concerns were mitigated. The researcher advised all participants involved in the study that the interviews being conducted were part of a part-time master’s dissertation. Further to this each participant was sent an ethics and consent form prior to the interview to inform the interviewee of the nature of the interview and explaining that no personal information would be sought or used in the completion of the dissertation.

The research was subject to ethical approval from the National College of Ireland during the dissertation proposal process to ensure that a high ethical standard of research was maintained, in keeping with the central and critical responsibility of the college in this regard. Prior to interviews, all participants were informed they could opt out of the interview process at any stage, and any information collected would be destroyed which aligns with the approach by Tyldum (2012).

All interview research data was recorded, and once transcribed the recording was deleted, and the transcript kept on a password protected and encrypted laptop. The ethical approval process required preparation of guidelines that were issued in advance to each participant. These addressed the

purpose of the research, what was required, confidentiality, data storage, and indicated that results will be published as a master dissertation. A consent form was also required for ethical approval of the research by the college as evidence of informed consent. The guidelines and consent form are attached in the appendix 2.

Research Limitations

The research was conducted as part of a part-time Masters dissertation therefore the timescale was limited to capture a larger quantity of participants to further validate the study. Studies which have been conducted in the past have been conducted in the U.K and New Zealand and would not necessarily have a direct transfer to Ireland and its culture. The sample size interviewed as part of the study would be further enhanced if a wider section of Irish society was involved in order to give a better representative of the population.

Creswell and Plano Clark (2007) analysed that in conducting research one method will not provide all the answers and highlight that the researcher should be open to using both qualitative and quantitative methods. Using both of these tools would ultimately provide a greater view of the research problem and be able to identify scope for further investigation.

Due to time constraints the researcher was unable to complete a pilot interview to test the questions formulated. Hurst et al. (2015) points out that neglecting to conduct a pilot interview under a qualitative approach runs the risk of collecting invalid and incomplete data, however discussed that completion of a pilot does not guarantee success for the researcher.

Chapter 5 - Findings

Introduction

The aim of this chapter is to present the themes identified from the semi-structured interviews with 9 participants from various sections of the private sector. Direct quotes from the participants are included in the analysis to provide a background to their thoughts on the themes discussed.

The Key Themes identified were:

- Participants were unaware of the contribution amount they would need to save each month to fund the retirement plan
- The gap in financial knowledge is evident among participants who advised they would rely on information from friends and family when choosing a financial product.
- The risk attitude was conservative among participants stating they would choose a default fund than to actively watch over the performance of the financial markets.
- Reform of the state pension with changes to tax relief and the age of retirement were discussed. Tax relief had little bearing on a participant's attitude towards their pensions as knowledge around tax relief on contributions was not well known.
- Participants were aware of the Government's plan to introduce an auto enrolment scheme and were in favour of this however stated they would like control over the rates they would pay and the availability to opt out.

The semi-structured interview approach allowed topics to be questioned in depth as the richness of the data that could be obtained from a qualitative approach would have been lost through an online questionnaire. Before the interviews took place all participants received verbal and written consent around ethics and anonymity of the study.

Awareness of Contribution Amount Required

“I dont know how much I need to put aside each month towards my pension to have the same salary when I retire”. – Participant G

Throughout the course of the interviews conducted the researcher noted a common theme among the participants that they were unaware of the contribution amount they need to set aside each month in order to to maintain their current salary at retirement. Through their research Lusardi and Mitchell (2005) identified that a minority of households would feel confident about their level of savings for retirement.

Duflo and Saez (2003) highlighted that individuals retirement plans can be significantly improved through incentives to assist people to learn more about their own retirement savings and the impact of underfunding will have on their ability to maintain their current lifestyle. Further studies were also conducted on the effects on financial education in the workplace where by Bernheim and Garrett (1996) noted the frequency of pension seminars for staff resulted in higher participation rates in company pension schemes. Additionally their research noted scheme members paid a higher level of contributions as the employees became more aware of the requirements to adequately provide for their retirement.

Participant G highlighted that they were unaware of how much they needed to save each month and expected that the employer amount deducted would leave them with similar benefits when they come to retirement. (Choi et al., 2002) also conducted research surrounding financial literacy and noted how employees tended to choose “the path of least resistance” when it came to their pension. Further to this participants interviewed were in line with the research by Choi et. al in that 90 percent would avail of the default investment strategy, avoiding the risk of managing their own portfolio as they would not have the skills required to understand the risks around equity investments.

Waine (2009) highlights under saving for retirement from young people in particular has started to influence pension policy for Governments to ensure that additional funding requirements arent placing a stranglehold on exchequer spending.

The importance of Financial Education

“Financial Education and the importance of saving for retirement should be added to the curriculum in schools and colleges” Participant F

The findings demonstrate that there is a lack of financial knowledge among participants involved in the study. (Bayer et al. 2009) found there is a direct correlation between participant in pension schemes and the level of savings in comparison to the level of financial education and individual has received. Interestingly their research provides evidence whereby employees who were enrolled in financial education training by their employers had a noticeable change in their behaviour and approach to saving. Just two of the participants (C&G) who are come from a financial services background commented that they would a reasonable level of knowledge of pensions as compared to the remaining participants who found pensions very technical and full of jargon.

Thr particiapants noted that they were largely going by knowledge from the peers and family when it came to making a financial decision as they were unaware of the step to take to make an initial approach to learner more about financial products in general.

I think the responsibility of learning about saving for retirement is a collective responsibility between the individual, the employer and the Government. Participant G

All participants acknowledge that the individual has the ultimate responsibility in providing for their own retirement but believed that employers and the Government have a role to play in providing education and assistance to employees. From a UK context the Government in order to promote individual responsibility around saving for retirement and in an effort to reduce welfare cost education was emphasised to employees to promote putting in a place a plan of action for saving (Ebbinghaus et al., 2012). Additionally (Bayer *et.,al* 2009) found that employers providing frequent retirement seminars had a positive impact on employee behaviour toward pension planning.

