

Assets, Savings and Consumers  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

24<sup>th</sup> October 2016

Dear HM Treasury

**Re: Proposals for the introduction of the Pensions Advice Allowance**

This is the response from the CIPD, the professional body for HR and people development, to the HM Treasury's consultation on the introduction of a pensions advice allowance.

The CIPD has over 140,000 members working in HR, learning and development, people management and consulting. Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level. As an independent and not-for-profit organisation, the CIPD is committed to championing better work and working lives for the benefit of individuals, businesses, economies and society.

We are pleased to make some general observations and recommendations to HM Treasury about progressing financial well-being. These observations draw on extensive research into financial wellbeing, people management and development issues, thought leadership in the field, as well as practitioner experience.

The CIPD supports the proposal to introduce an allowance for pension advice. We believe that information, advice and guidance are all important aspects of employee financial well-being in particular and employee well-being in general.

While on its own, financial awareness is not going to improve workers' financial lives, the development of employee financial capability should be a part of any successful well-being strategy. Financial well-being is important to employers, government and society because those individuals who suffer from poor financial well-being are more likely to report higher levels of stress, higher levels of absenteeism, difficulties in being able to concentrate at work, lower productivity and poorer mental health. Anything that can help employees make appropriate choices and boost their financial confidence is to be supported.

Our more detailed comments are:

**Question 2** – if an employee has a number of defined contribution (DC) pension pots, does it matter which one they use to access their pension advice allowance? If it does, then perhaps it should relate to the pension pot with their current employer, or the pension fund with the largest amount of money. The important issue is to balance convenience for the employee with keeping

the administrative burden created by this initiative to a minimum for plan sponsors and pension providers.

**Question 3** – The CIPD believes employees should be able to access the allowance every six to seven years. Employees in their late 20s, 40s and 60s are going to face different financial situations and should have regular access to an independent financial adviser to help them explore the possible options they face as well as the potential consequences.

At different stages of their careers, employees will need advice on different issues, ranging from how they can best grow their pension fund to the available options in the run up to retirement. The advice and their decisions will also be influenced by such life events as bereavement, marriage, illness, promotions, redundancy, inheritance, etc.

**Question 4** – we would support early intervention, otherwise there is the danger that the workers make an uninformed decision, which has an impact on their future financial well-being.

**Question 5** – the CIPD would raise awareness of the allowance through communication with its 142,000 members, its weekly e-newsletter (which goes out to over 300,000 HR professionals), its monthly magazine People Management, social media, events, webinars, etc. We would be happy to discuss with HM Treasury how we could help promote the allowance when it's been launched.

However, the challenge is not to just raise awareness, but to encourage employees to access the allowance as well. While employees are comfortable talking to an independent financial adviser about their financial affairs, they don't use them that often, unless they are high earners. We need to be able to use life events to prompt employees to consider whether it makes sense to access the allowance.

I hope our general thoughts and observations are helpful. HM Treasury may find it useful to know that the CIPD is in the later stages of developing a toolkit aimed at improving employee financial well-being, in partnership with the Institute for Employment Studies.

Please get in touch if you would like to discuss any issues we have mentioned further. Emma Vasey in our Public Affairs Team, [e.vasey@cipd.co.uk](mailto:e.vasey@cipd.co.uk) 020 8612 6574, will be happy to make appropriate arrangements.

Yours faithfully,



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