EXPERIENCES OF OCCUPATIONAL PENSION SCHEME WIND-UP

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A report of research carried out by IFF Research Ltd on behalf of the Department of Social Security

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This survey of Experiences of Occupational Pension Scheme Wind-Up was one of a series of studies intended to inform policy and to monitor the implementation of changes introduced in the Pensions Act 1995.

We are grateful to the Occupational Pensions Advisory Service (OPAS), The Association of Corporate Trustees (TACT) and pensions advisers in the GMB and the Amalgamated Engineering and Electrical Union (AEEU), together with officials in the Policy Section of the Department of Social Security (DSS) for their assistance in the design and conduct of this study.

We are also extremely grateful to the scheme trustees and administrators who took part in the study and assisted us in contacting scheme members, as well as to the members who took part.

The study was coordinated by Andrea Garman and Richenda Ward of the Social Research Branch of the DSS Analytical Services Division who played a key role throughout the study.

We would also like to acknowledge the assistance and guidance provided by Moray Sharp of Lane, Clark and Peacock, who acted as consultant to this project.
This qualitative study examined the experiences of occupational pension scheme members whose scheme had been frozen, wound up or was in the process of winding up\(^1\). IFF Research Ltd were commissioned by the Department of Social Security (DSS) in January 1996 to conduct this research. The aims of the research were to:

- Examine scheme members and beneficiaries' experiences of the process of freezing or winding up their occupational pension schemes;

  Find out how much members and beneficiaries know and understand about what has happened to their scheme and to their pension rights;

- Obtain views on the information scheme members and beneficiaries received;

- Find out how scheme members and beneficiaries felt about the way the process was handled and why, and to identify suggestions for improvements which scheme members and beneficiaries might have.

Trustees and administrators of schemes were also interviewed to obtain information about the process of winding up or freezing the scheme and to obtain their view on this process and any suggestions they had for improving the process.

The research was designed to build up a detailed picture, largely from members' perceptions, of what happened when occupational pension schemes were frozen, wound up or winding up prior to the introduction of new legislation which came into effect in April 1997. The new provisions specify the sort of information trustees must provide to scheme members when the scheme is being wound up and when this information should be provided.

---

A frozen scheme means that no new members are admitted and no contributions are paid by, or on behalf of, existing members and no further entitlement accrues. A scheme can stay frozen for as long as the trustees feel it is viable to do so.

A scheme which has been wound up effectively no longer exists. The trustees have used the assets of the scheme to secure members' accumulated rights. The trustees have either transferred the members' rights to another form of pension provision (either an occupational or a personal pension arrangement) or the trustees have purchased an insurance policy, or annuity in the name of the beneficiary.

A scheme which is in the process of winding up effectively has the same status as a frozen scheme except that the trustees have made a decision to wind the scheme up and are taking action to determine and discharge the scheme's liabilities.
In-depth interviews were conducted with up to six members or pensioners in 20 private sector occupational pension schemes which were frozen, wound up or being wound up at the time of the study. The interviews with some scheme members included active or deferred members. 'Active' and 'deferred' refers to the members' status immediately before the scheme was frozen or started to wind up. In-depth interviews were carried out with trustees or administrators from each of the 20 schemes. The fieldwork was conducted between June and October 1996.

Most members had some understanding about what had happened to their scheme and knew that the scheme was no longer operating in the way it had been. They also knew that, as a result of their scheme being frozen or wound up, contributions were no longer being made into the scheme. Many of the members whose schemes had wound up or were in the process of being wound up knew that their scheme had or would cease to exist. However, a few members thought that the scheme would continue to exist until every body in the scheme had retired.

Most members were aware of the reason why the status of their scheme had changed. The reasons most often mentioned included: the company going into administration; the company being taken over; or the employer deriding that the scheme was too expensive to run.

A number of members did not know what had happened to their scheme or did not understand the reasons why their scheme had changed status. These members were from schemes in which the pension rights were being transferred to another scheme, from a salary related to a union pension scheme.

Inactive members tended to be deferred members or active members who had been made redundant at the time of, or just prior to, the change in their scheme. They were also fairly young (typically under 35 years old) and had only been in the scheme for a short period of time;

Members tended to divide between those who had some understanding of what had happened to their pension rights and those who did not.

Those who did understand the impact of the change in status of their rights, hit hard, predicted or were happening to their pensions, it is mild attrition. In terms of how it happened for their entitlement. In terms of how it happened for their rights, they knew:

Devised for them, the employees who have left the employers or schemes and their pension rights are retained in the scheme.
• Whether the funds had been transferred to another type of arrangement, an annuity had been purchased or, in the case of frozen schemes, that the funds could remain in the scheme;

• If the funds had been transferred to another arrangement, where they had been transferred to, for example a personal pension, the parent company scheme or, in the case of deferred members, to a new employer’s scheme;

• Whether they had a choice of what would happen to their funds, for example whether they could transfer it to a personal pension rather than to the parent company scheme;

• If the scheme was wound up or winding up, the value of the benefits secured for them.

The extent to which members were more or less aware of what had happened to their pension rights, tended to be more closely related to the circumstances which led to the change in status (for example, the firm going into liquidation or changing the type of arrangement) and the stage the process was at, than the type or size of scheme involved.

Members who were aware of what had happened to their pension rights were from schemes which were wound up or where the winding up process was nearly complete; in particular they were from salary related schemes where the scheme was being wound up because the company was going into liquidation. In these cases, an independent trustee had been appointed to handle the winding up process.

The majority of members who were better informed were: active members, who were older (typically over 35 years old); or they had been in the scheme for a longer period of time (10 years or more); or they were pensioners.

Members who were not aware of what had happened to their pension rights tended to be from schemes which were frozen, or schemes where the winding up process was not well advanced. These schemes also tended to meet one or more of the following criteria:

• Insured schemes;

• Schemes where members’ entitlements were being transferred to another type of arrangement;

  • which had only been operating for a short period of time (typically only 2-3 years).

The majority of members who were less well informed tended to be: deferred members; or younger people (typically under 35 years old); or members who had not been in their scheme for very long (less than 3 years).
Most members received their information through letters, circulars and statements. A few members were informed in meetings. These tended to be members of small schemes (schemes with fewer than 20 members), where the company was still in business.

The amount and regularity of the information received varied widely. At one end of the spectrum, members were kept regularly informed of how the process was progressing, problems encountered, what was happening to the funds and the value of their entitlement. These members were typically from salary related schemes which were wound up or which were winding up because the company had gone out of business. The schemes were more likely to have an independent trustee involved in the process of winding up the scheme. A number of the schemes were self-administered rather than insured.

At the other end of the spectrum were schemes where members had received little information, typically a letter or a meeting at the time the scheme status was changed and possibly a few annual statements since then. These members tended to be from insured, money purchase schemes, which were frozen or schemes which were winding up, either because of the cost or difficulty of maintaining the scheme or because the company had gone out of business.

Members who thought the information they had received was good, felt it was clear, case to follow and provided sufficient detail about the process and him figures were calibrated. Members who thought the information they received was poor, felt they had not received enough information about what was going on and what information they had received was not easy to understand. They complained that letters were often too long and poorly laid out. They also contained too much jargon and figures and calculations were hard to follow and not explained clearly enough.

Only a minority of members had raised queries with the trustees or administrators. Trustees and administrators indicated that most of the queries were recvd shortly after members recvd ed information. Most of the queries were requests for more information, to clarify the information or about what would happen to their entitlement.

V. U. A. S.
The majority of members who made enquiries were satisfied with the response they received, which they felt helped to clarify the situation. Reasons given by the minority of members who were not satisfied with the way their enquiry was handled included: the length of the delay between making their enquiry and receiving a response; a complete lack of a response to their enquiries; receiving an incomplete reply or not being able to understand the response they had received.

However, most members had not contacted the trustees with queries or requests for further information. There was a variety of reasons for this, including that: they did not know who to contact; they were too busy; they did not feel it was important as they were young or had only been in the scheme for a short period of time; they just hoped things would be all right, feeling that they could do little to affect the process.

A few members had sought help from a variety of outside organisations such as the Occupational Pension Advisory Service (OPAS), the Pension Ombudsman, Citizen’s Advice Bureaux or their unions. In most of the cases, these organisations were unable to provide direct assistance and could only refer members back to the trustees to obtain the information they required.

Members were fairly evenly split between those who felt the process had been handled in a satisfactory manner and those who did not.

The better informed members were kept during the process and the more they understood about what was happening to the scheme and their pension rights, the more satisfied they were with the process. Being kept well informed made them feel more confident about the effectiveness with which the trustees were handling the process. These members, who were more satisfied with the way the process was handled, were more likely to be in medium (between 20 and 99 members) or large (100 or more members) schemes and were in either schemes where an independent trustee had been appointed to wind the scheme up or in schemes where the members were being transferred to the parent company scheme.

Members who were not satisfied with the process complained that they had not received enough information about what was happening, which led to concerns (often unnecessarily) that things might not be well with the scheme. They also criticised the length of time the process took and the quality of any information they had received.

The main suggestions members made for improving the process mostly concerned the frequency and quality of information they received. These included:

**Providing information more regularly;**
Informing members more quickly after the decision has been made to freeze or wind up the scheme;

- Ensuring all communication is concise, well presented with the key points highlighted;

- Avoiding the use of jargon, technical terminology and abbreviations;
  
  - Information should be provided on what has or will be happening to the scheme at key stages and the reasons for this;
  
  - Trustees or administrators should clearly state and explain the options available to members, the benefits and drawbacks of each and where appropriate give a recommendation;

- Figures and calculations should be well displayed and explained effectively;

- Information should be as specific as possible, for example giving a broad indication as early as possible of the financial position of the scheme, highlighting where and in what ways the process or implications will be different for different groups of members.

Other suggestions mentioned by members related to the way schemes were organised and run:

- Schemes should have employee trustees as well as employers;

- There should be laws to prevent employers investing pension scheme funds in the company;

- Making the people involved in the scheme more accountable.

Recognising that “Wind-ups are a very complex and lengthy process” most trustees or administrators felt that overall the process had gone well.

A small number of trustees did experience some serious problems. These were due to:

- The merging of schemes with different pension arrangements;

- The trustees not handling the process as effectively as they could have done;

- The scheme not being run effectively prior to the wind-up.

The main reasons given by trustees that took so long included:

- Lack of knowledge of the scheme - in particular where independent trustees or advisors were appointed to undertake the work;
Poorly maintained scheme records - this reason was given by independent trustees or administrators and advisors who were not directly involved with the scheme prior to the change in status;

- The time taken to reconcile records with the DSS, if the scheme was contracted out;

- Delays arising from legal issues, such as equalisation of pensions;

- Lack of cooperation and information from other parties, for example liquidators and former scheme administrators;

- Difficulties and delays in obtaining information from insurance companies;

- The division of responsibility between the different parties involved, for example the employer, trustee and administrator, were unclear.

Trustees also recognised members' frustrations about not being able to get specific information about their entitlements until late in the process. However, it was usually not possible to give this kind of information during the early stages. Trustees were often wary of providing provisional estimates of entitlement as they felt members would not understand that these were provisional and would get upset if they received a different amount, particularly if the amount was lower than the estimate. The increase in litigation and rulings from the Pensions Ombudsman on this issue had also made the trustees more cautious about any early declarations.

Trustees' and administrators suggested improvements in four main areas:

- Improving the maintenance of pension records;
- Speeding up dealings with DSS;
- Improving dealings with other parties, for example liquidators or receivers, former administrators and insurance companies;
- Getting in touch and communicating with members earlier in the process. In the case of salary related schemes being wound up as the company has become insolvent, this would involve the earlier appointment of an independent trustee.
This qualitative study examined the experiences of occupational pension scheme members whose scheme had been frozen, wound up or was in the process of winding up. IFF Research Ltd were commissioned by the Department of Social Security (DSS) in January 1996 to conduct this research.

Changes to the status of occupational pension schemes can occur for a variety of reasons. An employer may decide to stop providing a pension scheme or to alter the basis on which provision is made. Changes to occupational pension schemes may occur because of a change in the nature of an employer’s business, as a result of a merger or take-over, or because of the employer’s insolvency.

During the process of winding up a pension scheme, trustees are required to provide information to members at certain stages of the process (these requirements are set out in the 1986 Disclosure Regulations). Trustees must notify scheme members within one month of starting to wind up a scheme, irrespective of whether or not the wind-up is due to insolvency. Trustees must also notify scheme members as soon as practicable (and in any event, within three months) after the proceeds of the assets have been distributed in accordance with the winding up rules, of the benefits payable or which will become payable and the circumstances and terms of those benefits.

From 6 April 1997 legislation came into effect which specifies the information which trustees must provide to scheme members throughout

A frozen scheme means that no new members are admitted and no contributions are paid by, or on behalf of, existing members and no further entitlement accrues. A scheme can stay frozen for as long as the trustees feel it is viable to do so, taking into account the assets and liabilities of the scheme. It might stay frozen until there are no longer any members, that is until there are no longer any pensioners or other beneficiaries to pay or until the trustees decide the scheme should wind up.

2 A scheme which has been wound up effectively no longer exists. The trustees have used the assets of the scheme to secure members’ accumulated rights. The trustees have either transferred the members’ rights to another form of pension provision (either an occupational scheme or a personal pension arrangement) or the trustees have purchased an insurance policy or annuity in the name of the beneficiary. Members benefits might have been reduced where a scheme has insufficient assets to secure the accumulated rights of all the members. A scheme which is in the process of winding up effectively has the same status as a frozen scheme except that the trustees have made a decision to wind the scheme up and are taking action to determine and discharge the scheme’s liabilities.

