

Prospect of retirement giving employees the jitters

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- **Only 38% of employees are doing enough to prepare for retirement**
- **Senior management more optimistic about retirement and company provision than general workforce**
- **HR function most 'negative' on retirement provision**

Employees are experiencing a crisis of confidence in their readiness for retirement, according to research by Mercer. It showed that only 38% of employees felt they were doing enough to prepare financially for their retirement and confidence about their retirement prospects is lowest amongst the 21-45 year age group.

Asked if their organisation was doing enough to help them prepare for retirement, only 35% declared themselves satisfied, 34% were unsatisfied with the remaining 31% unsure. Worryingly for a function which oversees corporate pension provision, the Human Resources (HR) function appears to be one of the groups with the least positive view on retirement prospects and the retirement provision of their employers.

The data is based on Mercer's "What's Working TM" research conducted amongst 2,400 UK workers in over 1,000 private sector organisations – part of a global survey of nearly 30,000 employees in 17 countries.

"Concern about retirement is fuelled in part by media attention on pensions in the private and public sector and a raft of other social and financial pressures facing employers and employees," commented Jenny Condon, a partner at Mercer. "Our report findings are interesting, yet contradictory. On the one hand, employees are happy with their company-provided plans yet they lack confidence about their own readiness. This may be related to age and financial education."

According to the report, senior management are overwhelmingly more confident that they are doing enough to prepare for their retirement (61%) compared to non-management staff (33%). Senior management (66%) were also more likely to express satisfaction with their company's pension plan compared to non-management (45%) and more likely to agree that their company is doing enough to help them prepare for retirement (54%) than their non-management colleagues (30%).

"There may also be age-related factors at play here," said Mrs Condon. "Younger employees are far less likely to feel secure about their retirement or to know what might be needed compared to older employees with years of preparation behind them."

"Historically, people have tended to underestimate how much they need to save for retirement while overestimating what their pension plan will provide in real terms. Our report suggests that this optimism is ebbing. For employers, this lack of confidence should be addressed. Companies should communicate the excellent work that they do to support their staff in their retirement. Without this, businesses get too little value for their, often material, pension spend."

The report showed that HR departments were amongst the most negative groups of employees. Not only were respondents in HR less satisfied (47%) with their company's retirement plans compared to the average employee (49%) but are also less confident in preparing for their retirement (33%) compared to the average (38%). Only 28% thought that their company was doing enough to help with pension provision compared to the average

(35%). In terms of communication, 59% thought that their communications on pensions were easy to understand and 45% thought that they had access to enough information to make informed decisions.

"Often, HR has overall responsibility for pension strategy, provision and communications, so it is worrying that they have a less than positive view of their own areas of responsibility," said Mrs Condron. "Like all other employee groups. HR departments would benefit from improving their pensions knowledge and ensure their communications strategy is clearly planned. It's important that employers see value for money from the benefits provided, and this won't happen if employees remain poorly informed."

According to Mercer, good company pensions are highly valued by many employees and can play a major role in staff retention. Indeed, the report notes that company benefits are cited by employees as a major reason for remaining with their employer. Consequently, companies should actively extol the virtues of their pensions to staff and ensure that their employees have enough education, information and advice to help them plan for their future in a realistic manner.

"Without adequate preparation and with no default retirement age dictating career length, employees may remain in the workforce simply because they feel financially unable to retire," added Mrs Condron. "This will create a new raft of problems including lack of career progression for junior staff and increased healthcare company costs as staff further into old age because they can't afford to retire. Educating staff about retirement provision regularly and realistically will help nip related problems in the bud."

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Notes for editors

Mercer is a global leader in human resource consulting, outsourcing and investment services. Mercer works with clients to solve their most complex benefit and human capital issues by designing, implementing and administering health, retirement and other benefit programs. Mercer's investment services include investment consulting, implemented consulting and multi-manager investment management. Mercer's 20,000 employees are based in more than 40 countries. The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc., which lists its stock (ticker symbol: MMC) on the New York and Chicago stock exchanges. For more information, visit www.mercer.com.

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