Financial education in this context for pensions also plays a pivotal role in changing mindsets among younger people who put pension planning to the back of their mind as the perceive this as long way into the future and can be dealt with at a later stage. (Kotecha et al., 2010) emphasises that people struggle to identify how much is required for retirement that procrastination on the topic leads pension accounts being underfunded.

An inability and lack of financial planning tools and resources makes it inherently difficult for employees to accurately predict how much they will have in their pension fund when it comes to retirement. Participants A & B discussed this notion, that is was increasingly difficult to predict how

much they would have at retirement due to the many variables they will have an impact such as mortgage, their health and that of their family and employment situation. Provided their mortgage was paid and were in good health they were no confident of predicting how much would be required to enjoy retirement.

Financial education becomes important in particular for women who are disadvantaged from a gender imbalance when it comes to calculating their state pension. The current system calculates benefits of full time work without interruption so if women took a leave of absence for a number of years to raise children or become a carer will have implications of the amount of state pension they are eligible to receive (Mullally, 2017). The irregular work patterns for women has been described by Hughes (2007) as an “undesirable outcome of Ireland’s work based system of public pension provision”. Further to this he advocates the introduction of a universal pension that is not subject to means testing as approximately 17 percent he notes receive no pension as they haven’t met conditions for the means test. This gender inequality in pension provision, Grady (2015), is not unique to Ireland and is representative among many economies around the world which “undermines the contribution made by women to the economy” (Grady, 2015).

A proposed solution to introduce a universal pension scheme to alleviate poverty has been introduced in New Zealand, Callan, Nolan and Walsh (2007) which has not eliminated poverty among its retired citizens. While the New Zealand experience has worked the cost implications would have a significant impact on budgetary measures for the Government here.

I would like to option to opt out of the scheme, I would imagine I will take some time out of work while my children are in school – Participant A

While covered in the literature, the female participants interviewed as part of the research were largely unaware of this impact will have on their retirement. Sundén (2010) addresses this concern that in order to prevent poverty at retirement amongst women the Government should introduce mandatory pensions which don’t adversely affect women for taking time out of the workplace to rear children.

Risk Attitude

Respondents commented on having a low attitude towards risk when it came to saving towards their retirement fund and would opt for a default investment strategy that according to their age deleveraged the asset mix from equities to bonds/cash as they got older.

“It’s very hard to know what your pension fund is going to be worth when I get to retirement, the value keeps moving up and down. Im in a DC scheme, What happens if we have another financial crisis? I may not have enough years to build up my retirement pot again”. – Participant G

Gallagher and Ryan (2017) notes that funds with a higher mix of equities are susceptible with losses and was the case for Irish pension schemes during the financial crisis who had a high exposure to the stock market and property.

Value of Pension in Benefits Package

90% of the participants confirmed that a higher annual salary or annual leave would be considered higher on their list of benefits received from their employer. This cohort of participants who are all confirmed that the pension benefit received would become higher up the list of priorities as they got older, however as retirement is further away they do not view this as an immediate priority. Research from Bryan et al. (2011) concurs with this as he notes that young people preferred a good standard of living today and did not consider the impacts about preparing for retirement.

These figures are in line with a 2015 study conducted by the Irish Association of Pension Funds in which those surveyed considered their annual salary or annual leave as more important benefits. From the interview process just Participant H considered their Pension benefit to be of most importance as they were due to retire within the next 5 years.

“The pension benefit is important to me as I’d like to increase my retirement savings before I retire in the next 5 years” – Participant H

Changes to the State Pension Age

The current contributory state pension is €243.30 per week or €12,651 annually. Payable from age 66 this is due to rise to age 67 in 2021 and to 68 in 2028. Due to the increase in living standards and better life expectancy the Government has sought to increase the state pension age and introduce an auto-enrolment scheme as part of the programme for Government. The OECD (2017) notes this as a positive step to increase the state pension age as to enhance financial stability within the economy and provide better pension adequacy for employees into retirement.

In 2016 an Actuarial Review was conducted of the Social Insurance Fund. The review looked at pension expenditure over a 55 year period from 2011 to 2066. One of the findings of the review showed that pension expenditure will increase by over 25% by 2066 as the Government provides a state pension for those in retirement (Department of Employment Affairs and Social Protection, 2016).

When they were interviewed participants were not aware what the contributory state pension per week was or the age it was payable from. When asked how they would feel if they had to live on the state pension only participants advised they wouldn't be able to live and maintain an adequate standard of living that they are used to if they didn't have other pension income to supplement this.

"I can appreciate what the Government are trying to do as people are living longer no it can't be sustainable to pay everyone a pension from from 65 if there will be a lot more people retired in the coming years with the increased population. From my own personal point of view I don't think everyone will want to work until they are 70 as they would like to enjoy their retirement while in good health" – Participant F

Employers face the possibility of employees being dissatisfied at the prospect of not being able to retire as they will be unable to afford it. The Government acknowledge that not everyone will want or have the ability to retire at 65 and will look to improve flexibility around the retirement decisions of employees (Department of Employment Affairs and Social Protection, 2016). This will enable workers who wish to continue in employment would not be forced to retire at the national retirement age. To achieve this goal and further support the state pension the Government are proposing to defer the draw down of the state pension for these individuals and in return an actuarial review would be completed when they decide to retire. Participant E notes:

I enjoy my work and think it would be good to have control over when you wish to retire as it's a decision that will be different for each person. For some people they will like the structure the working day provides and the social aspect of talking to colleagues or customers.

Greater flexibility around working and retirement decisions will empower older people. It will allow them to optimise their own arrangements in a way that can improve their financial retirement readiness. It will enable our society to continue to benefit from the skills and experience of our older workers and it will help sustain the viability of the wider pension system. Accordingly the Government is determined to take the following measures to support and encourage fuller working lives.