This legislation is the Occupational Pension Scheme (Disclosure of Information) Regulations 1996, which revoked the 1986 Disclosure of Information regulations. Disclosure regulations relating to the requirements which have to be met by the trustees who wish to use the discharge provided by Section 74 of the Pensions Act 1995 are contained in the Occupational Pension Schemes (Winding up) Regulations 1996. However, these disclosure requirements only apply to schemes which are subject to the minimum funding requirement.
the time the scheme is being wound up. Trustees are required to give reasons why it is winding up. Trustees must also, at intervals of not more than 12 months, provide details of action which is being taken to establish scheme liabilities and to realise any assets, plus an indication of when the final details will be known and an indication, where trustees have sufficient information, of the extent, if any, to which the actuarial value of the accrued rights or benefits is likely to be reduced. These requirements are backed by sanctions which can be taken against trustees who do not comply with these requirements. These sanctions will be enforced by the Occupational Pensions Regulatory Authority (OPRA) which was established by the Pensions Act 1995.

The aims of the research were to:

- Examine scheme members and beneficiaries' experiences of the process of freezing or winding up their occupational pension schemes;
- Find out how much members and beneficiaries know and understand about what has happened to their scheme and to their pension rights;
- Obtain views on the information scheme members and beneficiaries received;
- Find out how scheme members and beneficiaries felt about the way the process was handled and why, and to identify suggestions for improvements which scheme members and beneficiaries might have.

Trustees and administrators were also interviewed as part of the research to obtain information about the process of winding up or freezing the scheme. They were also asked for their views on this process and for any suggestions for improvements they might have.

The research was designed to build up a detailed picture of what happened when occupational pension schemes were frozen, wound up or winding up, prior to the introduction of the new legislation which came into effect in April 1997.

The study covered 20 private sector occupational pension schemes which were frozen, wound up or in the process of being wound up at the time of the study.

In-depth interviews were conducted with the trustee or administrator and up to six members and pensioners from each scheme. The interviews with scheme members included active and deferred members. `Active’ and `deferred’ refer to the members’ status immediately before the scheme was frozen or started to wind up.

The main sample for the study was provided by the DSS from the Contracted Out Employment Group (COEG) data and Pension Scheme Registry (PSR) data.
Discussions were also held with a small number of organisations involved in pensions. They included the Occupational Pensions Advisory Service (OPAS), The Association of Corporate Trustees (TACT) and pensions advisers in two unions. These discussions were conducted at the beginning of the project and assisted us in the design of the topic guides.

The sample of wound up schemes included only those where the winding up process had been completed in the last two years (since 1994). Schemes in the process of winding up were only selected for interview if the process had started since April 1995, but was not yet complete at the time the sample was drawn in February 1996.

The characteristics of the 20 schemes surveyed were as follows:

**Type of scheme**

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen</td>
<td>7</td>
</tr>
<tr>
<td>In process of winding up</td>
<td>5</td>
</tr>
<tr>
<td>Wound up</td>
<td>5</td>
</tr>
<tr>
<td>Salary related</td>
<td>13</td>
</tr>
<tr>
<td>Money purchase scheme</td>
<td>7</td>
</tr>
<tr>
<td>Contracted out of SERPS</td>
<td>15</td>
</tr>
<tr>
<td>Not contracted out of SERPS</td>
<td>5</td>
</tr>
</tbody>
</table>

**Size of Scheme**

<table>
<thead>
<tr>
<th>Size</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (5-19 members)</td>
<td>4</td>
</tr>
<tr>
<td>Medium (20-99 members)</td>
<td>9</td>
</tr>
<tr>
<td>Large (100 and above members)</td>
<td>7</td>
</tr>
</tbody>
</table>

The research is based on qualitative interviewing methods. In-depth interviews were carried out to find out about members’ experiences of the process of freezing or winding up their scheme. Interviews were carried out with different types of scheme members so that we could examine how their experiences of their scheme being frozen or wound up, and their level of knowledge and understanding of the process varied. The interviews conducted with trustees and administrators obtained details about what actually occurred to the scheme and details about the information they provided to members. This enabled us to understand more fully what the members knew and to assess how much they understood about the process.

Copies of the topic guides used can be found at the back of this report (Appendix C).

The number of interviews conducted with each scheme varied depending on the size and structure. In total we spoke to the following people:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>The classification of scheme size was based on total membership and included all active members, deferred members and pensioners at the time the scheme was frozen or wound up.</td>
<td></td>
</tr>
</tbody>
</table>
trustees (including five independent trustees) 11
administrators 6
advisors 3
active members\(^6\) 59
defered members\(^6\) 30
pensioners 5

The recruitment of trustees or administrators and members to be interviewed was a fairly long and difficult process. Initially we contacted the scheme administrator to check the details of the scheme and ensure it met the sample criteria and quotas. Having explained the purpose of the survey, we asked them for the name of one of the scheme trustees who could best respond to our enquiries. In some cases the administrator performed this role. In cases where a salary related scheme was being wound up because the company was insolvent legislation requires that the process of winding the scheme up is undertaken by an independent person who is a trustee of the scheme. Where there is no independent person who is a trustee, an independent trustee is appointed to fulfill this role. In these cases (five in total) we spoke to the independent trustee.

The trustees and administrators were also asked to assist us in contacting a cross section of members to interview.

The main fieldwork took place between June and October 1996. It was preceded by a small scale pilot exercise which fed into the development of the topic guide for the main fieldwork.

Further details of the methodology and sample are given in Appendix A of this report.

Chapter Two examines how much members recalled and understood about what had happened to their pension scheme, including the reasons why it was being frozen or wound up, whether it was in surplus or deficit and what would happen to their funds.

Chapter Three discusses the frequency and nature of information provided to members during the winding up process.

Chapter Four examines the queries and complaints made by members during the winding up process and how these were dealt with.

Chapter Five examines how well both members and trustees and administrators felt the winding up process had been handled overall and suggestions as to how the process might be improved in future.

\(^6\) Active and deferred refers to the members' status immediately before the scheme was frozen or started to wind up.
Appendix A provides further details about the methodology and sample. A detailed description of each of the case studies is given in Appendix B. Appendix C contains copies of the discussion guides used in the interviews with trustees or administrators and members.

The following abbreviations and conventions have been used to describe the respondent and scheme when attributing quotes:

<table>
<thead>
<tr>
<th>Respondent</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustee</td>
<td>trustee</td>
</tr>
<tr>
<td>Independent trustee</td>
<td>ind trustee</td>
</tr>
<tr>
<td>Administrator</td>
<td>admin</td>
</tr>
<tr>
<td>Active member</td>
<td>act mem</td>
</tr>
<tr>
<td>Deferred member</td>
<td>def mem</td>
</tr>
<tr>
<td>Pensioner</td>
<td>pens</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of scheme</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted out salary related</td>
<td>COSR</td>
</tr>
<tr>
<td>Contracted out money purchase</td>
<td>COMP</td>
</tr>
<tr>
<td>Not contracted out salary related</td>
<td>N-COSR</td>
</tr>
<tr>
<td>Not contracted out money purchase</td>
<td>N-COMP</td>
</tr>
</tbody>
</table>
This chapter examines members’ knowledge about how their pension schemes were organised and administered and their understanding about what had happened to their pension scheme. In particular:

- Respondents’ knowledge about the relationship between the scheme and the sponsoring employer and the role of trustees;
- Respondents’ understanding of what happened to their pension scheme;
- What respondents were told about the reasons for the change in status to their scheme;
- Respondents’ understanding of the implications of the change in status of the scheme for their pension rights and their perceptions of what had happened to their pension rights.

Knowledge of the way pension schemes are organised was mixed. Members were fairly evenly divided between those who knew something about the relationship between the scheme and the employer and those who knew little or nothing. Of those respondents who knew little or nothing, a few thought that their employer made contributions to the pension scheme, but knew nothing more.

"I don’t know much - they were supposed to put in some money"

(Act mem 6 yrs large winding up COSR)

"I don’t really know, just a contributory scheme"

(Def mem 6 yrs medium winding up COSR)

Those members interviewed who knew something about the relationship, knew that their scheme was set up by their employer and that employers contributed to the scheme as well. These members also knew that the employer or its directors were trustees of the scheme. However, only a few members mentioned that the scheme was, or should be, independent of the employer (although in one case doubt was expressed about whether the scheme was independent of the employer).

"The employer sets up the pension scheme for the benefit of employees and makes contributions to the scheme"

(Act mem 13 yrs small wound up COSR)

"The company organised and contributed to the scheme, not the Government"

(Act mem small winding up COMP)

"The employers were the trustees originally"

(Act mem 8 yrs medium frozen COMP)
"Scheme funded by employer but scheme assets are independent of employer"

(Act mem 5 yrs large wound up COSR)

"Should be separate [from the company] but don't think they are"

(Def mem 4 yrs large wound up COSR)

Respondents who had been members of the scheme for a longer period of time (6 years or more), were slightly more likely to know about the relationship between the scheme and the employer.

The majority of members had some awareness of the role of the trustees. Most felt that the trustees were there to safeguard the interests of the members. Some members mentioned that the trustees controlled the funds and investment policy. Others thought the main role of the trustees was to keep members informed of developments.

"They look after the scheme on behalf of members and maximise returns"

(Mem 10 yrs medium winding up COSR)

"Trustees check that the money is being invested in a bona fide way, keeping tabs on the companies where the money is being invested"

(Act mem 8 yrs medium frozen COMP)

A few also thought that the trustees were involved in the scheme administration. This may have reflected, at least in part, the fact that some trustees performed both functions, (that is, the scheme administrator was also a trustee).

All respondents were asked about what they understood had happened or was happening to their scheme. To explore their level of understanding further, we asked a number of direct questions:

- Did they know the scheme was frozen, wound up or being wound up and what did they understand these terms to mean?

  Did they know that contributions were no longer being made to the scheme by them or their employer?

- And if the scheme was wound up or winding up, did they know that the scheme had ceased or would cease to exist?

Most members we interviewed had some understanding of what was happening to their scheme. All these respondents were aware that the scheme was no longer operating in the way it had been. Some members said that the scheme would no longer function and a number went on to say that the funds had been or were being transferred into other schemes or arrangements. Others felt the funds would just be left there and they would not be able to obtain access to them until they retired. Not all these respondents were members of frozen schemes.
"The pension scheme was stopped. No more money is going in"
(Pens 24 yrs medium winding up COSR)

"Things have stopped since the company closed"
(Act mem 5 yrs medium winding up COMP)

"The amount in it was frozen for a while, then transferred from one scheme to another"
(Act mem small winding up COMP)

"The money in the first scheme has all been transferred to another one"
(Act mem 1 yr small wound up N-COSR)

"It's just been t ft there. I assume it will still be there when I am 60"
(Def mem 1 yr medium frozen COMP)

"As far as I am aware my monies are just frozen till I reach retirement age"
(Def mem 8 yrs medium winding up N-COSR)

A minority of members interviewed had little or no knowledge of what was happening to their schemes. Most of these respondents had no idea at all what had happened to their schemes, others thought the money was 'frozen'. These members were from schemes where the pension rights were being transferred to another arrangement, for example, from a salary related to a money purchase scheme.

These members tended to be deferred members or active members who had been made redundant at the time of, or just prior to, the change in the status of the scheme. They were also fairly young (typically under 35 years old) and had only been in the scheme for a short period of time.

"Not a clue what is happening to my pension, but thought I'd still get the money when I retired"
(Def mem 2 yrs large winding up COSR)

"I have no idea what happened. I left the company in 1989 and have not heard anything since"
(Def mem 1 yr large frozen COMP)

"I don't know what is going on at all - I hope that what I paid in will be frozen until I retire"
(Act mem 2 yrs medium wound up COMP)

Our discussions with the trustees or administrators of these schemes confirmed that deferred members did not get any information "as their circumstances had not changed". Active members (who could be contacted) had either received one letter telling them about the change or were told verbally.
Many of the respondents used or claimed to have heard of the terms winding up, wound up or frozen. In terms of understanding respondents broadly fell into three groups:

- They knew the term, but not the meaning:
  
  "I am aware it's winding up, not frozen but do not understand the distinction"

  (Act mem 24 yrs medium winding up COSR)

- They knew the term and the meaning:
  
  "It's being wound up - the assets have been distributed and paid into a new scheme"

  (Act mem 5 yrs large wound up COSR)

  "It's winding up - no more money is going into it, as we are changing to another"

  (Act mem 10 yrs small winding up COMP)

  "It's frozen - I cannot pay more money into the scheme, but will receive a pension when I retire"

  (Act mem 12 yrs medium frozen COSR)

- They knew what had happened, but not the term:
  
  "I am not familiar with the term wound up - but understand the scheme no longer exists"

  (Def mem 4 yrs large wound up COSR)

  "I am not sure if it's frozen or wound up - money is in fact frozen now - will be able to transfer to another scheme or personal pension later"

  (Act mem 20 yrs medium winding up N-COSR)

Of those respondents who used or claimed to be aware of the terms frozen, winding up or wound up, members of frozen schemes were slightly more likely to know both the term and the meaning. Otherwise no clear patterns emerged by type of scheme or member.

The majority of members were aware that as a result of the scheme being frozen or wound up, no more contributions were being made into it.

  "No more payments going into it, it's just earning interest on the money they have got"

  (Act mem 23 yrs large wound up COSR)

  "No more contributions are going in - from either the company or members as the company has ceased trading"

  (Act mem 2 yrs medium frozen COMP)

The only scheme where members were not aware that contributions had ceased was a case where the salary related scheme had been switched to a money purchase arrangement. From the members’ point of view they had continued to contribute to a company scheme.
Members whose scheme had been or was in the process of being wound up, were asked whether they were aware that the scheme had ceased or would cease to exist. Many thought it had ceased or would cease to exist either because they had been told this would happen in a letter from the trustees or because they knew the money had been or was being transferred out of the scheme. A few members felt the scheme must have ceased, because the company was no longer trading.

