



# **Automatic Enrolment – experience to date**

**PLSA North London Workshop –  
Thursday 20th June 2019**

# The Pensions Commission – the case for reform

**First Report - Pensions: Challenges and Choices** - 12 October 2004: set out detailed and comprehensive analysis of the UK pensions system.

The commission found:

- **Life expectancy** was increasing rapidly and would continue to do so.
- **Retirement age** should rise but:
  - any achievable increase would not be enough of itself to match the life expectancy increases; and
  - inequalities in life expectancy and health across socioeconomic groups limited the scope
- **Private Pensions saving** was falling rather than rising to meet the demographic challenge:
  - Nearly 2 in 3 adults not contributing to a pension – 12m not saving enough for retirement
  - Many DB schemes had closed to new members
  - Defined Contribution (DC) schemes had shifted risks to individuals sometimes ill-equipped to deal with it
  - It was unlikely that the voluntary private system would solve the problem of inadequate pension savings

# Fundamental policy reforms address these issues

## Pensions Commission

- **Second Report** 30 November 2005: presented conclusions on the likely evolution of the UK pension system if policy remained unchanged, and recommendations for a new policy direction
- **Final Report** Implementing an integrated package of pension reforms 4 April 2006

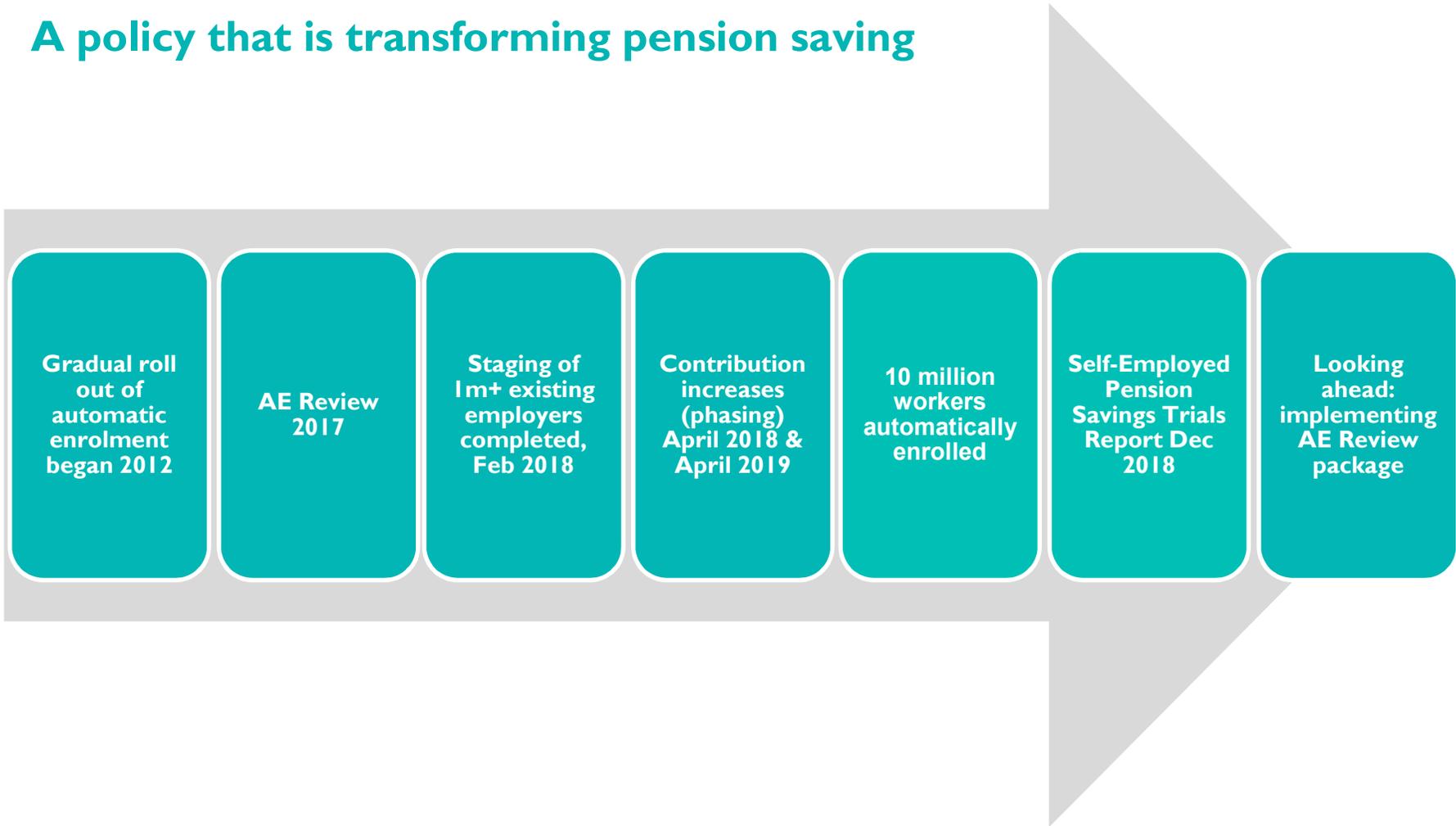
The Commission proposed an integrated set of policies to create a new pension settlement for the 21st century including:

1. **State pension** - more generous, more universal, less means-tested and simpler; **State Pension age** increases with increasing life expectancy, sensitive to differences by socio-economic group and commitment to ongoing review
2. **Automatic enrolment** strongly encouraging individuals to save
3. Modest minimum level of matching **employer contributions**
4. **National Pension Savings Scheme**



# Automatic enrolment

A policy that is transforming pension saving



## Automatic Enrolment has been a success



**10 million**

Employees have already been automatically enrolled into a workplace pension and over

**1.5 million employers**

have met their duties as at end of May 2019.<sup>[1]</sup>

**£90.4 billion**

total saved by eligible savers in 2018<sup>[3]</sup>

**Savings behaviours have remained consistent** before and after the April 2018 contribution increase and on average,

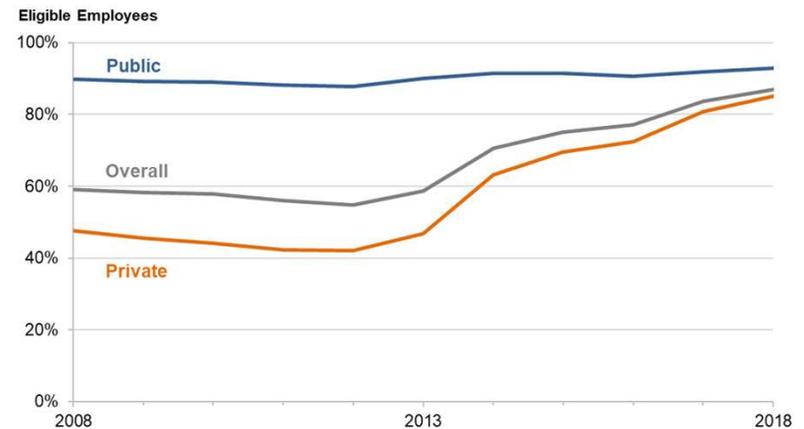
**less than 1%**

of eligible savers are actively choosing to stop saving per month, as at end of June 2018.<sup>[2]</sup>

**72%**

of eligible employees saved into a workplace pension in at least three of the last four years.<sup>[3]</sup>

### Workplace Pension Participation (2008 – 2018)<sup>[3]</sup>



Overall **87 per cent** of eligible employees were participating in a workplace pension in 2018, up from 55% in 2012.

**£18.6bn**



Estimated extra pension saving per year in 2019/20 as a result of automatic enrolment<sup>[4]</sup>

# Workplace pension participation for eligible employees<sup>[3]</sup>

## (Overall – Public & Private Sector)

The number of eligible employees participating in a workplace pension has increased from 10.7 million in 2012, to **18.7 million** in 2018.

In 2018, the proportion of **eligible employees** participating in a workplace pension increased to **87%**, an increase of 32 percentage points from 2012.

### Low earners

In 2012, 34% of **eligible employees** earning between £10,000 and under £20,000 were participating into a workplace pension. As of 2018, this rate had increased to **81%**, a 47 percentage point increase.

### Women

In 2012, 59% of **eligible women** were participating in a workplace pension (for men this was 52%). As of 2018, this had increased to **88%**, in comparison to **86%** for men.

### Young people

In 2012, 35% of **eligible employees** aged 22 to 29 were participating in a workplace pension. As of 2018, this increased to **85%**, a 50 percentage point increase.

## Attitudes towards workplace pensions<sup>[2][5]</sup>

**82%** of employees agreed 'I believe a workplace pension is a good thing for me'.

**80%** of employees agree that 'saving into a workplace pension is normal for someone like me'.

**78%** of employees agreed that 'Saving into a workplace pension is the normal thing to do if you work for an employer'.