Contribution Rate

According to the Pensions Roadmap published by the Government in March 2018 the auto enrolment scheme is still in the design phase and the contribution rates are not currently agreed. It has been proposed that starting from a low base rate contributions would increase over a number of years to 6% (Department of Employment Affairs and Social Protection, 2018), for employees enrolled in the scheme with employers matching these contribution amounts. It has been envisaged that the Government would contribute on a 1:3 basis providing a total contribution rate of 14 per cent. The

Government have proposed that any contributions made by the State will replace, rather than augment existing tax reliefs.

Respondents interviewed accepted that they would need to increase their contribution rates to provide a better replacement income in retirement, however were not in favour of introducing a set rise over a number of years. The individuals preferred to have greater control over the contribution rate as they may have other financial commitments that need to take priority. For example participant A noted:

"I intend to take some time out of work to look after the children. It would be hard for my husband to support the family on one income if the contribution rate for his pension scheme was increasing over these years".

Research from Pettigrew et al. (2007) discovered that once employees were provided with information about employers matching their contributions they are more likely to provide support of the initiative. The communication of the scheme design and features of the pension scheme Berry (2011), lead to younger people taking a positive step towards engaging with the process of contributing towards their retirement. In their research of pension portfolio outcomes, Gallagher and Ryan (2017) points out how the OECD recommended contribution rate of 15 percent of salary. As the contributions would be starting from a low base it would take a number of years to reach this point leaving retirement accounts underfunded.

Tax relief

The Government provides tax relief on employee pension contributions at their highest marginal rate. The contribution limits are expressed as a percentage of an employees earnings . 80% of the participants interviewed were unaware that tax relief was available for contributing to their pension with the remaining 20% didnt know what the rate of relief or their maximum contribution amount would be. The Fine Gael/Fianna Fail programme for Government outlines measures to increase pension coverage through an auto enrolled scheme for employees. Through this measure the Government wish to reduce the tax relief allowable on pension contributions. (Department of the Taoiseach, 2016)

Interestingly just two participants who have a background in financial services had knowledge of the relief available based on their age. When questioned how a reduction in the tax relief provided by the Government would affect their contributions in the future, participant C replied:

“If the Government reduced the tax relief on contributions I pay into my pension fund each month, then I would definitely reassess the situation and perhaps divert some funds to debt prioritisation”.

Attitudes towards Auto enrolment

All participants involved in the study confirmed they would have no objection to being automatically enrolled into their company pension plan as this would benefit them in the long run as they realised the more that was contributed to their plan the bigger the retirement fund could grow. Research from the Department of Workplace pensions Clery et al.(2010) in the UK observed the opposite result that majority of respondents were opposed to auto enrolment, preferring to more control and spending power over their incomes.

“I’m just used to it being deducted from my wages that you forget about it until you see the annual pension statement”. Participant C

Grady (2015) highlights how even when auto enrolled into a company plan it may not provide adequate benefits. The design of the scheme by the Government in Ireland will need to ensure the contribution rates provide an adequate replacement rate to their existing salary. Comparisons can be drawn to the UK in which the scheme is being rolled out on a phased basis by employers by depending on the size of the organisation. The majority of the participants into an Irish Government led scheme would consist mainly of workers of SME’s (small, medium enterprises). Research from McCarthy & Moloney (2016) has found that coverage for private sector employees will improve in the larger organisations around the country however their results show AE participation rates will not be improved in small firms.

Chapter 6 – Conclusion

The Irish Government published a Roadmap for Pensions Reform in March 2018 which set out 6 strands of reforms to which will ultimately culminate in introducing an auto enrolment scheme with the intention of increasing participation rates. With pension coverage below 50 percent for private sector employees and the self-employed, the concern is that the majority of the population will run

the risk of old age poverty and relying on the state pension as their only income in retirement (Department of Employment Affairs and Social Protection, 2018).

In developing an auto enrolment system the Government can observe countries such as New Zealand and the UK to compare and contrast options for the design and implementation of the scheme in Ireland. At the forefront of any change in policy is the role education can play in increasing people's knowledge of saving for their retirement. While it will be ultimately the individuals responsibility to ensure they have provisions in place for retirement, the Government has a responsibility for breaking down barriers to making pensions accessible to all citizens. An area identified for further research would be in the communication of pensions which assists people in raising financial awareness and understanding.

Investment firm Mercer conducted analysis of pension systems around the world. To put into context of where the Irish pension system relates to other countries the report suggests that in order for Ireland to improve is ranking against other countries that the Government would need to increase pension coverage self employed and those in the private sector employment, introducing a minimum level of contributions and installing protection for employees against employers becoming insolvent (Coyle, 2017).

Auto enrolment was first discussed under the 2010 National Pension Framework and is gaining momentum under the 2018 Roadmap for Pensions in which the roll out of the scheme is anticipated to begin in 2022. Thaler's nudge effect from behavioural economics has an impact on countries such as New Zealand and the UK who introduced an auto enrolment scheme which saw coverage rates increasing dramatically (Thaler and Benartzi, 2004). Once in operation this will allow the Government to increase pension coverage in the private sector and in particular an emphasis being placed on lower paid workers that would of ordinarily being dependent on the state pension only.

While coverage will increase with the introduction of the scheme, there are however some areas for concern. It is anticipated that small firms will have difficulties in setting up the scheme for employees as many of these firms would not have a human resource function or expertise in pension scheme to go about putting this in place (McCarthy and Moloney, 2016). The think Tank for Social Change (TASC) is critical of the low pension coverage in the private sector commenting that individuals are imprudent and short sighted when it comes to planning for retirement as it is too far into the future to worry about (Barr and Diamond, 2010).