"I am aware it no longer exists, as we had to choose what to do with the monies, either transfer it to a personal pension or another company scheme"

(Act mem 6 yrs large winding up COSR)

"I had a letter from the new company saying the wind-up is happening now and the money is being transferred to the new company's scheme"

(Mem 5 yrs medium winding up COSR)

"I am aware the scheme no longer exists as the company went bust so the scheme can't run any more"

(Def mem 5 yrs medium winding up COMP)

Some members were not aware the scheme had ceased or would cease to exist. A few members explained that they thought the scheme had been frozen and that the funds would stay dormant in the scheme. One or two added that they thought it would only cease to exist when everyone retired. Others just did not know:

"I did not know the scheme no longer existed. I just expected the monies in the scheme to be held somewhere by the insurance company until pension age"

(Act mem 2 yrs medium winding up COSR)

"I think it still exists - an old colleague told me so"

(Def mem 6 yrs medium winding up COSR)

"The fund is frozen. The money is held in the scheme gaining interest until I take my share out when I'm 65. When all the monies have been taken out it will cease to exist"

(Act mem 23 yrs large wound up COSR)

Although our discussions with the trustees of the schemes involved indicated that members had been told what will happen to the funds, the letters do not always explicitly say the scheme will cease to exist once all the funds are transferred out. The member has to make this connection.

Members were asked if they knew the reasons why the scheme had been frozen, wound up or was in the process of being wound up.

Most members were aware of the reason why the status of their scheme had changed. It was usually due to the company going into liquidation or being taken over, or because their employer did not want the expense or administration of the current arrangements.
"Our company was taken over and our new parent then went into liquidation"
(Def mem 4 yrs large wound up COSR)

"We were taken over and our scheme was transferred to our new parent company’s scheme"
(Act mem 4 yrs large wound up COSR)

"Company was bought out and continued for another one and a half years then stopped"n.r.rlir", "
(Act mem 6 yrs medium frozen COMP)

"It was going to cost the company too much money as there were too many pensioners out of the pipeline. So in the longer term they would not have been able to fulfill their obligations"
(Act mem 2 yrs wound up N-COSR)

"It was difficult for the company to keep track of it all, there was too much paperwork"
(Act mem 1 yr small frozen COMP)

In the majority of cases the reasons given are confirmed by our discussions with the trustees or administrators. These discussions often provided further background information about the events which led up to the change in the status of the scheme. For example in the case of the scheme quoted directly above, the administrator elaborated that the scheme had been too complicated for the company to handle, because most of the workforce were receiving overtime and commission. They got into particular difficulties with the national insurance contributions. The scheme was still frozen. Ideally they would have liked to have transferred the monies into personal pensions, but the cost of changing the arrangement was too high.

Only a minority of members did not appear to understand the reasons why the scheme status had changed. They tended to be the same members who knew little or nothing about what was happening to their scheme, who were referred to in section 2.2. They included a number of deferred members who had not been given any information about the change in status of the scheme by the trustees or administrators. They also tended to be members of schemes which were being transferred to another type of arrangement.

Having established how aware respondents were of the change in status of their scheme, we went on to explore their understanding of what actually happened to their pension rights when their scheme was frozen, wound up or winding up.

The line of questioning differed slightly depending on whether they were members of schemes which had been wound up, frozen or were in the process of winding up. The findings are therefore discussed separately for each group.
When a scheme is wound up the pension rights are either transferred into another scheme, (for example into another occupational pension scheme or personal pension), or an annuity is purchased on their behalf by the trustee to protect the value of their entitlements until they draw their pension.

Respondents in wound up schemes were first asked what had happened to their pension rights. They were then asked if they knew the value of the pension rights that had been secured for them, if they knew how this value was calculated and if it was more, less or about the same as they expected.

Most of the members of wound up schemes, be they active or deferred members, knew what had happened to their pension rights. They were able to explain that the funds had either been transferred to a personal pension or the new parent company scheme, or that the funds had been invested on their behalf with an insurance company. In the latter case, the comments made by one or two members interviewed indicated that they did not understand the term annuity, although they could describe what had happened to the funds.

"It's been transferred to a personal pension"

(Act mem 1 yr small wound up N-COSR)

"It's been transferred to the new parent company scheme"

(Act mem 5 yrs large wound up COSR)

"I believe the monies have been invested on my account with an insurance company and they gave me a quote of what I am likely to receive on retirement"

(Act mem 20 yrs large wound up COSR)

"It's with the insurance company and I will get it when I retire. I am not sure if an annuity has been bought on my behalf, but I have got a quote of what I am likely to get on retirement"

(Act mem 23 yrs large wound up COSR)

Pensioners were also aware of what had happened to their rights. Pensioners were continuing to receive their pensions and had mostly been told by the trustee or administrator that the change in status of the scheme would not affect their pension. They therefore assumed their rights were unchanged.

"I was just concerned that my pension would continue to be paid and they said it would and it has"

(Pens large wound up COSR)

There was only one scheme where members were confused as to what had happened to their rights. Some of them said the funds were invested with an insurance company because they had had statements or information from the insurance company. None of them knew whether it had been transferred or an annuity purchased.
"The broker got information from the insurance company saying the money was 'rozen till I was 65'"  
(Act mem 2 yrs medium wound up COMP)

"I get an annual statement from the insurance company, but I do not understand what has happened"  
(Act mem 2 yrs medium wound up COMP)

Our discussions with the trustee of this self-administered, money purchase scheme indicated that the funds had been transferred into personal pensions. The trustee said that "there was a meeting with the staff to explain what had happened and that it would be to their advantage to change to a personal pension scheme".

Apart from the members of the scheme discussed above, most of the members of wound up schemes we interviewed, knew the value of the pension rights that had been secured for them. They all knew whether they had got their full entitlement or not, (in the case of one scheme they had not received their full entitlement as the scheme was in deficit) and most knew the amounts involved.

"Pensioners have received their money in full, but the rest of us will carry the shortfall... I will lose about £8 per week"  
(ACT mem 23 yrs large wound up COSR)

"My accountant worked out that I will get about three quarters of what I was entitled to"  
(ACT mem 20 yrs large wound up COSR)

"Everything was transferred and we got an incentive to do so"  
(ACT mem 9 yrs small wound up N-COSR)

"I was shown the figures in full and told it was the same as it would have been in the pension scheme"  
(ACT mem 13 yrs small wound up COSR)

However, only one member had any idea of how the value of their pension rights was calculated. This member knew the surplus had been divided between the three remaining members of the scheme.

A few members felt they received either more or less than expected. They felt they got more than expected because they received a bonus or the amount they received was more than they had initially been told they could expect. In these cases our interviews with the trustees or administrators confirmed that the members did get extra as a result of surpluses in the scheme. For example, in one scheme where there was a large surplus members had actually received an 8% increase in benefits. This was communicated to members in a letter and information pack when the transfer was arranged.
“From the information I have received, the value seems to have increased from what I first expected”

(Act mem 5 yrs large wound up COSR)

“It’s in surplus and I was informed there was a bonus”

(Act mem 1 yr small wound up N-COSR)

“We have been given an extra year’s pensionable service”

(Act mem 4 yrs large wound up COSR)

One member felt he got less than he should have done, because of the costs involved in making the transfer.

“I got less than I expected because the commissions and costs of these transactions are generally exorbitant”

(Act mem 3 yrs small wound up N-COSR)

When a scheme is winding up, arrangements are made for members’ pension rights to be determined and discharged, either by transferring the pension rights to another pension or for an annuity to be purchased on the members’ behalf by the trustee. Unlike a wound up scheme, these processes have not yet been completed. However, all schemes interviewed on the survey had been in the process of winding up for at least one year, so arrangements had started to be made.

Respondents in schemes which were in the process of winding up were asked what had happened to their pension rights and whether they were given a choice about this. They were then asked if they knew if the change in status would affect the value of their pension rights, whether they knew how this value would be calculated and whether it was likely to be more or less than they expected to get.

Most respondents in schemes which were in the process of winding up knew what had or would happen to their pension rights. They knew that the funds had either been transferred to a personal pension, another company pension scheme or the new parent company scheme, or that the funds had been invested on their behalf with an insurance company. Some also said they had a choice as to what to do with their funds. As with some members of wound up schemes, not all respondents were aware of the term annuity, although they could describe what had happened to the funds.

“What monies I had have been transferred to my current employer’s pension”

(Def mem 5 yrs medium winding up COMP)

“It’s been transferred to a personal pension”

(Acct mem 6 yrs large winding up COSR)

“I got a letter saying the funds would be transferred to the new parent company scheme, but I wanted to transfer it somewhere else I should tell them”

(Mem 10 yrs medium winding up COSR)
"I think an annuity has been purchased as the money will be with the insurance company until I retire. I could choose to transfer it to a personal pension, but I have not transferred it yet."

(Act mem 20 yrs medium winding up COSR)

Pensioners were also aware of what had happened to their rights. Pensioners were continuing to receive their pensions and had mostly been told by the trustee or administrator that the change in status of the scheme would not affect their pension.

"The money I am getting from this scheme was not affected because I was a pensioner before the scheme was wound up. When the trustee wrote and said the scheme was winding up, I wrote and asked if this would affect my pension and they said no I was OK."

(Pens medium winding up N-COSR)

However, there were three schemes which were winding up where almost all the members of the scheme interviewed were not aware of what was happening to their pension rights. The exceptions were pensioners in these schemes who had been told their pension rights were secure. These schemes were all insured, salary related schemes. Two schemes were changing the type of arrangement. One was setting up a money purchase scheme. The other had decided to cease providing a pension scheme. Instead members could take out a personal pension plan. In both these two cases the trustees or administrator confirmed that members had received just one letter informing them of the winding up, but little or nothing since. In the case of the third scheme, the scheme was being wound up because the company was in liquidation. An independent trustee had been appointed and had sent two letters to members explaining that the scheme was winding up and how the process was progressing. These letters had not indicated what would happen to the funds.

There were only a few instances where some members of schemes did not know what was happening to their rights whereas all the others interviewed did. They were generally deferred members, who had been in the scheme for only a short period of time (under two years).

"Not much money involved, so I was not really interested."

(Def mem 1 yr medium winding up COSR)

The majority of members interviewed who knew what had happened to their pension rights felt they were given a choice of what they could do with their pension rights. The choice was usually between either transferring them to the new company arrangement or a personal pension; or choosing between an annuity or a personal pension. In the case of deferred members, the choice was either to transfer their pension rights to a personal pension or to their current employers' scheme.
"We have been advised we can transfer it or they will invest it on our behalf"
(Act mem 20 yrs large wound up COSR)

"I have the choice of a transfer to a personal pension or an annuity"
(Act mem 3 yrs large winding up COSR)

"I have two options, either to transfer (which I'm trying to do) to my present scheme or leave the money with them to invest until I retire"
(Def mem 4 yrs medium winding up COMP)

Those members interviewed who knew what had happened to their pension rights were fairly evenly divided between those who felt they had some understanding of the value of benefits secured for them and those who did not.

Members interviewed who felt they did understand the value of the benefits secured, explained that they had already received a transfer value and in some cases a prediction of what the pension was likely to be worth when they retired. In the case of members of one scheme, where annuities had been purchased for the members, their entitlements under the scheme would be met by the annuity.

"It was all very clear as far as the transfer value, the important thing, was concerned"
(Act mem 6 yrs large winding up COSR)

"I think I'm getting my full entitlement - the letter I received explains that the pension rights of the scheme have been replaced by the benefits summarised on the enclosed certificate, which says the money will stay with the insurance company accruing interest until I retire"
(Act mem 5 yrs medium winding up COMP)

"They have predicted the value of the future pension"
(Def mem 10 yrs small winding up COMP)

All the trustees or administrators of the schemes, where the members interviewed did understand the value of the benefits secured for them, confirmed that members had received letters or statements informing them of the transfer values. However, there was no clear pattern as to the type of members (ie whether active or deferred, age or length of time in the scheme) who were or were not aware of how the change in status had affected their entitlements.

Only a few members felt they got less than they expected. They thought they had got less than they expected for a number of reasons. The reasons included the charges incurred when making a transfer, the way the pension was calculated and that contributions had not been paid into the scheme.
"I transferred my money to a personal pension and they charged me 8% in total to make the transfer"

(Def mem 6 yrs medium winding up COSR)

"It's the 10 year rule. My pension was calculated on the last 10 years earnings. When the firm was taken over, I was moved to a lower salary plus commission and earned less than I was before"

(Def mem (now retired) 37 yrs medium winding up N-COSR)

"My last months contributions were not paid into the scheme. I have been informed by the liquidator that I am unlikely to get the money back as I am only one of many creditors"

(Pens medium winding up N-COSR)

No members felt they got more than they expected.

However, only one of the members of a scheme that was winding up had any idea of how the value of their pension rights was calculated. He had been to a financial advisor who had explained the calculation.

When a scheme is frozen, the rights can either be left in the scheme until all the members have retired or until the trustees decide to wind the scheme up, or transferred elsewhere, for example into another pension scheme provided by an employer or into a personal pension.

Respondents in frozen schemes were asked what had happened to their pension rights - were they keeping them where they were or transferring them elsewhere, and, if they were transferring them, where were they being transferred to?

Members of frozen schemes interviewed were generally less aware of what had happened to their pension rights than members of schemes which were wound up or in the process of winding up.

Respondents were fairly evenly divided between those who knew what had happened to their pension rights and those who did not.

Those members of frozen schemes who were aware of what had happened to their rights were able to explain that either the money was still in the scheme and that it would be held there until they retired or, in the case of members of one scheme, the funds were being held there until a decision was reached about transferring them to the new parent company scheme.

"The scheme is frozen and I am not paying into it any more, it's just sitting there accumulating until I can have it when I retire"

(Def mem 1 yr medium frozen COMP)
"The money paid in is still there and being reinvested by the trustees to provide the best possible pensions for members"

(Act mem 8 yrs medium frozen COMP)

"We have been told the monies will be held in the scheme until a decision is made whether to wind up the scheme and transfer the money to the new parent company scheme"

(Act mem 10 yrs medium frozen COSR)

As with pensioners in wound up and winding up schemes, pensioners in frozen schemes were also aware of what had happened to their rights.

Those members of frozen schemes who were not aware of what had happened to their rights were all members of three money purchase schemes, two of which were insured and one self-administered. Our interviews with the trustees or administrators of these schemes indicated that active members were told that the schemes were frozen. In two cases the schemes were frozen a long time ago (one was frozen nearly 20 years ago and the other seven years ago) and both the schemes had not operated for a long period of time (two years and four years respectively).

