Automatic enrolment in the UK—From concept to more than 3 million pension savers

Charles Counsell

6th Global Pensions & Savings Conference
2nd -3rd April 2014
Why? Reasons for the reform

Figure 1 - Life expectancy rising

Figure 2 - Less people saving
Aims – automatic enrolment aims to increase private pension saving in the UK

Once fully implemented, automatic enrolment aims to increase the number of:

• individuals newly saving or saving more in a workplace pension by around eight million, and

• increasing the amount that is being saved in workplace pensions by around £11 billion a year.
Automatic enrolment – the story

2002
Pensions Commission launched

2004
Pensions Act 2004 creates The Pensions Regulator

2005
Pensions Commission recommends automatic enrolment

2008
Pensions Act 2008 automatic enrolment established; The Pensions Regulator given role to maximise employer compliance; NEST created

2010
Coalition government reviews automatic enrolment

2012
July 2012 - duties apply and first employer enrols staff

2014
3m employees automatically enrolled

2014 – 2017
SMEs still to auto enrol

2011
Amendments to rules

The Pensions Regulator

Restricted – DM 2713753
## Workplace pensions automatic enrolment at a glance

<table>
<thead>
<tr>
<th></th>
<th>United Kingdom</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility test</strong></td>
<td>Age, income, exempt groups</td>
<td>Age, exempt groups</td>
</tr>
<tr>
<td><strong>Automatically enrol</strong></td>
<td>Existing and new workforce</td>
<td>New employees</td>
</tr>
<tr>
<td><strong>Opt - out option</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Opt - in option</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Employer minimum contribution</strong></td>
<td>1% going to 3%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Employee minimum contribution</strong></td>
<td>1% going to 5%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Government Contribution</strong></td>
<td>1%</td>
<td>$1,000nz Kick start Up to $521 members tax credit</td>
</tr>
<tr>
<td><strong>Other features</strong></td>
<td>-</td>
<td>Home loan withdrawal First home deposit subsidy</td>
</tr>
<tr>
<td><strong>Scheme choice</strong></td>
<td>Employer chosen</td>
<td>Employee (or default allocation)</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>NEST (public service obligation) + market</td>
<td>6 Default Schemes + market</td>
</tr>
<tr>
<td><strong>Compliance model</strong></td>
<td>Employer focus – UK Pensions Regulator supervision</td>
<td>Central Administration – NZ Inland Revenue</td>
</tr>
</tbody>
</table>
Players in the game

The Pensions Regulator
“Maximise employer compliance”
Educate, enable, enforce

Pension schemes
- Existing schemes
- New entrants
- NEST

Software
- Payroll software
- Middleware

Advisors
- EBCs
- IFAs
- Accountants
- Bookkeepers

Employers
- Large
- Medium
- Small
- Micro

DWP
- Policy
- Comms to individuals

Individuals
Opportunities

- Length of roll out
- Cross party support
- Stakeholder consensus
- NEST
- Supply capacity – models must be online
- Confidence in pensions – quality standards
- Financial literacy
- Contribution rates start low - phasing
- Advertising
- Education, enable, then enforce

Challenges

- Uncertainty across multiple elections
- Economic conditions changed
- Other Government priorities e.g. RTI
- Scheme choice for small and micros
- Complexity of implementation
- Burden mostly on employers
Progress so far

**Lead indicator**

Levels of support

Outcomes

---

**2013 Spring Employer tracker survey results**

**Jan 2014 Registration data**

**Of those employers to whom the duties have now applied**

---

**In principle AE is a good idea for your workers**

---

- > 10,000 - Employers automatically enrolled jobholders
- > 3 million - Jobholders enrolled into Defined Contribution schemes
- > 400k – Jobholders to go into Defined Benefit schemes
- Over 75% workforce now in pensions schemes
Appendices
Employer staging profile
Communications strategy: Multi-channel approach

- Inbound/outbound calls
- Intermediary events
- Trade body events
- Employer webinars
- Midrange products
- Medium employer journey
- Advertising and media campaigns (online and offline)
The law on workplace pensions has now changed and every employer must comply. Start planning for automatic enrolment today by finding out the staging date for your company. To get started visit tpr.gov.uk/actnow
Workplace pensions. We're all in.
Website campaign landing page

The Pensions Regulator

Workplace pensions has changed - act now

The law on workplace pensions has changed and every employer must comply. Start planning today. Find out your organisation's deadline for being compliant by checking your staging date.

Employers

Automatic enrolment - act now

Step 1: Enter your PAYE reference (you can find this on your P35) into our tool to find out your staging date.

Find your staging date

Step 2: Once you know your staging date you can use our timeline planner to understand what you need to do and when to comply.

Create your plan

Pensions professionals

Your clients may ask you to carry out some or all of their employer duties on their behalf. You can access useful information and resources to help you in the specific areas where your clients ask you for help.

› Help your clients prepare

Trustees

Trustees have an important role to play. Employers may approach you for advice on whether they can use the pension scheme for automatic enrolment and if not, how to change the scheme rules.

› Automatic enrolment and the role of trustees

Individuals

Automatic enrolment has begun. This means that employers will need to automatically enrol certain staff into a pension scheme and make contributions towards it.

› Check whether automatic enrolment affects you

The Pensions Regulator
Medium employer journey
Online employer planning tool
Finding a provider

You can find pension scheme providers in a number of ways, including using an adviser. You should consider some key questions to help you check their scheme meets the legal requirements and is suitable for your needs.

On this page

- Key points
- Who can help you find a provider?
- List of providers
- Questions to ask providers

How to choose a pension scheme

When you choose a pension scheme for your staff you must make sure it meets certain criteria. You should also choose a good quality scheme that provides value for money and protects your staff’s retirement savings.

If you have an existing scheme, you need to decide whether you continue to use it for existing and new members. You may need to choose a new scheme for some or all of your members.

On this page

- Key points
  - If you don’t have a pension scheme
  - If you have a pension scheme
- Reviewing the quality of a new or existing scheme

If you don’t have a pension scheme

If you don’t have a scheme, or you can’t use (or don’t want to use) your existing scheme, you must choose a new one.

Most employers are likely to use a defined contribution (DC) scheme for automatic enrolment. The most suitable DC scheme is likely to be a large scheme run by a specialist pension provider such as a group personal pension or master trust.

You should speak to a scheme provider or a pension adviser. Go to finding a provider.

You may be approached with offers to open a new trust-based scheme. This would involve your organisation providing a board of trustees to run the scheme and therefore would involve more cost, time and work for you as the employer.

Most employers will find that it is not cost-effective to set up this type of scheme unless it has at least 1,000 employees in the scheme.
Useful links

AE Analysis and commentary report 2013

AE Employer awareness and understanding report spring 2013
Employers' awareness, understanding and activity relating to workplace pension reforms - Spring 2013 (PDF, 977kb, 83 pages)

AE Intermediary awareness and understanding report spring 2013
Intermediaries' awareness, understanding and activity relating to workplace pension reforms - Spring 2013 (PDF, 730kb, 62 pages)

AE Intermediary hub

The Pensions Regulator website

Making Automatic Enrolment work

AE evaluation report 2013

www.thepensionsregulator.gov.uk