Auto enrolment addresses the main concern of pension coverage among employees in the private sector, however it does not address the level of contributions being saved each month by individuals at present. Research from the Irish Association of Pension Funds (2015) indicates that current levels

of contributions from employees are approximately 5 percent with employers matching this contribution. These rates of contribution will not provide individuals with an adequate fund when it comes to retirement. The OECD (2017) along with Gallagher and Ryan (2017) put forward a total contribution rate of 15 percent which would be required to achieve a target of 65 percent of average career earnings. As the auto enrolment scheme will be defined contribution in nature, it faces challenges from individuals who may feel contributing 15 percent of their salary will be too much and that this would put them under financial strain. While necessary this may prove to be an unpopular decision and could have political implications in getting this approved. From the research conducted the participants spoke of how they would prefer to be in control of how much they set aside each month rather than having a set contribution rate applied.

Home ownership levels in Ireland are much higher than our European counterparts, which is having an affect on young people who delay in starting their pension while they save for a deposit . Further to this the results from the interviews also found that participants are delaying this further now with wedding costs the reason for the additional delay. To tackle this issue the Government could follow New Zealand Kiwi Saver in which participants were given a \$1,000 kickstarter payment as an incentive to get their pension up and running and members of the scheme are able to make a withdrawal from the scheme if this relates to the purchase of your first home(Matthews, 2012). This initiative allows individuals to save for their first property while also contributing toward their retirement.

While promoting coverage and contribution rates the design of the scheme for Ireland will also need to address managements costs and investment risk (Antollin *et al*,2012). The financial crisis of 2008 has highlighted the need for greater oversight from regulators. Participants involved in the study spoke of their concern about the risk involved when saving for their pension and would opt for a lower risk strategy in order to preserve capital.

The Government have mapped out the future of pensions in Ireland in response to the changing demographics. Current trends such as people living longer and falling fertility rates have been known for some time that is contributing to what has become known as the pension's time bomb where the numbers in retirement will be greater than those in employment. Barr (2009) describes this crisis as something that has known long term causes and known solutions. This problem is not unique to Ireland and the funding crisis will affect all the major economies around the world. Ireland operates a flat rate state pension system which offers a replacement rate of approximately 34% of the average industrial wage which is low in comparison to other OECD countries (Whiteford *et.al* 2006). There are contrasting views from academics, some of which believe there should be a universal state pension that would adequately provide for retirement for each individual. The opposing argument is that this

would be too costly and exercise to run and any amendments to the current State pension are likely to be politically sensitive.

Barr (2009) notes that pensions systems today are evolving due to a political failure to address the long term pressures with pension planning. While there is no ideal pension system he notes what determines what is optimal relates to eliminating poverty for its citizens.

Participants were all in favour of having the option to opt out of the scheme should they have other financial commitments at the time, are on maternity leave or wish to travel for a few months by taking a career break. In a UK context, Wicks and Horack (2009) suggest that implementations in the NEST scheme such as financial incentives, tax relief and employer/Government contributions should assist in deferring people from opting out of an auto enrolled scheme. In the design of the auto enrolment scheme in Ireland the Government has many important decisions to make to ensure an adequate retirement fund is available to all citizens.

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Appendices

Appendix 1

Theme sheet

INTRODUCTION

- Background to research
- Background to Pensions and saving for retirement

- Ethics and anonymity

Financial Knowledge/Literacy

- Do you know that the value of pension savings you need to provide you with at least 50% of your current income in retirement?
- How do you choose a financial product?
- Who/what influences you most when making financial decisions?
- How would you describe your attitude to risk/returns?
- How do you rank a pension among workplace benefits?
- When you think of the future what best describes how you feel about your pension provision?
- How would you like to learn more about saving for retirement?
- Who is responsible for educating you about the importance of saving for retirement?

Planning for Retirement

- Thoughts on retirement?
- When would you like to retire?
- When do you think you will retire, in practice?
- Why do you think you'll retire at that point?
- How does this tie in with State Pension age?
- Do you have anything in place, to fund your retirement?

Change to the State Pensions Age

- Has the change to the State Pension Age had any on your plans for retirement?
- How do you feel about the State Pension Age moving to 68 and possibly 70 in the coming years?
- What is your organisations policy on retirement age?
- Is this tied into your pension Scheme normal retirement age?

Auto Enrolment

- What did you understand by this term, 'automatic enrolment'?
- What did you do, after you had heard that you were going to be automatically enrolled after starting employment? Would you like the preference to start at a later date?
- Would you like the option to opt out of the scheme? Option or automatic re-join availability?
- What factors delayed you in starting a pension?

- What is your opinion on the employer and employee contribution rates?
- What factors would make you increase your contribution rates?
- Would the tax relief provided by the Government increase your chances of committing to a pension plan?

Employer

- How has your employer communicated the company pension scheme to you?
- How you decided to opt out of the scheme
- What happened when you opted out
- Some of your thoughts about planning for retirement

Communication

How was the Pension communicated to you by your employer?

- Did the employer handle this themselves or use a third party provider (e.g. Financial advisor)
- What has the process been – what sorts of communications have employees received? Did you communicate this information to all staff, or just those who you knew were eligible for automatic enrolment?
- Did you talk about the benefits of saving into a pension to your employees? For example, did you mention that there would be an employer contribution, or that they would get tax relief?
- Where could employees look further information about pension and saving for retirement if they had follow up questions? Intranet, HR department?

Appendix 2

Study Information Sheet and Consent Form

Thank you very much for agreeing to participate in this study.

The purpose of a dissertation is to identify and explore employees attitudes to pensions, saving for retirement, financial knowledge/literacy and the introduction of an auto enrolment scheme. The study will review the current academic literature and looks to research the experiences and attitudes of this issues.