In the third case, the trustee of this self-administered scheme explained that all active members were invited to join the new parent company scheme and that all active members had completed a form agreeing to do so. The three active members we interviewed were not aware of this. Two members thought the funds were still in the original scheme, the other did not know what had happened to the fund. Deferred members also did not know what had happened to their funds but the trustee confirmed they had not been informed as their funds would remain in the frozen scheme.

"I have not transferred anything"

(Act mem 5 yrs large frozen COMP)

"I have not transferred anything. It’s frozen, I will not get anything until I am 60"

(Act mem 3 yrs large frozen COMP)

"I have not a clue - because I have left I do not know anything"

(Def mem 3 yrs large frozen COMP)

Finally, members of schemes which were wound up or in the process of winding up were asked whether anyone suggested they consult a professional adviser.

Most members said they were not advised or could not recall anyone suggesting they consult a professional adviser.

There was one scheme where all the members interviewed said it was suggested, by the administrator, that they consult a professional adviser.
Otherwise, it was just one or two members of a scheme, but there was no pattern, either by type of member or characteristics of the scheme. In some cases, the trustee or administrator suggested they approach a professional advisor and, in one case, the Trade Union suggested it.

"The company did not recommend consulting a professional but the Union did"
(Act mem 24 yrs medium winding up COSR)

"The company suggested a professional advisor in Newcastle"
(Act mem 10 yrs large winding up COSR)

Only a few members interviewed actually consulted a professional advisor. All were deferred members. In most cases they talked to an adviser in an insurance company. One member talked to his accountant.

"The company who I now have a personal pension with are looking into it for me"
(Def mem 6 yrs medium winding up COSR)

"Yes, when I became redundant, I talked to an adviser in an insurance company and got it transferred to them"
(Def mem 10 yrs small winding up COMP)

"I have asked my accountant to deal with it"
(Def mem 7 yrs medium winding up COSR)
This chapter examines the information provided to members during the winding up process. Members were asked a number of questions about any information they had received about their pension scheme. This chapter covers:

The main sources of information;

The nature of information provided (and how often), including:

- What was happening to the scheme and the reasons
  What to do if they have a query

- How things are being taken forward

- Members' views of the quality of information received.

Most members heard about the scheme being frozen or wound up from their employer or the trustees or administrators of the scheme by letter. Active members were more likely to be informed than other types of member. In addition members of schemes employed by companies which continued to trade were more likely to be informed than members of schemes where the company ceased to exist.

In some schemes initial information was provided at formal meetings (particularly for members still employed by the company) at which members were advised of the situation by company staff and/or their financial advisors.

A number heard initially through colleagues, former colleagues or rumours. This, in part at least, reflected the delay between the scheme having been frozen or wound up and the members being informed. For example a company with a medium-sized salary related scheme went into receivership in November 1993. The liquidator was appointed two months later and the independent trustee one month after that. The first letter to members was sent in May 1994, some seven months after the company went into receivership. In a similar example of a large salary related scheme, it was nearly five months after receivership before the independent trustee was appointed and almost eight months before members received the first circular.

Most of the information provided to members was written. In some schemes, however, (usually small schemes) members received personal briefings, particularly when the employer was still in business. In the case of one small wound up scheme the trustee interviewed said that all members
were briefed at a meeting about the winding up of the scheme. However, of the five active members interviewed, only two could recall attending the meeting.

Members who did recall receiving information about their scheme could usually recall the date (roughly) and (broadly) the content of initial correspondence. However, they often had some difficulty remembering what information they received subsequently, due in part to the timescales involved and because they had not kept all or some of the letters sent to them. This led to discrepancies in some instances between what the trustee said was sent to members and what the members recalled receiving.

The picture that emerges from the trustees interviewed, and confirmed by the members who did recall the timing and content of the range of information received, was that the regularity of information sent to members varied widely. Broadly, two groups of members could be identified:

Those members who received an initial letter followed by other correspondence dealing with a range of issues associated with the scheme:

- reasons for any delays
- how the process of winding up was progressing
- statements of options (to transfer etc)
- who to contact with queries
- requests to confirm membership
- requests for assistance in tracing members
- benefit statements
- transfer values
- details of surplus or deficit.

These members were typically from salary related schemes which were wound up or which were winding up because the company had gone out of business. The schemes were more likely to have an independent trustee involved in the process of winding up the scheme. A number of the schemes were self-administered rather than insured. The frequency of communication was related both to the complexity of the winding up process and the length of time winding up took. Members of one of the schemes in this group received four letters in one year while in another scheme members received ten letters over a period of five years.

The second broad group was identified as follows:

- Those members who received an initial letter followed by annual statements or updates on benefits and contributions. These members were mainly in insured, money purchase schemes, which were frozen or wound up for a number of reasons including the cost and difficulty of maintaining the scheme and the company going out of business.
Below is an example of information received by the first group mentioned above, that is members who received information regularly, on a range of issues:

**Case 1: Large wound up contracted out salary related scheme**
The company was taken over and members transferred to the pension scheme of the new owner. The scheme was frozen in January 1993 and the transfer of benefits took place in March 1995. According to the trustee interviewed, members were informed of the takeover and the freezing of the scheme almost immediately. No further information was provided to members until September 1994 when members were notified of the proposal to transfer benefits to the new company scheme. In November 1994 they were informed of the merger of the old and new schemes and provided with a comprehensive information pack, which included details about benefits, exactly what had happened to the assets of the scheme (including the ‘protection’ of a L1.9 million surplus). In December 1994 members were requested to complete a postal ballot on the transfer of their rights.

Information was provided by letter from the trustee. Presentations were also made to all members and pensioners to explain what was happening. Most of the members interviewed did recall the number of letters sent but not the timing) and, broadly, the information detailed above:

"The letters were clear, explained 'this is what we want to do', followed by the details. The whole plan was laid out for us."

(A)ct mem 5 vrs large wound up COSR

Below is an example of a scheme in the second group, where members received initial letters followed, usually, only by annual statements with minimal other information.

**Case 2: Medium winding up not contracted out salary related scheme**
The company felt the scheme was too expensive and difficult to administer and began winding up the scheme in October 1991. The administrators drafted an initial letter describing the process which was sent by the company to the members in 1991. No further contact was made with members by the administrator who only kept the company up to date with developments; members were dependent on the company for information. Only two of the four members interviewed recalled receiving a letter about the scheme. Members' awareness of receiving information was vague: three of the four members interviewed (two deferred, two active) recalled receiving a letter from the company, but not its contents; the fourth (active) member recalled receiving "a 'hook' saying the money was frozen until retirement."
These two broad groups contained members who were happy with the information they received, and how often they received it, and members who were not happy with what they received, and how often they received it.

Generally, however, members who received regular information were more satisfied that progress was being made with their scheme and that their interests were being correctly looked after than members who received little information at irregular intervals. For example, in one medium-sized frozen scheme progress was delayed, mainly due to the time taken for the DSS to check band earnings and NI contributions. The trustee of the scheme acknowledged that communication to the members had been sparse and irregular: “the members were told of our trusteeship but nothing else, apart from a benefit statement in 1995 which was virtually meaningless, because a lot of information is only now becoming available”. In this scheme, the members interviewed confirmed receiving the information mentioned by the trustee and considered it inadequate. One commented:

“I had a letter from the trustee informing me of their appointment, a benefit statement in 1995. Nothing else. I had the bare information, nothing of what happened next and nothing about what is happening now.”

(Act mem 8 yrs medium frozen COMP)

In contrast, members of a small scheme in the process of winding up were initially informed about the process at a company meeting. Subsequently, they were sent comprehensive information from the insurers about progress and options. The initial process took ten weeks and the interviewed members were happy with the frequency and amount of information provided during that period.

“The frequency of information was fine: I got regular statements of financial values and that sufficient funds were available, information on how things would be moved forward.”

(Act mem 10 yrs small winding up COMP)

Most of those members who did receive information were given details of who to contact with a query (in most instances the authors of the letter - either the trustee or the company, if different). However, as examined in Chapter Four, only small numbers of members did make a query.

Members were asked what they thought about the quality of the information they received in terms of its clarity, layout and ease of understanding.

Regarding the quality of the information received members fell broadly into two groups: those who found the information generally good and clear (relevant information well presented) and those who found the information poor and confusing (not enough information properly presented). Some members were more likely to comment on the quality of the information
they received than other members. These tended to be members who had invested in the scheme for some time or if they were older members, closer to retirement.

Members who had a positive impression of the information they received thought that the information they received was clear, easy to follow and included sufficient information (for example, information about how figures were calculated, or information about what would happen next). Examples of members favourably impressed with the quality of information appear below.

"Things did improve. The last letter which stated the transfer value was good and things were clearly broken down. I needed to know more about how it was calculated and the broken down figures provided this."

(Act mem 3 yrs small winding up COMP)

"I can't remember all the details but it seemed comprehensive. It did contain information on sufficient funds and that things would be moving forward. The letter was clear and did explain things; the layout was fine."

(Act mem small winding up COMP)

Members with negative opinions of the quality of the information they received frequently expressed the view that not enough information had been provided and that what they had received was difficult to understand. These two views often overlapped. The main problems members mentioned with understanding the information they received were:

Too much jargon for example, legal terms or unexplained technical terms:

"The letters were hard to understand. They did not explain the reasons for delay or what was happening. I got the impression they were meant to confuse."

(Act mem 9 yrs small winding up N-COSR)

"The frequency of information was adequate, but the letters were hard to understand; things only became clear when the letters were 'translated' by a consultant."

(Act mem 2 yrs small winding up N-COSR)

Poor layout (for example, key points not highlighted, just blocks of text):

"The letter wasn't interesting. It should have had points which stood out more clearly and be split into sections for the different type of customer. It also should have been made easier to understand."

(Def mem 4 yrs large wound up COSR)

Figures hard to follow or calculations difficult to understand:
"It was not clear to me how the calculations were made. In fact, when I checked the figures I noticed a discrepancy and was told by the trustee that things were in such a muddle it was difficult to clarify things exactly. I never had a clear explanation of what went wrong or where our money had gone."

(Def mem 5 yrs medium COMP)

Insufficient detail or generally not enough information provided (for example, on the reasons for the current situation or how things would be progressed):

"I thought the letters had a lot of words but contained very little information."

(Act mem 2 yrs large wound up COSR)

"I felt the letters were too general, they just gave general information and the general impression that it was being sorted."

(Def mem 3 yrs medium winding up N-COSR)

Small numbers of members attended meetings about the scheme and a number of these were critical about the information provided:

"We had a verbal briefing only; it was very casual and didn't help me understand. I didn't know what was going on at any stage. No written information was provided apart from broker's statements which told me that no further contributions were being paid and that the money was frozen, but not how my rights were being affected."

(Act mem 2 yrs medium COMP)

During the discussion of the quality of information received, members mentioned a number of things which they would have liked to receive (in addition to more information generally). The main types of information which they would have liked or expected to receive were:

More information about benefits or entitlement or transfer values:

"The letters were clear but not conclusive about entitlements; there is a problem in getting information and knowing what is available."

(Def mem 9 yrs medium winding up COSR)

"I've just had the bare information: an initial letter informing me of the new trustee followed by a statement. I haven't been told what happens next. I have been told that GMP is guaranteed but not how much has been lost through freezing and the change of trustee. The letter was not clear."

(Def mem 8 yrs medium frozen COMP)

Personalised information (information members received was too general, or was not tailored to individuals or group of individuals):

"It was very impersonal. I would have liked something more relevant to me. The circulars were not very informative and seemed to have no substance."

(Act mem 20 yrs large wound up COSR)
Members also wanted to know what had happened to the scheme up to now, but in particular what was going to happen in the future: what was left to do, how long it would take, when would they hear the outcome?

When information would arrive next:

"The letter was very sketchy, there wasn’t enough detail. It just said further information will be sent when the situation is resolved and I am still waiting."

[Act mem 3 yrs medium frozen COMP]

"Apart from information on how they would progress, I wanted to know when I would hear from them again."

[Act mem 8 yrs large frozen COSR]
This chapter examines the queries made by members to the trustees and to anyone else who had sent them information about their pension, in order to clarify information sent or to obtain more details. Members were asked what they wanted to find out, who they had asked for information and the outcome of their enquiries. The chapter covers queries made, satisfaction with the way queries were handled, and the involvement of other bodies such as OPAS and trade unions.

This chapter also examines the main reasons why many members did not make enquiries for further information.

4.1 Queries made by members

Only a minority of the members interviewed had made queries to the trustees of their scheme. Most of which were requests for more information, to clarify information received and to ask what had happened and would happen to the schemes and the funds in the scheme. The main types of enquiry made were:

- Queries about transfer values (in particular: when will these be known, how much will members get, when will the funds be available for transfer);
- Queries about benefit statements (when will they be received; what will members get; what do they mean; challenging the amount);
- Queries about where the funds or assets had gone (when it was not clear where the funds or assets were or what was happening to them);
- Requests for clarification of information received (information difficult to understand or incomplete);
- Requests for further advice (what to do, were they doing the right thing);
- Queries about what would happen to the pension (would they still have a pension or final value);
- Queries about the current status of their scheme (what progress had been made, what was happening);
- Queries about what happened to the scheme.

On balance (and understandably) most enquiries focused around the issue of money: where it was, how it was to be disposed of and preservation of benefits and pensions. For example, one member received a letter from the company about the freezing of the scheme which also invited her to "consider making your own provision". This prompted her to contact the trustee:

"I rang the trustee to find out if I could cash my money. I was told no, not until retirement. I wasn't worried by this, I just wanted to find out."

(Def mem 1 yr medium frozen COMP)
A member of another scheme who said he had received no information regarding the winding up of the scheme was concerned that he did not know what had happened to his rights or to the scheme:

"I wrote to the insurance company for information about what my money was worth, where it was and why the scheme had stopped without explanation. They went to the broker and the broker wrote giving detailed figures (which I didn't understand) but didn't provide any information about why the scheme had stopped. I still don't know."

