Making Auto-Enrolment Work

The NAPF Submission to the Government's review of the 2012 pension reforms August 2010

Executive Summary

The objectives of the 2012 Reforms

I. The 2012 pension reforms – auto-enrolment, mandatory contributions and NEST, are amongst the most significant changes to affect the UK's pensions landscape in decades. If implemented correctly, there is the opportunity to extend pension saving to millions of people and tackle the UK's pensions crisis, a crisis which has deepened since Lord Turner conducted his review in 2004: then 53% of the population was saving for a pension. Today that number stands at just 44%. The reforms that Lord Turner identified, and around which a consensus has now been built, are needed more than ever.

II. Nonetheless, the new Government is right to take the opportunity to review the 2012 reforms, to ensure they are fit for purpose and that auto-enrolment can be implemented efficiently.

III. The Government is also right to identify concerns about the numbers of pensioners forced to rely on means-tested benefits. The NAPF shares these concerns. However, we do not believe the solution is to deny lower paid workers the opportunity for private pension saving. Instead, the Government should focus on introducing a decent state pension that provides an adequate floor of benefits and which would lift millions out of means-testing. The NAPF has suggested a solution in the form of the Foundation Pension, and we would be pleased to work with Government to develop our proposals.

IV. The focus must therefore now rest on getting the detailed implementation of auto-enrolment right, rather than altering the fundamental tenets of the 2012 reform package.

The scope of auto-enrolment

V. The NAPF believes that the scope of auto-enrolment is broadly correct. We do not see the case for any fundamental change. To do so would be to exclude the very people for whom the 2012 reforms were designed:

- We do not believe the **earnings threshold** at which employees start to be auto-enrolled should be increased. Increasing the earnings threshold to £10,000 (from £5035) as some have suggested would exclude 17% of all employees and 27% of female employees.

- **Older workers** should not be exempted from auto-enrolment. Many older workers would benefit from pension saving.
- **Small firms** should not be exempted from the requirement to auto-enrol. People working in small firms are least likely to have a pensions with an employer contribution so to do so would undermine one of the original objectives of the Turner Commission. For example, excluding employers with fewer than 12 employees would mean around 2 million workers could be excluded from auto-enrolment.

VI. Rather than focus on changing the parameters of auto-enrolment, the Government should focus on getting the detail of auto-enrolment right, so that employers already offering good quality schemes can continue to do so. If implementing auto-enrolment is made overly complex for these schemes, there is a risk that widespread levelling down may occur – already over a quarter (27%) of schemes have yet to decide whether they will level down as a result of the auto-enrolment requirements. The Government must introduce a number of easements which would benefit good quality existing schemes and not put at risk the 2012 objectives:

- The definition of **qualifying earnings** should be changed to one based on basic earnings so that it fits with the way most schemes currently operate. If the Government will not take this step, then it must introduce a simple system of scheme certification to ensure schemes will not have to dilute their definition of pensionable pay.
- Requiring **auto-enrolment from day 1** is, in the NAPF's view, overly restrictive. Employers should be allowed to set 3 month waiting periods (and 6 months if they meet the current 'deferment' criteria). There is no evidence that waiting periods increases the incidence of employee opt outs.
- Employees must be allowed to **opt-out during the waiting period**.
- Employers must be allowed greater flexibility to determine their own **staging dates** so that these fit with other employer activities, such as payroll cycles. These and other administrative changes will help to reduce both the costs and the bureaucracy of auto-enrolment.

Alternatives to NEST

VII. Pension providers have been unable to develop a model for reaching smaller employers and people on lower incomes at a reasonable charge, and there is little enthusiasm for replacing NEST in the pensions industry. The objectives of the reforms are best served by continuing with NEST, as NEST is more likely to be ready on time than any new alternative, and can reach the small employers and lower-paid employees who are currently excluded from pensions.

Introduction

1. The NAPF is the voice of workplace pensions, both in the private and public sector. We represent 1,200 pension schemes, with some 15 million members and assets of £800 billion.