# Automatic enrolment – policy perspectives

## What did we get right?

- Auto-enrolment is very effective
- Pensions are a matter for employment
- Importance of employer contribution
- Changes to State Pension system
- NEST
- Drove down charges

## What would we look at differently?

- Could it be simpler?
- The quality of schemes
- Are we missing a large group?
- Are contributions right?
  - Level and band of earnings

# 2017 Automatic Enrolment Review

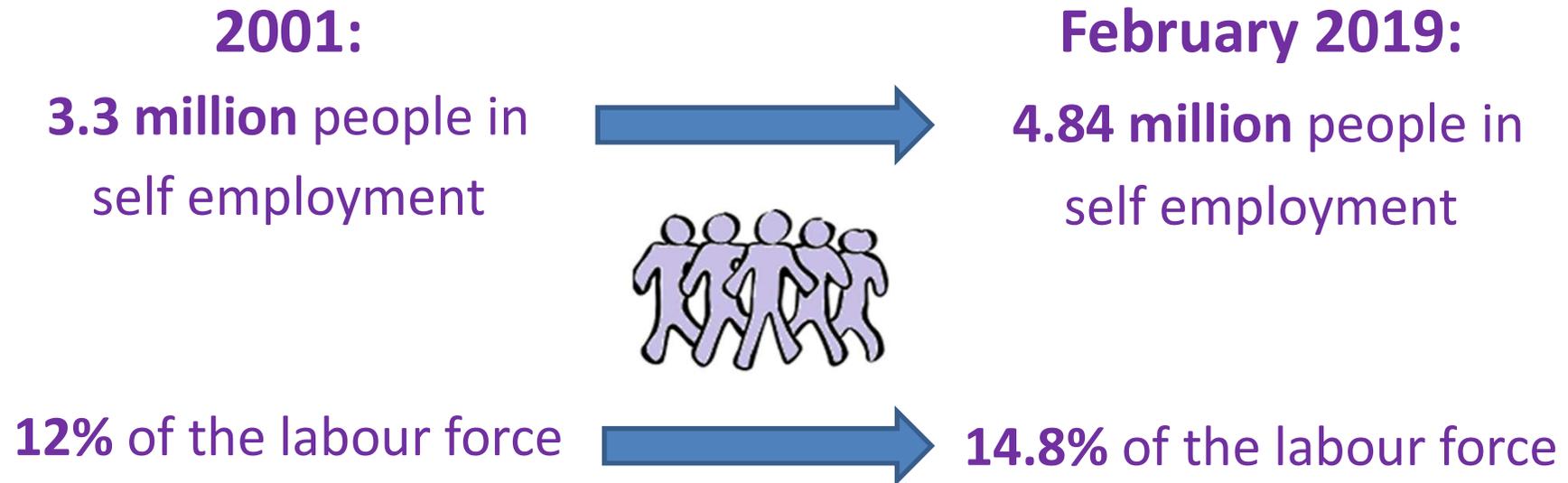
## Core proposals

Evolving automatic enrolment to expand the target audience and increase savings by:



- **Lowering the age criteria to 18** to make workplace pension saving the norm when most people start work; which we estimate will help an extra 900,000 people to save an additional £800 million per year
- **Removing the lower earnings limit** to increase contributions and the incentives for people with multiple jobs to opt in;
- Carrying out targeted trials to **increase pension saving among the self-employed**
- Keeping the **target audience for AE** under review;
- Working with the pensions industry to encourage more effective engagement – **junking jargon; industry-wide consistent and simple language**; investment in new technology – including work on a **simplified annual benefit statement** and facilitating industry to deliver **pensions dashboards**.

# Pension Saving for Self Employed People



Our report “**Enabling Retirement Saving for the Self-Employed: Pensions and Long-Term Savings Trials**”, published in December 2018:

- recognised the variety of self-employed working arrangements; and
- set out proposals for a programme of research and trials exploring new ways to encourage retirement saving among these groups.

## DC priorities

Key changes to the DC landscape over recent years:

- the massive **growth in membership** due to automatic enrolment; and
- the introduction of the '**freedom and choice**' reforms in April 2015 which ended the requirement for members to buy an annuity.

Unlike defined benefit pension schemes, which promise a specific income proportionate to length of service, DC scheme outcomes depends on a number of factors including the **amount paid in, fund investment performance, what they are charged and the choices made at retirement.**

### Master Trusts

Introduced new authorisation and supervision regime for Master Trust schemes, providing improved protection for members.

### Scams

Continue to improve scams protections

### Charge cap

Further review of level and coverage charge cap in 2020.

### Transparency

Costs, charges, investments, investment strategy and how it has been implemented all need to be published or disclosed on request to members.

### Investments

Facilitate investment by pension schemes in a wider range of investments, including less liquid assets such as infrastructure.