(Act mem 2 yrs medium wound up COMP)

Comments made by the trustees interviewed indicated that most of the queries commented on above were received shortly after the members were sent correspondence. For example, in one frozen scheme three of the six members interviewed contacted the trustee to enquire about transfer values soon after receiving a letter from the trustee notifying them that the scheme was being frozen. In another scheme, a member said:

"I received a letter from the trustee which explained my options (to transfer) and which advised me to seek advice from an independent financial advisor. I did call the trustee to ask if I was doing the right thing."

(Act mem 6 yrs medium winding up COMP)

Members who had made enquiries were asked how helpful and how useful was the information they were given and how satisfied they were with the way in which their query was handled. The majority of members who did make enquiries were generally satisfied with the response from the trustee. The main reason they gave was that the situation had been 'clarified'. For example, one member of a scheme in the process of winding up, having received regular and comprehensive correspondence, commented:

"I called the trustee having received letters about the winding up of the scheme and updates on progress. I just wanted the situation clarified and I was satisfied with the response"

(Def mem 5 yrs medium winding up COSR)

A member of another scheme in the process of winding up, could not recall the exact details, just that he had requested 'clarification':

"I spoke on the phone to the company trustees following the letters they sent to clarify the situation; their response was fine and I didn't make any more enquiries"

(Def mem 1 yr medium winding up COSR)

Members who were dissatisfied with the way in which their enquiries were dealt with were, perhaps not surprisingly, more likely to recall the details of the query than members who were satisfied with the response. These members gave a number of reasons for being dissatisfied:
A long delay between making the enquiry and receiving a response:

"I did call the trustee to find out if I could take the value in cash; I was told, no this is not the type of scheme you can cash in. The problem was it took 20 weeks for the trustee to reply."

(Def mem 1 yr medium frozen COMP)

• Complete lack of response to queries:

"I was made aware of bonuses by the insurer and followed this up by asking how much my pension is likely to be, and I am still waiting for an answer."

(Act mem 9 yrs small wound up N-COSR)

• Incomplete response:

"I wrote to the trustee, the brokers and the insurers on a number of occasions regarding my personal details and they all referred me back to a director on the board of the company (who I didn't trust). This all resulted in a dead end. I feel informed now, by the trustee, but only in a general way. I feel very unhappy about the lack of help."

(Def mem 5 yrs winding up COMP)

• Response did not answer the query in a way the member could understand:

"I queried the figures because I had no clear idea how the calculation had been made; it's still unresolved because no one seemed to be able to answer my question."

(Def mem 1 yr medium winding up COMP)

However, it must be noted that whilst some members had actively tried to find out what was happening to their scheme many more had not. The main reasons these members gave for not pursuing the trustees for information included:

• They were young and therefore did not feel the issue of their pension was so important;

• They had only been in the scheme a short time and therefore the value of the fund was not large:

"I've been in the pension for only 5 years and am only 30 years old. I trusted the pension company to sort it out."

(Mem 5 yrs medium winding up COSR)

"I was not interested as there were no real monies involved for me."

(Act mem 2 yrs medium winding up COSR)

• They had been too busy finding alternative employment or with family concerns:

"I was more concerned with the future and fin,11 or another job."

(Act mem 5 yrs medium winding up COMP)
"I have been so busy since the company closed, I haven't given it much thought."

(Act mem 5 yrs medium winding up COMP)

- They did not know who to go to for advice or information (although they did not appear to have tried to find out):

"I have thought offending out more, but I never knew who to contact about it."

(Def mem 3 yrs large frozen COMP)

"The Unions said they were going to find out more about it - but they never came back to us."

(ACT mem 24 yrs medium winding up COSR)

- They just hoped that things would be all right, feeling that they could do nothing to affect the process:

"No, I'll just wait until next year and see what happens."

(Act mem 5 yrs large frozen COMP)

Members contact with other organisations regarding their schemes was rare; very few members interviewed made contact with such bodies. Examples of organisations were:

- OPAS
- Pensions Ombudsman
- Unions
- Citizen's Advice Bureau

As illustrated by the examples below, varying degrees of success were reported by members interviewed. Generally, however, aside from instances where there had been a mistake or irregularity, these organisations could provide little direct assistance to members.

Members of four schemes of the twenty covered had made contact with other organisations; three of these schemes were in the process of winding up and the fourth was a wound up scheme. In all four cases the scheme was wound up or was winding up as a result of the company going into liquidation.

The main reasons given by members for contacting these organisations were to find out what had happened to the assets or funds in the scheme (for all members) and to find out about benefits or entitlement (for themselves).

Three out of five members interviewed in one of these schemes contacted either OPAS, the Ombudsman or both. The scheme was in deficit and funds had gone missing.
"I didn't receive a benefit statement and tried to take early retirement. The trustee told me there was no problem, but I wasn't satisfied so I wrote to the insurers, the Ombudsman and OPAS, I didn’t get a satisfactory response. Eventually we formed a committee at work with the help of the union to sort it out”

(Def member 1 yr medium winding up N-COSR)

In one of the other winding up schemes discussed in this section, two members contacted OPAS. One found OPAS could not help, when he failed to get comprehensive information from the trustee about his entitlement. Another member did get help from OPAS regarding the transfer of benefits.

"Initially I contacted the Ombudsman who put me in touch with OPAS. OPAS answered my query about transferring to a personal pension and the timing. They were very cooperative and helpful”

(Act mem 24 yrs medium winding up COSR)
Towards the end of the interview, both members and trustees or administrators, were asked how well they felt the process had been handled overall, the areas they thought were particularly well or badly handled and suggestions as to how the process might be improved in the future. The views of members and trustees or administrators are discussed separately.

The members we spoke to were evenly split between those who felt the process had been handled in a satisfactory or adequate manner and those who did not. Members from the same scheme generally expressed similar levels of satisfaction.

Those members who were satisfied with the way in which the process had been handled generally were those that felt that they had been kept well informed throughout the process. A number also praised the way in which trustees had handled queries.

"I was kept well informed by the company taking over the scheme. I received 6 letters in 18 months. I also phoned them twice with queries and they were very helpful."

(Def mem 1 yr winding up COSR)

"I was given good information from the trustees and was given enough time to shop around for advice."

(Act mem small winding up COMP)

"The trustees were doing their best in maintaining the communication and keeping us informed of any progress."

(Pens medium winding up N-COSR)

"The answering of queries on the phone was good. The speed with which they resolved things at the end was also good. I got all my documentation and a cheque, which was fine."

(Def mem 4 yrs large wound up COSR)

From some of the comments made it appeared that being kept well informed also made them feel more confident about the effectiveness with which the trustees were handling the process.

"It's a lonely feeling fighting the battle to get money back or information. I had the feeling I was not getting anywhere until the firm of independent trustees got involved. It was only then that I felt things would get resolved."

(Pens medium winding up N-COSR)
"It went very smoothly, we got lots of information and it gave the impression everything was above board. There was also plenty of opportunity for recourse."

(Act mem 5 yrs large wound up COSR)

"They said they were trying to keep the costs to a minimum so that the benefits to members would not be depleted any more than necessary."

(Act mem 23 yrs large wound up COSR)

Members who were generally satisfied with the way the process had been handled, were slightly more likely to be in medium or large schemes and were either in

salary related schemes where an independent trustee had been appointed to handle the wind-up, as a result of the company becoming insolvent, or

schemes where members were being transferred to the parent company scheme.

Lack of information was the most frequent complaint made by respondents who were dissatisfied with the way the winding up process was handled. Many of these members felt that they had received little or no information during the process. It was also often a long time before they first heard what was happening, particularly, albeit not exclusively, where the company had gone out of business.

"There is a process is there?"

(Def mem 2 yrs large winding up COSR)

"We were not told anything until 1994." (The process started in 1992.)

(Act mem 5 yrs medium winding up COMP)

"Nobody told us anything - although we were still working there."

(Act mem 13 yrs small wound up COSR)

"No communication or information. I would like to know what I am going to get."

(Act mem 2 yrs medium winding up N-COSR)

"We did not hear anything for a long time after the foundry closed." (Seven months before the first letter was received.)

(Act mem 6 yrs large winding up COSR)

This lack of information gave rise to concerns amongst some members (often unnecessarily) that things may not be well with their scheme:

"The process was handled very secretively - we received very little information."

(Mem 10 yrs medium winding up COSR)

"I was told my pension was safe and it will all go into our new parent company scheme, but that's all we have been told for 4 years. I now feel it smells - as I can get no concrete information from anyone."

(Act mem 12 yrs medium frozen COSR)
"It was all very hush hush. We were in the dark until they held a meeting. Up until then we knew things were progressing but it wasn’t clear what was happening. We had received two letters a year, stating things were in progress and lots of financial figures which were meaningless. I think the issue was clouded by the fact that monies were missing - I heard on the grapevine that it cost hundreds of thousands of pounds to wind up the pension fund which was paid out of the remaining funds."

(Act mem 10 yrs large winding up COSR)

"The whole process was handled pretty poorly - information was infrequent and unclear. Once pension companies have your money they don’t want to deal with you. I had a ‘Maxwell experience’ in my previous company. The money never made it to the fund. You never got any real information and queries took six months to answer, if you got a reply at all. I’m totally disillusioned and this scheme is probably the same."

(Act mem 9 yrs small wound up N-COSR)

The other main complaints were about the length of the process and the quality of information provided.

Quite a few members commented about how slow the process was. They were frustrated not just by the lack of speed, but also by not knowing how long the process was going to take. They included some respondents who were generally quite satisfied with the way the process was handled as well as those who were more dissatisfied:

"I do not understand why it took so long or is so complicated."

(Def mem 4 yrs large wound up COSR)

"I do not know why it took so long to get the monies."

(AcT mem 2 yrs medium frozen COSR)

"It was too slow, I was frustrated that I was not getting my money and did not know when it would be resolved."

(Act mem 13 yrs small winding up COSR)

Where members had received information, the main criticisms were about the quality of the information provided. Although this issue had already been discussed earlier in the interview, some respondents reiterated these criticisms when discussing their overall satisfaction with the process. In particular they felt the letters were too complicated and difficult to understand. They were not well laid out and used too much jargon and too many abbreviations. Figures were not well laid out and poorly explained. They also criticised the information for being too general. It tended to tell them what was happening to the scheme as a whole. What they wanted to know was how much they would get and what they had to do to get it.

"We got a number of letters from the insurance company. It was all confusing and it was not obvious what it was related to and it was clouded by jargon. I would
have preferred one clear letter stating what I am going to get at the end of the term, rather than lots of unclear ones.”

(Act mem 1 yr small wound up N-COSR)

“Information could have been clearer. The figures definitely could have been laid out better and been explained in easier terms. They used too many abbreviations.”

(Act mem 5 yrs large winding up COSR)

The most frequent suggestion made by members was that they should receive information more regularly.

“I want regular letters from the trustees with some information. Tell me where I stand and what my options are.”

(Act mem 2 yrs medium frozen COSR)

“A letter at least once a year to keep us up to date.”

(Act mem 5 yrs large frozen COMP)

Some members also said information should be provided earlier, as soon as possible after the decision to freeze the scheme or wind it up has been made. This was particularly the case where schemes were frozen or wound up because the company had gone out of business:

“The employer must be required to inform all members straight away lite the pension scheme changes.”

(Def mem 16 yrs medium winding up N-COSR)

“I want more regular information, particularly initially after the company closes.”

(Def mem 2 yrs medium winding up COMP)

A number of members made recommendations regarding the content of information received: it should be clear and easy to understand, state what had or would be happening at each stage, and highlight the key points, clearly stating what options were available and the benefits and drawbacks of each option.

A few members wanted communication to be more ‘personal’ and less general, addressing individual circumstances rather than the overall status of the scheme:

“I want better information on the choices available to me and whether my monies are safe.”

(Act mem 6 yrs medium frozen COMP)

“I’d like to see target dates set and adhered to.”

(Act mem 3 yrs small wound up N-COSR)

“I’d just like them to keep in touch more and explain clearly what is happening step by step.”

(Def mem 5 yrs medium winding up COMP)
"I feel clearer more regular information is required, to help me understand what is happening to my money and what is required of me. I did not understand at the time that I had a choice and could have transferred the monies out of the scheme."

(Act mem 4 yrs medium winding up COMP)

The other suggested improvements related to **the way schemes were organised and run** and were aimed at better protecting members’ interests. Only a few respondents made suggestions in this area. The key ones mentioned were:

- Having employee trustees as well as employers:

  "The big mistake is having only bosses as trustees. Maybe there should be an employee trustee."

  (Act mem 20 yrs medium winding up N-COSR)

- Laws to prevent employers investing pension fund monies in the company:

  "There should be laws to prevent or make directors liable for diverted funds."

  (Act mem 20 yrs large wound up COSR)

- Making the people involved more accountable:

  "There should be tighter laws and rules. Until Maxwell did what he did, no one thought there was a real need to provide a channel to represent the interests of people in a pension scheme with a grievance."

  (Pens medium winding up N-COSR)

Recognising that "**wind-ups are a very complex and lengthy process**” most trustees or administrators felt that overall the process had gone well:

- "Fairly typical case, uncontroversial, no major problems."

  (Ind trustee medium winding up COSR)

- "It was hard work; but went very smoothly."

  (Trustee large wound up COSR)

- "Simple and straightforward, no real problems at all."

  (Admin medium frozen COMP)

A small number of trustees and administrators did experience serious problems. These were due to:

- The merging of schemes with different pension arrangements;

- The trustees not handling the process as effectively as they could have done;

- The scheme not being run effectively prior to being wound up:

  "It’s been a nightmare. The company we acquired did not look after its pension records well. The problem was compounded by the number of different pension arrangements in the acquired company and that the merger took place so soon after the acquisition."

  (Admin medium frozen COSR)
"Overall this scheme could have been handled better. I should have spent longer at the beginning getting a concise list of members and a full understanding of the benefits structure of all participating schemes."