The title of my dissertation is “Pensions Timebomb: Employees Attitudes to Pensions and Auto Enrolment

The themes I would like to examine are as follows:

- your level of financial knowledge and know of pensions
- attitude to risk
- Your knowledge and awareness of auto-enrolment

- Knowledge surrounding the tax relief provided by the Government for making contributions to your retirement fund.
- Awareness of the increase in the State Pension Age and thoughts about this.

I would appreciate if you would participate in an interview which will be audio recorded and will last for approximately 20-30 minutes. The information that you provide in the interview will be used to collate data for research purposes. Please note no personal financial will be requested and all information will be anonymised for the MBA dissertation.

If you have any questions about the research or dissertation at any stage, please do not hesitate to contact me at X16100824@student.mail@ncirl.ie

Kind Regards

Robert Ryan

Consent Form

- I the undersigned have read and understood the Study Information Sheet
- I have been given the opportunity to ask questions about the study
- I understand that taking part in the study will include being interviewed and audio recorded
- I understand that personal details such as name and organisation address will not be revealed in the dissertation
- I understand that my words may be quoted in the dissertation but my name will not be used
- I understand that I can withdraw from the study at any time

Participant: _____ Date: _____

Researcher: _____ Date: _____

Participant Code for basis of research: _____

Appendix 3

Interview Notes – Participant A

Interview type: Semi Structured – Face to Face

Sector: Private Sector – Retail

The participant works in the retail sector and has been working there for approximately 10 years since leaving third level education. They are with their current employer 4 years. They have yet to join the pension scheme which has been delayed due to the participant getting married recently.

Their preference would be to discuss financial products with family and friends after doing an internet search of the financial institutions and the main banks. Ultimately the felt the influencing decision came from family members with whom they trusted would be giving good advice. The participant ranked salary increases as their most important workplace benefit as they viewed their pension as a long term investment and would become more important in the future.

Changes to State Pension

The participant advised that understand the Government needs to increase the state pension age as people are living longer but they would like to retire at 65 to enjoy retirement while in good health. There are not aware of what the weekly State pension amount is and if that would be able to provide them with an adequate lifestyle for retirement.

Auto Enrolment

The participant had read briefly about the Government initiative to bring in an auto enrolment system. They felt this would be a great idea as it would get the whole country saving together for retirement and should allow money to be spent by the Government elsewhere in the economy such as health. In relation to members opting out the participant believed that members should be given the option to stop contributions for a period of time if the member has other financial commitments that need to be met. Additionally they feel they would not be comfortable with contribution rates rising over a number of years preferring to have a say in when contributions increase and by how much. They commented on the fact that paying a mortgage may not give them the flexibility to make big increases toward their pension under these conditions.

The participant had no knowledge surrounding tax relief on their own contributions.

The participant was asked how comfortable they would be if the auto enrolment scheme contribution rates were to rise over a number of years after joining the scheme. They felt they would prefer to be in control of the amount they had to contribute and not necessarily having to match the employer contribution rate.

Attitude to Risk

The participant has a low attitude to risk and would opt for a lifestyle investment fund where the assets mix is defined by their retirement age.

Communications

The participant believes that communication and education of pensions should start in school/college in order for people to get a financial education to ensure they are aware of the importance of saving for retirement. They felt this was something lacking in the Irish education sector that not enough was being done. When the participant commenced employment the employer conducted an induction day to advise staff of the company pension and leaflets were given out of details of the schemes financial advisor however there is not ongoing communication from the employer.

Interview Notes – Participant B

Interview type: Semi Structured - Face to face interview

Sector: Business Owner

The participant is a business owner and responsible for putting in place their own retirement plan. From the outset the participant acknowledged that their level of financial training or awareness of pensions in general was not good. They were unaware of how much would be required to save for pension to provide to have enough to travel which is something they were keen to do once retired. It was felt that employees in general should be making other provisions such a savings and other investments to supplement their pension.

In terms of choosing a financial product and who ultimately influences their decision. Their preference would be to attend a financial advisor speak to their peers and finally other self-employed business owners with whom they have developed a support network. They also accepted that the financial knowledge amount business owners was quite weak and believed there should be a Government initiative in place to provide further education.

The participant ranked a pension as the top benefit due to the fact they were self-employed they were there was a greater responsibility placed on themselves as they wouldn't be receiving employer contributions or assistance from the state for their private pension. Owning their own business while consuming lots of their time they could manage to be flexible with their time which would be why they ranked flexi time and annual leave lower down the list of benefits.

Attitude to Risk

The participant confirmed they would only be open to low risk funds at present until they could get a better education around the risk and return available for their pension they would prefer to avoid risks when it comes to their savings for retirement.

The participant advised that the changes to the state pension won't make too much difference to them as they enjoy their work and the possibility of working an extra year is not an issue. They feel that the Government are making the right decision to increase the State Pension age as people are now living longer and would be able to work longer as a result. Further to this the participant points that many workers of their age enjoy the social aspect of work and are looking to work for a number of years past the allocated state pension age should they remain in good health. With regards to their own employment the participant's employer makes it compulsory for them to retire at the NRA as per their contract.

Auto Enrolment

The participant was not aware of the Government's plan to introduce an auto enrolment scheme and but was of the opinion that there should be the facility for people to opt out based on their own financial circumstances. They also believed it would be for the greater good if the employer automatically re-enrolled staff back into the scheme after a maximum of one year to ensure they were continuing to provide for retirement.

With regards to increasing employee and employer contributions rate under auto enrolment scheme the participant believed this would be a good idea to allow extra funds to go towards retirement saving.

Tax Relief

The participant was not fully aware of the tax relief available on pension contributions but recognised it was a benefit to be able to contribute as much as you could to avail of this.