### Consolidation

Continue to closely monitor consolidation

### Pension Freedoms

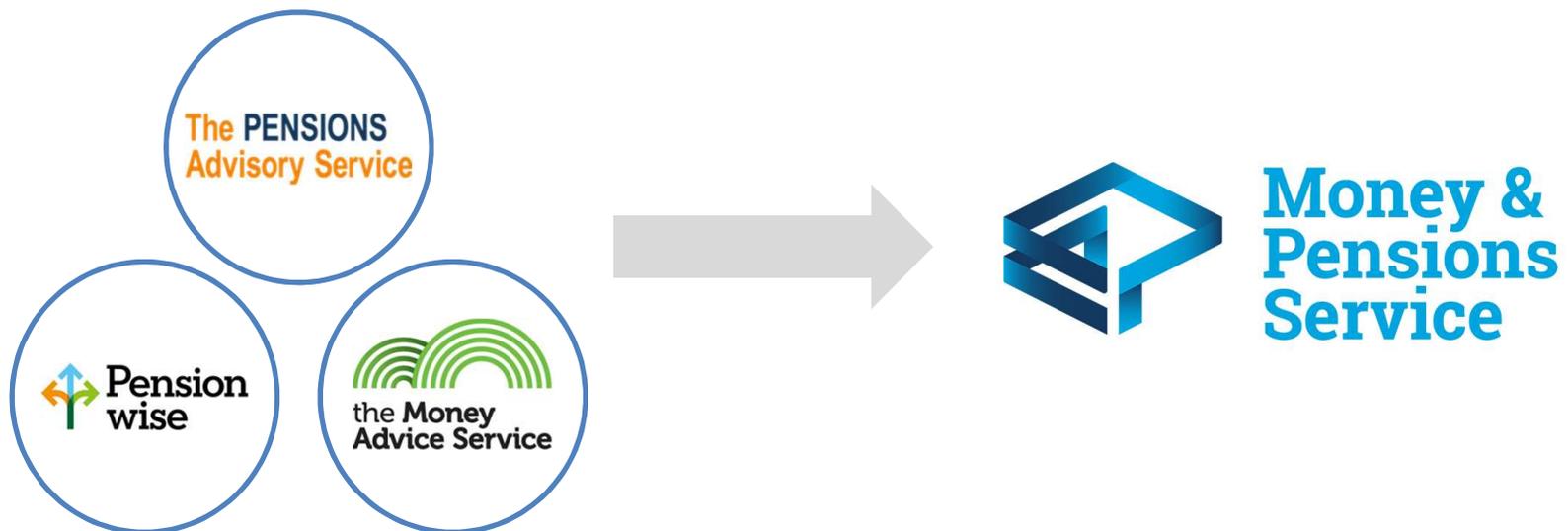
Monitor and develop possible interventions if risk of members running out of money in retirement increases



# Guidance and information

# Money and Pensions Service

- The Government is committed to ensuring that people, especially those who are struggling, have access to the information and guidance they need to make effective financial decisions throughout their lives.
- The new Money and Pensions Service, launched in January, brings together the services delivered by the Money Advice Service, the Pensions Advisory Service and Pension Wise.



- The creation of the Service is a genuine opportunity to improve provision of free and impartial government sponsored money and pensions guidance and debt advice to ensure people make informed choices about their finances.

# Pensions dashboards

- Pensions dashboards will allow individuals to see their pensions information online in one place.
- In December 2018, we published our feasibility report and public consultation on pensions dashboards - Government's response was published on 4 April 2019.
- We have committed to legislating to compel pension schemes to make consumers data available to them via dashboards, when parliamentary time allows.
- We are committed to providing state pension information via dashboards, and are continuing to work towards making this happen at the earliest opportunity.
- The Department has agreed that the Money and Pensions Service is best placed to facilitate industry to deliver dashboards.
- The Money and Pensions Service will convene an industry delivery group, made up of stakeholders from across industry, consumer groups, government and regulators to ensure that dashboards are delivered safely and securely.

# References

- <sup>1</sup> The Pensions Regulator: Automatic Enrolment Declaration of Compliance Report. As at end of November 2018:  
<http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-declaration-of-compliance-monthly-report.pdf> (Updated every month)
- <sup>2</sup> Automatic Enrolment evaluation report 2018:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/764964/Automatic\\_Enrolment\\_Evaluation\\_Report\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764964/Automatic_Enrolment_Evaluation_Report_2018.pdf)
- <sup>3</sup> DWP (2018) Official statistic on workplace pension participation and savings trends of eligible employees: 2008-2018:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/806513/workplace-pension-participation-and-saving-trends-2008-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/806513/workplace-pension-participation-and-saving-trends-2008-2018.pdf)
- <sup>4</sup> DWP (2018) Review of the automatic enrolment earnings trigger and qualifying earnings band for 2019/20: supporting analysis  
<https://www.gov.uk/government/publications/automatic-enrolment-review-of-the-earnings-trigger-and-qualifying-earnings-band-for-201920>
- <sup>5</sup> DWP (2018) Workplace Pension: research into saving for retirement <https://www.ipsos.com/ipsos-mori/en-uk/workplace-pension-new-research-saving-retirement>