(Ind trustee, large wound up COSR)

"A very difficult situation for the company and me personally to resolve. There was a money purchase with GMP underpin scheme. The scheme was originally with one insurance company and then transferred to a new company. The records were in a very bad shape which is why the process has been slow. We were trying to act in the best interest of members [opting to freeze rather than wind up the scheme] but perhaps in hindsight this was not the right decision."

(Trustee, medium frozen COMP)

"This scheme should never have been written for this particular company. It was too complicated and expensive for the company to handle. We were called in by the company to pick up the pieces and clear up the mess."

(Admin small frozen COMP)

However all the trustees and administrators we spoke to felt the process was too slow. In cases where professionals were doing the work, it was recognised that time was money and delays also added to the cost of the process.

The main reasons given by trustees and administrators for why the process took so long include:

Lack of knowledge of the scheme - often independent trustees or advisers were appointed to undertake the work. As they had no previous knowledge of the scheme there is necessarily a learning phase, which in complicated cases can take some time. In the cases where the company had gone into receivership, the delays before the independent trustee was appointed only exacerbated the problem:

"We had no previous knowledge of the scheme and had to learn from scratch."

(Admin, medium winding up COSR)

"We did a very thorough exercise to find out what entitlements were and track down what happened to the transfer values, but all this takes time and money."

(Ind trustee medium winding up N-COSR)

Records were poorly maintained and out of date. This reason was given by independent trustees and administrators or advisors who were not directly involved with the scheme prior to the change in status, for example where the scheme was insured or the administrator worked for the acquiring company:

"When a company becomes insolvent (as in this case), if the management and administration of the company is not what it should be, this has a ripple effect on the pension scheme. When we picked up this pension scheme the admin was atrocious. There were numerous areas which just had not been attended to."

(Ind trustee large wound up COSR)
“Tracing all the members was slow and difficult because the employer’s list was not up to date.”

(Admin, medium winding up N-COSR)

The time taken to reconcile records with DSS, if the scheme was contracted out:

“The main problem was the volume of queries with the DSS. It took a lot of time and effort to unearth all the details required. The DSS correspondence was not exactly clear on what they wanted.”

(Admin medium frozen COSR)

“The saving grace for this scheme was that it was not contracted out. Otherwise we would have had to reconcile records with the DSS which would have taken a lot of time and effort and probably put the scheme into deficit instead of a slight surplus.”

(Ind trustee medium winding up N-COSR)

“The main hold up has been the agreement of the cessation listings with the DSS regarding contracted out contributions. The original target was to complete this by July 1994 but it took until 1995.”

(Ind trustee, large winding up COSR)

A number of schemes encountered delays while the equalisation of the pensions issue was being resolved.

“It’s the time it takes, we understand the legal necessities but it’s a long winded process which, in this case, was complicated by the Barber / Coloroll issue - it probably added another six-twelve months to the timescale.”

(Admin medium winding up COSR)

Our discussions with other organisations also highlighted that trustees were wary of finally winding up schemes if there was a reasonable chance that impending legal action could affect entitlements, since they would be liable for any deficiency in pension fund assets which may result.

Lack of cooperation and information from liquidators and former scheme administrators was a frequently mentioned source of frustration as well as delay. It was pointed out that receivers or liquidators, once they were clear that there was no prospect of a surplus refund, had little interest in assisting the pension fund. Such help would only increase their fees and would not be in the interests oftheir clients (the company’s creditors or shareholders).

“There had been frequent changes of administrators [prior to the scheme wind up] and our job has been made more difficult because the respective companies did not pass on records or information as promptly as they could have done.”

(Ind trustee medium winding up N-COSR)

“Having to liaise with receivers is like pulling teeth, because they will not commit to anything.”

(Ind trustee large wound up COSR)
"It is often very hard to get information from liquidators. They go in and box everything up and its very hard to find things."

(Ind trustee medium winding up COSR)

Difficulty and delays in obtaining information from the insurance companies involved is also a source of delay and frustration:

"The time it has taken to get information from the insurance company. They have been totally inefficient at giving us the information necessary to wind up the scheme and transfer the monies to the new scheme. Even when we got the information, it was actually wrong and we had to go back to them. Even now 18 months into the new scheme, they still are not getting it right."

(Trustee small, wound up N-COSR)

"This winding up process is going very slowly as there have been problems with the insurer and their systems and changes in legislation. Due to changes in legislation, the insurance company could not make decisions on the figures. We would hesitate to use this company again."

(Admin medium winding up N-COSR)

"It took such a long time. The insurance company were so slow and did not provide us with sufficient guidance."

(Trustee small winding up COMP)

An unclear division of responsibility between the parties involved - there is often a good deal of 'buck passing', with the parties involved blaming each other for the delays incurred:

"There were too many parties involved and an abdication of responsibilities. The employer thrust it on to the trustees, the trustees onto the administrators, the administrators put it back to the employer and it went round and round without anyone really grasping the nettle."

(Ind trustee large wound up COSR)

One trustee also raised the problem of individuals changing their minds about how their rights should be secured:

"It has taken longer because members have changed their minds about what they wish to do with their benefits and the whole cannot be secured until all the individual parts are resolved."

(Admin medium winding up COSR)

One or two independent trustees also commented that where schemes were being wound up due to the company going into liquidation, it would be helpful to speak to members as soon as the closure of the firm was announced, not least because it was easier to retain contact with these members.

Finally, the trustees and other organisations we spoke to also recognised members' frustrations about not being able to get specific information about their entitlements until late in the process. They commented that all
members want to know was "Is all my pension safe and how much will I get when I retire". However, it was usually not possible to give these types of reassurance, during the early stages of the process. Even when the status of the scheme had been clarified, trustees were wary of providing provisional estimates of entitlements as they felt members would not understand these were provisional and if the actual amount was different (particularly less) would get very upset. The increase in litigation and rulings from the Pensions Ombudsman on this issue had also made them more cautious about making any early declarations.

d Trustees and administrators suggested improvements in four main areas:

1 Improving the maintenance of pension scheme records:

"Administrators should have to keep better records."

(Admin medium frozen COSR)

e Speeding up dealings with DSS:

"There should be a better system to enable interchange and checking of information with OPB [Occupational Pensions Board] and DSS, possibly through computers or the Internet."

(Admin medium winding up COSR)

• Improving dealings with liquidators and administrators:

"Liquidators should be required to provide more information and access to information."

(Ind trustee medium winding up COSR)

• Getting in touch and communicating with members earlier in the process:

"It would be good to talk to staff directly before they are dismissed, but this is difficult to organise as we are bought in too late."

(Ind trustee medium winding up COSR)

"Better communication to members so that they are aware of the timescales and complexities involved."

(Admin medium frozen COSR)

One non-professional trustee, who was also the scheme administrator, felt there should be clearer guidelines for trustees about the process to be followed when winding up a scheme:

"Clearer guidelines on what has to be done. I would have followed them completely and they would have made my life much easier."

(Trustee small winding up COMP)
The main sample for the study was provided by the DSS from the Contracted Out Employment Group (COEG) data and Pension Scheme Registry (PSR) data. Details of the schemes sampled were carefully checked with the scheme administrator to ensure they met the qualifying criteria and to identify and locate the trustees who could best respond to our enquiries.

A number of additional contacts were made with independent trustees via The Association of Corporate Trustees (TACT) and other organisations including National Association of Pension Funds (NAPF) and Association of British Insurers (ABI).

The schemes interviewed were carefully selected to match pre-set quotas so that a wide range of schemes and scheme members could be included. Quotas were set for size, type of scheme and whether or not the scheme was contracted out of SERPS. In addition to finding schemes which matched these criteria, we also had to gain the cooperation of the schemes’ trustees, both to take part in the research and to help provide names and contacts for scheme members. Many of the trustees contacted (from extensive lists provided by the DSS from the Pension Scheme Registry) were unwilling or unable to cooperate. The main reason given by these trustees was that they could not spare the time. However, some trustees were sensitive about the confidentiality of information (despite reassurances) or preferred to exclude particularly high profile cases (the latter reason was given by trustees of schemes who were contacted through organisations such as TACT.)

The trustees interviewed were given a draft letter to send to members selected to take part in the study. The letter described the aims of the study and the role of IFF Research Limited. Members were requested to tick a box if they were not willing to take part in the study and return the letter to the trustee. In most cases the letter was used by trustees; a handful of scheme trustees preferred IFF Research to contact members directly.

Securing the cooperation of members was also difficult. Records of members’ addresses were often incomplete, out of date or lacked telephone numbers (around one third of those without telephone numbers were not listed at Directory Enquiries or were ex-directory). Members without telephone numbers were written to requesting their cooperation; however, only a handful contacted IFF Research as a result.

Many of the members contacted also refused to take part in the study due to pressure of time, unwillingness to help, or because they believed that their experience would be of no interest.
The sample used had to meet certain criteria for inclusion in the study, for example, size and type of scheme; money purchase schemes as well as salary related schemes were included, and contracted out schemes were included as well as not contracted out schemes.

<table>
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<th>Medium 20-99 members</th>
<th>Large 100+ members</th>
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The classification of scheme size was based on total membership and included all active members, deferred members and pensioners at the time the scheme was frozen or wound up.
Joe 1.1 The characteristics of this scheme are as follows:

- Money purchase
- Contracted out
- Insured
- Medium
- Frozen

1.2 The company operated in the financial sector. The company became a subsidiary of large financial institution in 1991. The company encountered financial difficulties and ceased trading in 1993.

1.3 The pension scheme was frozen in September 1993. The scheme was in surplus at this time.

1.4 In 1993 the parent company informed members that the scheme was being frozen and that it was becoming the trustee of the scheme. Benefits statements were issued to members in 1995. No additional information has been sent to members since that time.

1.5 Two issues caused concern for the trustees: the disclosure regulations (1986) relating to members’ benefit statements, and how quickly they should pay transfer values to members. The trustees sought legal advice and were advised not to pay transfer requests until the final position is known. The trustee will seek further advice as to whether members will be allowed to transfer while the scheme is frozen or only when the scheme is being wound up.

1.6 In addition to the trustee, six members of the scheme were interviewed, four deferred members and two active members.

2.1 The characteristics of this scheme are as follows:

- Money purchase
- Contracted out
- Self-administered
- Large
- Frozen

2.2 The company stored goods, specialising in confectionary and sweets. The scheme was frozen when the group the company was part of consolidated. The company ceased trading in 1992. Active members of the
scheme were transferred to the group personal pension scheme operated by the parent company. Deferred members remained in the frozen scheme.

2.3 The scheme was frozen in April 1992.

2.4 The independent trustee notified active members of the situation when the scheme was frozen and offered them the option of transferring to the new scheme. Deferred members who had already left the company were also informed.

2.5 According to the trustee, the freezing of the scheme was not too difficult and no queries were received from members. A wider issue the trustee dealt with was the number of schemes under administration from the old group structure (approximately 40). Correspondence with the DSS continues regarding the amalgamation of these schemes in order to reduce the administration involved. Current advice from the DSS suggests that this will not be possible under current legislation.

2.6 In addition to the independent trustee, six members of the scheme were interviewed, four deferred members and two active members.

3.1 The characteristics of this scheme are as follows:

- Salary related
- Not contracted out (however, the scheme was a merger of a number of smaller schemes, some of which were contracted out; therefore a contracted out element remained in the new scheme)
- Self-administered
- Large
- Frozen

3.2 The company is a wholesale distributor of electrical equipment. The pension scheme was frozen when the company was acquired by new owners. The scheme was frozen because the new owners wanted to consolidate all pension arrangements for the group within their own scheme.

3.3 The scheme was frozen in March 1992. The scheme was in surplus at this time.

3.4 In early 1992 active members were sent a letter by the company trustees which informed them that the scheme was to be frozen and which invited them to join the pension scheme of the new owners. Regular newsletters from the company trustees have been sent to members since 1992. The main aim of the newsletters was to inform members about the delay and reassure them that their pensions were secure.

3.5 The main issue reported by the advisor to the company trustees was that pension arrangements of the scheme were in disarray at the time of the
acquisition. The company was attempting to merge ten schemes into one. The original administrators of the scheme remained administrators for approximately 12 months after the acquisition to help sort out the problems. Company records were incomplete and a long list of DSS queries regarding contracting out arrangements were passed on to the new administrators. The trustees received approximately 30 requests from members for information on entitlement and transfer values.

3.6 In addition to the advisor to the trustees, five active members were interviewed.

4.1 The characteristics of this scheme are as follows:

- Money purchase
- Contracted out
- Insured
  - Small
  - Frozen

4.2 The company is a garage selling cars and fuel. The scheme was frozen because the company felt the scheme was too costly and difficult to administer.

4.3 The scheme was frozen in 1989.

4.4 The company's independent financial advisor briefed members of the scheme at the time that the scheme was frozen. Following this the insurers wrote to each member to inform them about the situation.

4.5 No problems were encountered in contacting members (all of whom remained employees of the company), and no queries were received from members. One minor problem was that the insurance company took several months to deal with the paperwork for the scheme.

4.6 In addition to the independent financial advisor to the company, four active members were interviewed.

5.1 The characteristics of this scheme are as follows:

- Money purchase
- Not contracted out
  - Insured
- Medium
  - Frozen

5.2 The scheme was run by a Centre for the Blind. The pension scheme was frozen as a result of the introduction of SERPS in 1978. The trustees felt that members would be better served by a contracted out arrangement.
5.3 The scheme was frozen in 1978.

5.4 Members were first notified in 1978 by letter from the Executive Director of the company. These members were traced via the DSS tracing service. Subsequent letters informed members of developments including values.

5.5 The only problem encountered was contacting ex-company members whose address details were not up to date. No complaints or queries were received from members.

5.6 In addition to the company administrator of the scheme, five active members were interviewed.

6.1 The characteristics of this scheme are as follows:

- Salary related
  - Contracted out
- Insured
  - Large
- Frozen

6.2 The company manufactures spectacle lenses and frames. The pension scheme was frozen because the company was concerned about the costs of a final salary arrangement.