Communications

Before setting up their business and while in the private sector the participant did receive information about the company pension, however felt the onus was on the individuals themselves to find out about the pension scheme by contacting their employer. As a self-employed business owner since 2008 they believe there should be a targeted campaign from the Government to make people more aware about saving for retirement. They further explained how someone who does not have a background in finance would find it hard to understand pensions as they appear quite complex and have a lot of jargon.

Interview Notes – Participant C
Interview type: Semi Structured – Face to Face
Sector: Private Sector – Financial services

The participant has a background in financial services and is very familiar with financial products and pensions in general as it is a part of their day to day work.

In making a decision on financial products the decision is usually made by themselves alone with no need to discuss with a financial advisor or friends as they feed from the own qualifications and work experience that they trust the decision being made is the right one for them. They did not however that there was a tendency for financial services employees to get lazy when looking over their own financial details.

The participant ranked salary increases and flexi time as their most important workplace benefit at this stage in their life but noted that pension would become the most important benefit once they get closer to retirement. The participant's employer incentivised retirement planning for employees by matching the contribution input by employees.

Changes to State Pension

The participant advised that while they appreciate the need to increase the state pension age they felt they would like to retire earlier than the set retirement age to enjoy retirement. They believed that the pace of change within financial services and general all of our working lives in the digital age we find ourselves in that rapid pace of change is probably going to force some of us to retire early because our skills are going to be less relevant. And therein will be the challenge. They think to stay at the head or the forefront of your game within the industry sector that you are in doing that at the level as expected by organisations nowadays, and the fast pace of competitive change is unrealistic in your mid to late sixties.

There are not concerned by their own level of contributions or if the state pension payment was to reduce as they aim to have other investments producing income that will supplement their pension at retirement.

Auto Enrolment

Working in financial services the participant had full awareness around auto enrolment and the proposed process. They were of the belief that such an initiative should have been put in place years ago to ensure people were put into the savings habit. The participant was asked how comfortable they would be if the auto enrolment scheme contribution rates were to rise over a number of years after joining the scheme and confirmed they would be supportive of that. In the context of how much money actually has to be saved is small, and it should be feature such that there's adequate awareness by the public in general as to how much actually needs to be saved in order to replace a reasonable amount of income in the future. They would be in favour of giving employees the option to opt out but believes they should be automatically re-enrolled again after a set period of time as inertia can kick in and time passes quicker than we typically imagine.

Attitude to Risk

The participant was comfortable in switching funds in their pension portfolio to avail of growth. They had a keen interest in financial markets and world economic events that they felt they would like it to be their choice when to switch to less riskier asset classes such as Government bonds and cash.

The participant was fully aware of the tax relief provided by the Government for contributing to their pension. They advised if the tax relief was significantly reduced they would opt for prioritising of debt repayment over contributing to their pension.

Communications

The participant's employer provided information sessions for employees with a pack to sign up to the pension scheme. They mentioned how the HR team were very proactive in getting people signed up to the pension scheme which they did after their probation period. They confirmed that the employer runs annual clinics with the company's financial advisor to allow employees re-evaluate their saving for retirement to ensure they still on track for their goals.

Interview Notes – Participant D

Interview type: Semi Structured – Face to Face

Sector: Private Sector – Information Technology

The participant has a background in I.T. and was initially hesitant about participating in the interview as they felt they didn't have a good understanding of financial products or paid much attention to this in news reports.

Their preference would be to discuss financial products with family and friends as they felt the process would be more comfortable as they felt they might be pressured into purchasing a product if they went initially to a financial advisor. Once discussed with family they would then approach a bank as they would feel more comfortable to engage in the process and obtain information. They also discussed doing some research online to further back up the decision making process. In terms of influence the family members it was felt would exert the most influence over the final decision.

Upon commencing employment brochures are provided to new employees about the company pension scheme and the contribution rates provided by the employer. The participant hasn't joined

the scheme at present as they are currently saving to buy a house and looking to get married in the next 1-2 years. They felt that while these were their immediate priorities and would hope to start a pension once they had purchased the house and got married.

The participant ranked salary increases as their most important workplace benefit as they had two immediate financial goals they would benefit of have a greater monthly income at their disposal. They further noted that they would not be aware of the contribution amount required to maintain their current lifestyle into retirement.

Changes to State Pension

The participant advised that while they appreciate the need to increase the state pension age they felt it was not ideal as they would like to be retire younger and hopefully be in a position of good health to enjoy their retirement after their working life. Additionally there were not aware of what the current state pension amount payable per week was but would hope they would have savings in the future to go alongside their workplace pension.

Auto Enrolment

The participant's awareness around auto enrolment was that the employer would opt you into the scheme once employment commenced. They felt they would like the option to opt out should have a big financial investment to make such as buying a house as it would free up more income over a short period of time. The process of re-enrolment into the scheme would something they would prefer to decide themselves rather than having a strict period of when an employee must start contributions again. The participant was asked how comfortable they would be if the auto enrolment scheme contribution rates were to rise over a number of years after joining the scheme. They felt they would prefer to be in control of the amount they had to contribute and not necessarily having to match the employer contribution rate.

Attitude to Risk

The participant felt a professional investment manager should be in control of the pension but would like the option to switch in and out of risky investments. While they stated preservation of capital was important they would be willing to take some risk to get a better return over the long term. The participant had no knowledge surrounding tax relief on their own contributions.

Communications

The participant's employer is experiencing a high level of staff turnover in the past few years and finding it difficult to retain staff. When new employees join the company they are provided with brochures and encouraged to join the scheme however not annual review appears to take place.

Interview Notes – Participant E
Interview type: Semi Structured – Face to Face
Sector: Private Sector - Tourism

The participant is working in the tourism industry the private sector. The interview was conducted in a meeting room at the participant's place of employment. The researcher was conscious of the formal nature for the workplace for the interview and dressed appropriately to ensure the participant would feel at ease.

In discussing how they would go about choosing a financial product they would prefer to speak to family and friends before approaching a bank as they would feel more confident discussing personal financial information with family. The idea of a pension is something the participant would not be on their mind as they are very far away from retiring that they haven't made any plans on this as they

have other priorities at present and would rank other work benefits such as higher salary as more important.

The participant was asked if they would know how much they would need to save each month in order to sustain their current standard of living. They were unable of what percentage of salary would be required and the level of the state pension they would receive upon retirement. At this point the participant confirmed they would like to speak to their employer to find out about joining the work scheme and to assist them in deducting the right amount that will ensure they have sufficient funds in the future.

Changes to State Pension

The increase to the state pension age is not something the participant is thinking about as they won't be retiring for some time. They have delayed joining the workplace pension as currently in the process of completing the sale of their first home and are looking to get married next year. As these were the priorities at the moment and would be something to think about in the next year or two.

The participant advised they the changes to the state pension won't make too much difference to them as they have only joined the workforce approximately 10 years. They were quite understanding and open to the reality of working longer as people in today are living longer also.

Auto Enrolment

The participant's felt auto enrolment should be in place for all employees as the option to not join for younger people saving for their first house and weddings will only delay saving for retirement. They felt it would be the Governments responsibility to put this in place across all employers as it would make sure that when it came to retirement that everyone would have sufficient funds in place to enjoy their retirement.

In relation to having the option to opt out of the scheme the participant felt for the personally they would not like this option as they felt they would delay re-starting contributions again, however, believe other people who want the option to opt out for a year or two would should be able to stop contributions. Speaking about the rising contribution rates for both the employer and employee following the introduction of the scheme the participant thought they would be more comfortable if they could set their own contribution rate and not have to pay a set amount if they felt their outgoings at the time couldn't sustain paying a higher amount.

The participant had no knowledge surrounding tax relief on their own contributions.

Communications

The participant's noted that there was no communication from the employer about the company pension and hadn't received any annual updates through company email. Additionally they had wished the communications would follow along the lines of the SSIA savings initiative which were very straightforward and easy to understand compared to pensions.

Interview Notes – Participant F

Interview type: Semi Structured – Face to Face

Sector: Private Sector – Sales and Marketing

The participant's background is in sales and marketing in the automotive industry. They explained that pension and providing for retirement would not be something they would have much information on.

For choosing a financial product or influencing their decision they advised for this decision they would discuss with it friends and family members. They confirmed they had only recently joined the company pension scheme however have been with their current employer for a number of years now.

In their own situation the factors causing a delay in starting their pension was due to building up savings to buy land for which they are currently going through the planning application process and hope to commence building work soon. They regretted not starting their pension 10 years ago when

they would have been in their mid-twenties which would be a considerable saving fund built up had they started then. In addition they had no awareness of how much they needed to be saving each month in order to generate an adequate pension for retirement however in their opinion they felt this was not enough considering that they joined the scheme in their mid-thirties.

They believed the important of saving for retirement and the responsibility of this primarily lies with the individual, however believed employers and the Government also had a role to play in educating people at an early stage to avoid them delaying the start of the pension. The spoke about the tackling this issue in schools and colleges to provide a greater awareness to students that when they enter employment they will be aware of the need to provide for their retirement.

The participant ranked pension as their most important workplace benefit as they had delayed their pension to build up savings to build a house.

Attitude to Risk

They were familiar with stories in the news of individual's pension value losing a lot of their value due to equity markets crashing around 2008/2009 and not have sufficient time to recover. This make them quite sceptical in contributing large amounts to a pension as identified that when individuals don't know enough about investing and risk it would make you uncertain about committing to this plan. They believed they would consider buying an investment property to supplement their income as at least with brick and mortar if the value of the house drops they would still hold the asset. They had a low attitude to risk and would not be comfortable going into risky funds and would prefer that that their capital would be preserved.

Changes to State Pension

The Participant advised that while they appreciate the need to increase the state pension age were of the opinion that this will prompt people to save more for their own retirement as not everyone will be in good health when it comes to 65 or 70 that they may wish to retire earlier. In order to do that they will need an adequate fund to support their lifestyle should they live longer.

Auto Enrolment

The participant was in favour of auto-enrolment as they hadn't started a pension early themselves and believes that everyone should be made save for retirement from an early age. The participant felt the option to opt would not suit them as they had started their own pension late but felt if people were auto enrolled from a young age they saw no reason why some couldn't opt out for a year to go travelling as they would have the benefit of having started saving for their retirement already and getting tax relief on your earnings at this period of time. In relation to contribution rates the

participant would not be opposed to matching higher employer contribution rates as they would benefit their retirement savings. They felt increases in contribution rates should not happen automatically as it would need to be taken into consideration of how the overall economy is performing.

Communications

The participant's employer does provide information to employees about the pension scheme when staff takes up employment however there is no annual touchpoint in which employees can have their pension reviewed. Participants are given contact details from the local HR advisor in which they must reach out to the life company directly to make amendment to their scheme.

Interview Notes – Participant G

Interview type: Semi Structured – Face to Face

Sector: Private Sector – Financial Services

The participant's background is in financial services and confirmed that as this is purely an administrative role they would still need to discuss financial products with an advisor. When it came to influencing their decision they would discuss with their husband or brother in law who is an accountant.

The participant ranked pension and salary increases as their most important workplace benefit as they had delayed their pension and now seeing the amount required each month they must save to reach their retirement fund target. They acknowledged that it is ultimately the responsibility of the individual to ensure they are saving enough for retirement but feel the Government could be doing better by providing an awareness campaign on pensions. They additionally noted that they were unaware of the correct amount to be saving should they wish to have the equivalent salary at retirement.

Changes to State Pension

The participant was unaware of the amount they would receive per week for the state pension.

They advised that while they appreciate the need to increase the state pension age they felt didn't like that this benefit was now being postponed and would have to work longer until these benefits would be paid.