6.3 The scheme was frozen in 1993. The scheme was in deficit at this time.

6.4 The company wrote to members in October 1993 informing them that the scheme was to cease. Members were also told that they could either transfer the monies to a personal pension plan, or leave the funds frozen if they did not want to transfer. Subsequent letters explained the reasons for delays in obtaining information on transfer values.

6.5 The company encountered problems in making their intentions understood to members due to the complexity of the pension scheme. Additional problems included clarifying GMP (Guaranteed Minimum Pension) records and reconciliation of records with the DSS, and the time taken to reconcile these. Many queries were received from members, primarily about the three year delay in obtaining transfer values.

6.6 In addition to the company’s advisor, two active members were interviewed.
7.1 The characteristics of this scheme are as follows:

- Salary related
- Contracted out
- Insured
- Medium
- Frozen

7.2 The company manufactures textiles. The pension scheme was frozen because the company considered a final salary arrangement to be costly and to have uncertain liabilities.

7.3 The scheme was frozen in December 1995. The scheme was in surplus at this time.

7.4 Members were notified of the intention to freeze the scheme and the proposal to replace it with a money purchase scheme in September 1995. A letter was sent to all members informing them of the timescale involved and that formal notification would follow in six weeks. A second letter was sent six weeks later to explain what was happening. Letters were supplemented with meetings at the company.

7.5 Only one problem occurred: all staff received a benefit statement, but the statement received by the manual workers contained an error. This was spotted by one member who complained to the administrator.

7.6 In addition to the administrator, six active members of the scheme were interviewed.

8.1 The characteristics of this scheme are as follows:

- Salary related
  - Not contracted out
- Insured
- Medium
- In the process of winding up

8.2 The company was a printing concern. The process of winding up the scheme began when the company became insolvent.

8.3 The company went into receivership in November 1993. The scheme was closed prior to this, in April 1993. The scheme was in deficit at this time.

8.4 The independent trustee contacted members by letter in May 1994 informing them of the scheme’s deficit and their enquiries into missing funds. Subsequent letters (in 1995) informed members of the recovery of the missing money and that they would receive their full entitlement.
8.5 The main issue the trustee faced was the recovery of the money which should have been in the pension fund (but which was used by the company to pay off its overdraft). Most of the queries received from members related to entitlements (particularly from pensioners who had not received either their lump sum entitlements or Additional Voluntary Contribution (AVC) entitlements).

8.6 In addition to the independent trustee, five members of the scheme were interviewed, two deferred members, one active member and two pensioners.

9.1 The characteristics of this scheme are as follows:
- Salary related
  - Contracted out
  - Insured
- Medium
- In the process of winding up

9.2 The company was a reprographic company. The company went into liquidation in April 1994.

9.3 The process of winding up the scheme began in November 1994 with the appointment of an independent trustee. The scheme was in surplus at this time.

9.4 The trustee sent a letter to members in March 1995 informing them of their appointment, the current status of the scheme and that members benefits were yet to be calculated and that Guaranteed Minimum Pensions were being established by the insurers and the DSS. Another letter was sent in April 1996 reassuring members that the GMP issue would be resolved in the near future.

9.5 The trustee received a number of queries from members requesting information about the progress of the winding up of the scheme.

9.6 In addition to the independent trustee, five members of the scheme were interviewed, two active members, two deferred members and one pensioner.

10.1 The characteristics of this scheme are as follows:
- Salary related
- Contracted out
  - Self-administered
  - Large
- In the process of winding up

10.2 The company made steel. The company became insolvent, in February 1994.
10.3 The process of winding up the scheme began in June 1995 with the appointment of an independent trustee. The scheme's assets were equal to its liabilities.

10.4 The trustee sent a report to all members in May 1994 providing details of the status of the scheme. In April 1995 the trustee wrote to members providing details of developments. This followed the issue of a trustees' Annual Report in January 1995. The purpose of this leaflet was to outline details of how members' benefits could be secured and the steps members were required to take.

10.5 The main problems encountered were obtaining outstanding contributions from the employer and employees which had not been paid into the scheme when it went into receivership. One payment had been made, a further amount was still outstanding at the time of the research. The trustee received queries from a third of members about entitlements.

10.6 In addition to the independent trustee, three (active) members of the scheme were interviewed.

11.1 The characteristics of this scheme are as follows:

   Salary related
   - Contracted out
   - Insured
   - Medium
   - In the process of winding up

11.2 The company supplied engineering design services to the aerospace industry. It was decided to begin winding the scheme up in order to reduce administration following a takeover in 1990.

11.3 The scheme was frozen in July 1992 and was in surplus at this time. The process of winding up began in March 1994.

11.4 The corporate trustees of the scheme informed members by letter of the winding up of the scheme in July 1994. Members were informed that their pensions would be fully secured and were offered the opportunity transfer the values of their retained benefits. A further letter was sent in September 1994 advising members who had not transferred that their pensions had been secured within the scheme of the company which had taken over.

11.5 The main issue the administrator of the wind-up experienced was agreement of the final listings with the DSS regarding contracted out contributions. This was further complicated by a number of members who changed their minds about what they wanted to do with their benefits.
11.6 In addition to the administrator of the scheme, six members were interviewed, three deferred members and three active members.

12.1 The characteristics of this scheme are as follows:

- Salary related
- Contracted out
- Insured
- Large
- In the process of winding up

12.2 The company manufactures transformers and other power supply equipment. The company decided to begin winding the scheme up as a result of its decision to switch to a money purchase scheme.

12.3 The process of winding up the scheme began in April 1993. The scheme was in surplus at this time.

12.4 Only active members were sent a letter from the company in February 1993 informing them of the intention to wind up the scheme. Four of the five members interviewed received a letter from the independent trustee, but did not remember the date or the information it contained.

12.5 The trustee reported no problems in contacting members. About two-three queries were received from members about requests for transfer values. The only matter remaining to be resolved is the settlement of accrued rights for a few members. Delays have occurred because of discrepancies between the company's figures and those of the Occupational Pensions Board.

12.6 The administrator and five members of the scheme were interviewed. Of the members one was a pensioner and four were deferred members.

13.1 The characteristics of this scheme are as follows:

- Salary related
- Not contracted out
- Insured
- Medium
- In the process of winding up

13.2 The company is a potato merchant. It was decided to begin winding up the scheme because it proved too expensive to maintain.

13.3 The process of winding up began in October 1991. The scheme was in deficit at this time.
13.4 The scheme administrators drafted a letter about the winding up of the scheme as soon as the process began. The letter was then sent to members by the company. The administrator was not aware of any subsequent information sent to members.

13.5 Some problems were encountered in contacting members due to address details not being up to date. Another problem was that, because of changes in legislation, the insurance company took a long time to finalise the monies in the fund; this was not resolved until the end of 1995. The administrator was not aware of any queries from members.

13.6 In addition to the administrator, four members were interviewed, two active and two deferred members.

14.1 The characteristics of this scheme are as follows:

- Money purchase
- Contracted out
  Self-administered
- Small
- In the process of winding up

14.2 The company is an advertising and publicity agency (mainly acting as print consultants). The company decided to wind up the scheme because it felt employees would be better served by a final salary arrangement.

14.3 The process of winding up the scheme began in April 1993. The scheme was in surplus at this time.

14.4 Members were first informed about the winding up at a company meeting. Members were given letters from the insurance company detailing the choices available to them and advised to seek independent advice. Each member also received written notification of the plan and a form which asked them to indicate a) if they needed help from the trustee, b) if they preferred to take independent advice, c) if they wished to contact the company's insurance broker.

14.5 The only problem encountered by the trustee has been tracing one former employee, still to be resolved. No queries or complaints were received from members.

14.6 In addition to the Company Secretary who administered the scheme, five members were interviewed, four active and one deferred member.
15.1 The characteristics of this scheme are as follows:
- Money purchase
- Contracted out
  Insured
- Medium
- In the process of winding up

15.2 The company manufactured pneumatic equipment. The pension scheme began winding up because the company went into liquidation.

15.3 The process of winding up the scheme began in January 1992.

15.4 The insurer wrote to members in January 1992 to inform them about the winding up of the scheme. Members also received a statement of benefits. Since then members have just received an annual statement of benefits.

15.5 A number of problems were encountered during the process of winding up the scheme. These included national insurance contributions not properly paid or recorded and contacting members. The advisor received two or three queries from members about when policies would be paid.

15.6 In addition to the pensions advisor, six members of the scheme were interviewed, five deferred members and one active member.

16.1 The characteristics of this scheme are as follows:

- Salary related
- Contracted out
  Self-administered
- Large
- Wound up

16.2 The company was a printing concern. The scheme was wound up when the company became insolvent.

16.3 The process of winding up the scheme began in March 1991. The scheme was in deficit at this time. The scheme was wound up in March 1995.

16.4 A circular from the independent trustee was sent to members in August 1991. This informed members of the responsibilities of the trustee and the current status of the scheme. Subsequent circulars (ten in all) kept members informed of developments (for example, funds received from the receiver and contracting out arrangements for some members). Members also received annual reports.
16.5 The main problem reported by the trustee was with the reconciliation of membership data. The company expanded rapidly in the 18 months prior to its insolvency and acquired a number of other companies. As a result a large number of members were only associated with the scheme for a short time. Membership records were poor and discrepancies in members’ National Insurance Accounts only began to be resolved four years after the appointment of the independent trustee. The trustee received three main types of query from members: queries about the length of time the winding up process was taking, requests for benefit statements, and requests for transfer values.

16.6 In addition to the independent trustee, five members of the scheme were interviewed, three active members, one deferred member and one pensioner.

17 Case

17.1 The characteristics of this scheme are as follows:

- Salary related
- Contracted out
- Insured
- Small
- Wound up

17.2 The company is a small firm of chartered surveyors. The scheme was wound up because it was too costly to maintain.

17.3 The process of winding up began in April 1992 and completed in November 1993. The scheme was in surplus when winding up began.

17.4 Members were first notified of the winding up by letter from the broker in March 1992, informing them that the scheme was to be wound up.

17.5 The administrator encountered no problems with the winding up of the scheme. No queries or complaints were received from members.

17.6 In addition to the administrator, two deferred members were interviewed (there were only eight members in total in the scheme).

18.1 The characteristics of this scheme are as follows:

- Money purchase
- Contracted out
- Self-administered
- Medium
- Wound up

18.2 The company is a firm of painters and decorators. The pension scheme was wound up when the company decided to move to a group personal
pension scheme arrangement because of the cost of administering the scheme.

18.3 The process of winding up the scheme began in 1990. (The trustee interviewed could not recall the exact date when wind-up was completed). The scheme was in surplus at this time.

18.4 Members were informed at a company meeting about the winding up of the scheme. Those who did not attend the meeting were visited at home. Members subsequently dealt directly with the broker who was setting up the personal pension arrangements.

18.5 The trustees encountered no problems in the winding up of the scheme. A number of queries were received from members about the length of time taken to wind up the scheme.

18.6 In addition to the company trustee, five active members were interviewed.

19.1 The characteristics of this scheme are as follows:

- Salary related
- Contracted out
- Self-administered
- Large
- Wound up

19.2 The company is a fund management business. The scheme was wound up following takeover by another company. All members were transferred to the new owner’s scheme.

19.3 The process of winding up the scheme began early in 1993. The scheme was in surplus at this time. The scheme was wound up in March 1995.

19.4 All members were initially informed by letter from the new owners early in 1993 that their scheme would be frozen, prior to the scheme being wound up. In September 1994 they received a letter from the new owners informing them that their rights were to be transferred to the scheme of the new company. Subsequent letters provided more details about the proposed merger of the two schemes, how the surplus of their scheme would be protected and how the benefits were to be distributed. Members were asked to vote by letter on the transfer proposal. They were offered a personal meeting with the Managing Director to resolve any queries. Presentations were given to all active members and pensioners to explain what was happening.
19.5 The main queries received were from pensioners about an 8% increase in benefits from the surplus to all members except pensioners. This was not available to pensioners due to Inland Revenue limits which could not be exceeded.

19.6 In addition to the company trustee, six active members were interviewed.

20.1 The characteristics of this scheme are as follows:

- Salary related
- Not contracted out
- Insured
- Small
- Wound up

20.2 The company is a sales subsidiary of a Belgian chemicals manufacturing company. The scheme was wound up following a decision by the insurers not to accept any further contributions because of legislative changes following the Maxwell affair, and to consolidate their market position. The company decided to transfer to personal pension arrangements for members.

20.3 The process of winding up the scheme began in October 1994. The scheme was in surplus at this time. The scheme was wound up in March 1996.

20.4 In November 1994 current employees were sent a letter by the company informing them about the winding up of the scheme. Members were contacted annually with information about the status of the scheme, progress in winding up the scheme and details about transfer values. Employed members in the scheme also had a meeting with the independent financial advisor appointed by the company.

20.5 The main problems the trustees encountered were obtaining accurate information from the insurers, the length of time taken for the insurers to provide information, and the difficulty of contacting ex-employees. The trustees received two or three queries from members about the value of pensions and whether they would lose any money.

20.6 In addition to the trustee, three active members of the scheme were interviewed.
Cl Topic guide for scheme members

Background and Confidentiality

IFF conducting the work on behalf of the DSS. Looking at schemes that have been frozen or wound up, to investigate the experiences of members, and how well informed people are kept during the process.

More specifically the aims of the research are to:

• examine members’ and beneficiaries’ experiences of, and the views of trustees and administrators on, the process of freezing/winding up occupational pension schemes;

• find out how much members and beneficiaries know and understand about what happened to their pension rights;

• obtain views on information trustees and administrators provide;

• identify suggestions for improvements which you might have.

IFF an independent market research organisation.

Not interested in financial information about your pension (except if you feel this influences your views of the whole process).

This scheme has been picked at random. Your name was one of a number passed on by the trustee.

Confidentiality: Any information you give to us will be treated in the strictest confidence. The results of the research will not be used in any way which would enable an individual to be identified. Nothing you say will be passed back to the pension scheme, trustees or administrators, the employer or the DSS.

Background to the Scheme

Can I just check a few details about the pension scheme which was frozen or wound up?

1.1 Name of company

1.2 Contributory?

1.3 Contracted out of SERPS?
1.4 Any additional voluntary contributions?

1.5 Final salary, money purchase/hybrid scheme?

1.6 And when the scheme was frozen/wound up: were you an active member (i.e. still contributing), deferred member (i.e. still a member of the scheme but had stopped contributing but had not transferred/withdrawn monies out of scheme), receiving a pension or a beneficiary?

1.7 How long were/have you been/was your (wife/husband) a member of the scheme?

1.8 *If not pensioner/beneficiary:* Check if have become/likely to become pensioner since frozen/wound up

Understanding of the Process

2 What do you understand is happening/has happened to your pension scheme?

2.1 *prompt:* aware that scheme frozen/wound up (what terms do respondents use)

2.2 *prompt:* what do they take these expressions to mean

2.3 Probe for all except pensioners/beneficiaries: Are you aware that contributions are no longer being made to the scheme (by you or your employer)?

2.4 *If wound up:* are you aware that the scheme no longer exists?

2.5 *If winding up:* are you aware that the scheme will no longer exist?

2.6 Do you know why this happened to the pension scheme?

2.7 Do you know that what has happened/is happening to your pension scheme may affect your rights/pension?

2.8 *If frozen:* are you aware that monies will be held in scheme until either all members retired and paid out, or scheme is wound up and monies transferred

2.9 *If winding up/wound up:* are you aware that monies will be transferred out of scheme and reinvested on your behalf by trustees to protect the value of your benefits, or that in some cases you may be given a choice to invest it yourself? *IF YES:* Which will happen in this case?
2.10 ASK MEMBER OF SALARY RELATED SCHEMES (EXCLUDE PENSIONERS)

Did/do you understand that you may not receive full entitlement (if scheme doesn’t have sufficient funds)

All

2.11 What do you understand about the way your pension scheme was organised/administered in terms of ...?

2.12 the role of trustees?

2.13 the relationship between the scheme and the employer?

2.14 Were/are you aware that the scheme has/had surplus assets or whether there is/was a deficit?

If surplus: were you told about how the surplus, if any, would be used in general? eg benefit improvement to groups of members? refund to employer? both?

what have you been told about how this will increase your own benefits?

If deficit: did/do you understand why you may not get full entitlement? have you been told how this affects you?

3 When and how did you first find out about your scheme being frozen/wound up?

3.1 prompt: did you receive anything (eg letter/leaflet) or see anything?

3.2 [If received/saw anything] What did it say?

3.3 [If received information]: What did you think about this information you were sent initially?

3.4 prompt: was it clear? what was not clear? was anything difficult to understand?

3.5 Was there anything you were unclear about in relation to the pension scheme at this time? Obtain details

3.6 Probe: what was happening to the scheme?

3.7 whether sufficient funds to meet the commitments
3.8 how they would be taking things forward
3.9 when you would hear from them next
3.10 what to do if you had a query
3.11 how they would be taking things forward

4 Were you asked to do anything at this stage? Obtain details

PROBE:

4.1 confirm you were a member
4.2 confirm you had AVC scheme
4.3 provide details about your entitlements
4.4 provide information about other members
4.5 And did you do (this or) anything else at this point? Obtain details

Information and Communication
5 Have you received any other information or communication about your pension scheme and what is/was happening to it? (Not just letters but also meetings or visit to trustee/s)

5.1 prompt: any (other) letters?
5.2 attend any meetings?
5.3 If letters: When have you received letters?
5.4 ASK Q5.4-Q5.9 FOR EACH LETTER:

who sent and what did this/these letter(s) say?

5.5 What did you think about the letter you were sent? was it clear? was there anything you had difficulty understanding?
5.6 PROBE - did the letter make it clear what was definite/finally resolved and what was still being dealt with?
5.7 did they explain the reasons for delays/problems etc and could you understand these explanations?
5.8 what did you think of the layout and style of the letter, eg headings, use of bold type or italics etc. Did this make letters easier to understand? How could layout be improved?

5.9 did you/were you asked to do anything? If yes what?

5.10 If meeting(s): what was the meeting about? who organised it? was the purpose clear?

INTERVIEWER: Check against each letter/meeting provided according to trustees. Prompt with copies/details of letters as appropriate and ask if remember them

Overall:
6 How well do you feel you have been kept informed about what is happening/has happened to the scheme? Why do you say that? what information would you have liked and in what format?

6.1 Is/has the frequency with which you receive information been adequate? If no: was this at any particular point; how often would you like to receive information?

6.2 What about the clarity of the information sent? Have you found any confusing or difficult to understand? Why was this? [the quality of what sent or respondent finding subject difficult]

6.3 PROBE - did the letters make it clear what was definite/finally resolved and what was still being dealt with?

6.4 What did you think of the layout and style of the letter, eg headings, use of bold type or italics etc. Did this make letters easier to understand? How could layout be improved?

6.5 Do you know what problems have been encountered in winding up the scheme (how did you find out about each one of these?)

6.6 Probe: locating all members?

6.7 Working out what each person is entitled to?

6.8 If contracted out: reconciling records with DSS?

6.9 Working out how much people/pensioners/beneficiaries have received to date and whether anything owing?

6.10 Tracking down/getting lost monies (eg contributions) from receiver or Government?
7 Were any aspects well handled? Which and why?

7.1 Were any aspects poorly handled? Which and why?

8 You said earlier that your pension scheme is (frozen/winding up/wound up), do you know what has happened to your pension rights? Obtain details

*Interviewer try and establish* what has happened to their pension rights eg the entitlement which they have built up under the scheme and what has happened to it

8.1 *If frozen prompt:*
What happened to the rights you had in the pension scheme which has frozen?

8.2 Are you keeping them where they are or have you transferred them somewhere else?

8.3 *If frozen and rights transferred*
Do you know where they have been transferred to?

8.4 *If the wind up of respondent’s scheme has been completed, ask a, b or c as appropriate*

   a) *deferred members*

   8.5 Were your pension rights transferred (to another personal/company pension scheme or was an annuity purchased (ie buy a policy with reputable insurance company to protect value of your entitlements till you draw pension)?

   8.6 did you have a choice?

   8.7 did they suggest you consult a professional advisor if you wanted? IF YES: did you?

   8.8 were you informed what proportion of your rights the annuity/transfer represented?

   8.9 do you understand how it was calculated?

   8.10 was it more, less or same as you expected? and do you understand why

   b) *pensioners/beneficiaries*

   Has the change in the scheme status affected your pension or benefits?
   In what way? Are you clear why the change has happened?
8.12 did they suggest you consult a professional advisor if you wanted? IF YES: did you?

8.13  

<table>
<thead>
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<th>active members</th>
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<tbody>
<tr>
<td>Do you know the value of the pension rights that have been secured for you? Do you understand how this was calculated? Was this more or less than you expected? did you understand why? Why do you say that?</td>
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</table>

8.14 what did you decide to do with the rights that had been secured for you? why?

8.15 did they suggest you consult a professional advisor if you wanted? IF YES: did you?

**If the process of winding up still continuing**

8.16 As far as you know will the change in scheme status affect your pension/benefits?

8.17 in what way? do you understand why?

8.18 did anyone suggest you consult professional adviser if you wanted to? IF YES: and did you?

8.19 have they said whether pension rights will be transferred (to another scheme) or annuity purchased? Have you been given choice? have they said what the value is likely to be? do you understand how it was calculated? was it more, less or same as you expected? and do you understand why

irbes

9 Have you made any enquiries to the trustees, anyone who sent you information about the pension or a professional advisor in order to clarify information sent or to obtain more details?

**ASK Q9.1-Q9.7 FOR EACH ENQUIRY**

9.1 Obtain details of each enquiry

9.2 Who did you ask/obtain advice from?

9.3 What did you want to find out?

9.4 How did you find out who you could ask/seck advice from?

9.5 When did you make this enquiry?

9.6 What was the outcome? What happened next?
9.7 How helpful was this advice? Why do you say that?

For each not mentioned: did you contact any of the following?

9.8 Unions

9.9 OPAS

9.10 Pensions Ombudsman

9.11 Own advisor (eg accountant, independent financial advisor)

9.12 Other

For each of above contacted ask Q9.13-A9.17:

9.13 What information/advice were you looking for?

9.14 Why did you contact them for this and how did you find out they might be able to help?

9.15 How helpful were they? how useful?

9.16 How clear was any information/advice they gave?

9.17 What was the outcome?

all Vie the Process

9.18 How do you feel the whole process went?

9.19 What, if anything, was handled particularly well in the whole process?

9.20 What, if anything, was handled particularly poorly in the whole process?

9.21 Do you have any suggestions for how the process could be improved? (how will this help)

prompt: what about

9.22 ... the requirements made of you by the scheme eg what you had to do and when

9.23 ... you being kept informed about what was happening

9.24 ... clarity and quality of the information sent and the desired frequency

9.25 ... way enquiries were handled

9.26 ... anything you wished to know or wanted to ask but never did
9.27 What was handled particularly well in the whole process and what badly

10.1 Sex

10.2 Age

10.3 (Ex) Occupation (of husband/wife etc if beneficiary)

Probe: Check if involved in finance eg if ‘manager’ ask for more details

10.4 Understanding of financial issues (ownership of life products)

10.5 Reliance on others (eg friends/relative/accountant etc) on pensions issues

10.6 Any previous experience of scheme frozen/wind-up

Any Other Comments

______________________________

INTERVIEWER USE ONLY

Please record the level of knowledge of respondent regarding what happened during the wind-up/freezing of scheme:

Very good............................. 1
Fairly good............................ 2
Poor...................................... 3
None.................................... 4

Also, please write, briefly, your impressions of the level of understanding of what happened in the experience of the member interviewed.
As we explained in our letter, IFF conducting the research on behalf of the DSS. Investigating experiences of people whose occupational pension scheme has been frozen or wound up, concentrating on the communication process.

The aims of the research are to:

Examine the views of trustees or administrators on the process, and members’ experiences of freezing/winding up of occupational pension schemes

Find out about the types of information trustees and administrators provide, how much members know and understand about what happened to their scheme and what happened to their pension rights

Identify suggestions for any improvements which trustees, administrators and members might have

Confide-B
Participation in this study is entirely voluntary and any information you give to IFF will be treated in the strictest confidence. The results of the research will not be used in any way which would enable an individual or organisation to be identified.

1 Respondent £
1.1 Company/independent trustee
1.2 Job title
1.3 Whether trustee for more than one scheme. If yes, extent of experience
1.4 Role and knowledge of process

2 Details of Pension Scheme

Check:

2.1 Money purchase v final salary v hybrid or other arrangement; contributory or not
2.2 Contracted out v not contracted out
2.3 Insured v self-administered
2.4 Frozen, wound up or in process of winding up
2.5 When process of freezing/winding up began
2.6 Current status of scheme
   If wound up, when completed
2.7 Number of
   i) when process started
   ii) currently (when completed)

   Members/deferred members
   - Pensioners
   - Beneficiaries

2.8 Number of trustees and composition of trustees, eg company directors, staff, trade unions, independents etc

2.9 Type of employees covered by scheme
   - All
   - Senior management only
   - White collar only
   - Full time only
   - Age/length of service entry requirement

3.1 Size

3.2 Sector

3.3 Independent or subsidiary

3.4 Whether company operates other schemes - what and for whom (eg AVC Scheme/separate director scheme)

4.1 Why was the scheme wound up/frozen? Obtain details

   Probe: as necessary for history of scheme/company leading up to the time when frozen/wound up.

4.2 Whether scheme was felt to be in surplus/deficit at the time

5.1 Once the decision was taken to freeze/wind up scheme what happened next?

5.2 Who was involved? [solicitors, auditors, insurance companies/brokers, actuaries administrators etc]
5.3 Which other organisations, if any, were notified, consulted or involved, and in what way? [OBP, COEG, DSS, OPAS]

5.4 What were the timescales involved at each of these stages?

6.1 When were members **first** notified? - probe date and stage

6.2 Were all members notified? If not, who was/was not and why?

6.3 Who notified them?

6.4 How were they notified and by whom?

6.5 What information were members provided with at this initial stage, eg letters, meetings, adverts?

6.6 Were there any problems contacting members? Were there any problems with the records of the scheme and in getting details of members? If yes: what was the problem and how sorted out?

6.7 How long did this stage of the process take?

7.1 What has happened since the process of freezing/winding up began?

7.2 How long did each stage take?

8.1 What information has been provided since then for members? [I do not mean just letters, but also meetings, adverts etc. but am not referring to responses concerning specific queries from members]

8.2 What was provided, when and how? (get examples of letters etc if possible)

8.3 What was the purpose?

8.4 How often has information been provided?

Probe: To what extent has specific information been provided for specific groups of members?
9.1 Deficit or surplus, or likely to be when wound up

If wind-up complete:

9.2 If there was a surplus: how were these assets distributed between different categories of member and were assets returned to the employer?

9.3 If a deficit: how were benefits cut back and how was this communicated to members?

If wind up not yet complete:

9.4 What still has to happen?

9.5 How long is each of these steps likely to take?

10.1 Did you receive any queries or complaints from members?

10.2 (Roughly) how many?

10.3 What were they about? What were the most common sorts of enquiries/complaints?

10.4 Who were they from? Who were most likely to have queries/complaints?

10.5 What form did they take (phone calls, letters etc)?

10.6 How were they handled? (eg who dealt with them)

10.7 How were they resolved?

10.8 Did other organisations become involved (OPAS, Ombudsman)? Obtain details

[How many do you know went to OPAS and Ombudsman?]

If appropriate discuss 2-3 examples of different types of query/complaint
11.1 Thinking about process overall - how do you feel it went and why?

11.2 Any problems/difficulties with the process?

11.3 Probe: With hindsight, is there anything about the communication process that you would do differently? Could any of the problems have been avoided? If so how?

11.4 Views on current requirements for schemes that are wound up/frozen.

11.5 Other suggestions for improvements

If mentioned, record comments on 95 Pensions Legislation and impact

Obtain names of members who we could contact to discuss the communication process from their perspective.
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