Auto Enrolment

The participant was in favour of auto-enrolment and felt this was a good initiative being brought in by the Government and they only joined their own company pension scheme after 7 years with their current employer. The reasons for delaying the pension take up was due to laziness on their behalf as they were on a graduate salary and wanted to keep it all and wasn't thinking of their retirement. A number of years on they purchased a house and felt they were on the back foot saving for their retirement. When the money is deducted at source people get used to not having it and believes this would work for auto enrolment.

The participant felt the option to opt out should be included in the design of the auto enrolment scheme if family circumstances changed or if someone wanted to take a break to travel for a year that this would be beneficial. They felt that an employee should be automatically re-enrolled after a set time by their employer to ensure the saving for retirement continues.

The participant was aware of tax relief on contributions and used this to make additional contributions as part of their annual tax return but didn't feel that a reduction in the tax relief would make them contribute any less each month toward their pension.

Communications

The participant's employer doesn't provide regular updates on the company pension scheme and the participant who took 7 years to join the scheme didn't feel like the company were emphasising the benefits of saving for retirement to employees for them to engage with the process. Once the participant contacted the local HR representative they were put in contact with the schemes financial advisor to begin the process of saving for retirement.

Interview Notes – Participant H

Interview type: Semi Structured - Face to face interview

Sector: Semi-State/Private Sector

The participant was previously employed in the Semi-state and in the last number of years has joined a company in the private sector. From the outset the interviewer attempted to gage the participant's level of financial knowledge/literacy by asking how they would go about choosing a financial product and who ultimately influences their decision. Their preference would be to attend a financial advisor to gain a greater understanding of their needs and the associated risk factors of the product.

Ranking their workplace pension against other benefits such as increased remuneration, flexi, time, annual leave and performance bonus the participant rated the pension provided by the employer as the most attractive options for them. The pointed out that as they were due to retire in the a few years the pension benefit had taken on a greater significance for them. While the other benefits are important such as annual leave would have been higher up when the participant was younger but know preparing for retirement the goal of increasing retirements savings is the priority. They believe that it was the responsibility of the employer, the Government and the Individual to educate about

taking out a pension. They feel the employer should actively participate to educate their staff to take up a pension and how to ensure it is adequately funded.

Attitude to Risk

The participant confirmed they would be risk adverse preferring to opt for low risk strategies when it came to their pension to ensure preservation of capital. They felt more confident leaving the day to day running of their pension to a professional investment manager as opposed to them choosing on the asset class make up.

The participant advised they the changes to the state pension won't make too much difference to them as they enjoy their work and the possibility of working an extra year is not an issue. They feel that the Government are making the right decision to increase the State Pension age as people are now living longer and would be able to work longer as a result. Further to this the participant points that many workers of their age enjoy the social aspect of work and are looking to work for a number of years past the allocated state pension age should they remain in good health. With regards to their own employment the participant's employer makes it compulsory for them to retire at the NRA as per their contract.

Auto Enrolment

The participant was aware of the Government's plan to introduce an auto enrolment scheme and believes it is a good idea to ensure all citizens are signed up to a pension. They would like the option of opting out of the scheme given the option that participants can take a career break or travelling etc. When questioned about re-enrolling in the scheme the participant confirmed they would like the employer to automatically re-enrol staff after a set time to ensure the employees are not missing out on providing for their retirement. A reduction in the tax relief provided by the Government for contributing to their pension would not have an effect of the participant as they would be availing of some tax relief while saving for retirement.

Communications

The participant attended a briefing session with his employers upon commencing employment which advised staff to participate in the company pension. Where the communications broke down no follow on meetings were organised for staff to discuss their pension or advise on the investment strategy that would suit them should they wish to pursue a different risk strategy should global financial market go into turmoil.

Interview Notes – Participant I
Interview type: Semi Structured – Skype Call
Sector: Private Sector - Communications

The participant is working a communications role with the private sector. Due to logistical reasons the interview was conducted using Skype. A test was first conducted to ensure the discussion could be heard on the researcher iPhone. Once the test verified a clear recording the interview then took place.

From the outset the interviewer attempted to gage the participant's level of financial knowledge/literacy by asking how they would go about choosing a financial product and who ultimately influences their decision. Their preference would be to discuss financial products with family and friends while conducting an internet search to read reviews and make comparisons of products available.

The participant was asked to rank their workplace pension against other benefits such as increased remuneration, flexi, time, annual leave and performance bonus the participant rated the pension provided by the employer as the most attractive options for them. For this participant a pension benefit would rank low down on a list of benefits provided by the employer as the participant was some way off retiring and couldn't quantify the value as the benefits being accrued would not be

payable for some time. They viewed benefits such as increased remuneration or a bonus as more valuable to them now.

Attitude to Risk

The participant felt a professional investment manager should be in control of the pension as they know very little about investing or financial products and feel it would be very risky to place this responsibility with them.

Changes to State Pension

The participant advised they the changes to the state pension won't make too much difference to them as they have only joined the workforce approximately 10 years. They were understanding and open to the reality of working longer as people in today are living longer also.

Auto Enrolment

The participant's awareness around auto enrolment was that the employer would opt you into the scheme rather than the employee opting out of a pension scheme in the workplace. Further to this their employer has eligibility conditions attached to joining the pension scheme. Each employee must pass their 3 month probation before they can be accepted. Employees have the option to opt out of the scheme but there is nothing currently in place the enables staff to be re-enrolled into the scheme after a certain period of time.

The participant had no knowledge surrounding tax relief on their own contributions.

Communications

The participant's contract highlighted the workplace pension benefit and was met with a member of the Human Resources team once the probationary period had been completed. It was noted that the employer does not communicate the pension to staff on a regular basis so that that staff can have a periodic review completed. A contact number of a financial advisor was could be provided by a member of the HR team.