2. The NAPF and our members share the Government's objective of making auto-enrolment work and welcome the opportunity of inputting into this review. NAPF members already operate good workplace pensions, and some already use auto-enrolment to boost membership. We have long advocated the need for all employees to be offered a workplace pension with employer contributions, and for auto-enrolment to boost take-up.

3. This submission responds to the key points in the Review's Terms of Reference (TOR), and is split into three sections:

    1. The objectives of the 2012 reforms
    2. The scope of auto-enrolment
    3. Alternatives to NEST

Section 1: the objectives of the 2012 Reforms

The 2012 Consensus

4. The 2012 pension reforms have been designed in response to the UK's pensions savings crisis. Without action a large proportion of today's workers are facing poverty in retirement, with only means-tested benefits to support them. The Turner Review found that one of the main solutions to the crisis was to widen access to workplace pensions - so that all employees have access to a pension with an employer contribution. Introducing the NEST scheme (originally called NPSS) and auto-enrolment would ensure that all employers could offer such a pension and most employees would take up the offer.

5. The scale of the problem and the long term nature of the solution meant that a consensus had to be built including all the main political parties, employers, trade unions and the pensions industry. This required compromises on all sides, but that consensus has held together as the details of the reforms have been designed. Whilst it is right that the Review makes sure that the reforms are on course to succeed and looks for savings and improvements that can be made, it must make sure this consensus remains.

6. Therefore it is good that the Review's Terms of Reference (TOR) emphasises the key objectives of widening access to savings and tackling poverty, and also the key factors that need to be balanced, such as the effect on existing provision,

and the costs to employers and the Government. The factors mentioned in the TOR are set out in box 1 below.

Box 1: Measures of effectiveness the reforms – from the TOR	
a	Tackling pensioner poverty as quickly as possible, including among women pensioners;
b	Maximising voluntary private savings and the speed by which this objective can be achieved;
c	Minimising the administrative burdens on employers and the impact on existing provision;
d	Achieving an effective balance between the achievement of policy objectives, pace of implementation, value for money and risk; and
e	Maximising value for money for the Exchequer.

7. Throughout the debate on the 2012 reforms, there have been concerns about employees on low incomes and whether means-tested retirement benefits means they should not be encouraged to save into a pension. A key part of the Turner Commission's recommendations was to make it easier to accrue a full State Pension and to re-establish the earnings link, to try to stop and reverse the growth in means-testing. However, even with these reforms a considerable amount of means-testing will remain. The NAPF believes that the answer to this problem is to increase incentives to save for those on low incomes by further reforming state pensions and benefits. Earlier this year, the NAPF published a policy paper *Fit for the Future*, which set out the case for combining the basic State Pension and State Second Pension into a Foundation Pension of £8,000 a year[1]. This would take 2 million people out of means-testing in retirement altogether, and improve savings incentives for all workers.

8. The alternative approach of discouraging those on low incomes from saving, and excluding them from auto-enrolment, is not acceptable, as this would perpetuate the poverty trap. And it would be difficult to target this discouragement effectively as DWP research has found it is not easy to predict at an earlier age which people will be effected by means-testing in retirement. The Review Team would therefore be making a mistake if they tried to reduce auto-enrolment to deal with means-testing.

<u>Developments since the Turner Commission</u>

9. A key part of the Review is to see if changes that have happened since the Turner Commission made its recommendations mean that the reforms need changing. Box 2 shows the developments that are listed in the Review's TOR.

[1] *Fit the Future: NAPF's vision for pensions*, NAPF, 2010.

Box 2: Developments since the Turner recommendations – from the review TOR

- The credit crunch in financial markets, the economic downturn and the fiscal deficit;
- A greater understanding of likely costs and the proposed charging structure for NEST;
- The proposed approach and profile for introducing the new employer duties and phasing in of minimum levels of mandatory contributions;
- The proposed review of state pension age; and
- Other changes such as the further increases in life expectancy and further decline in private sector pension coverage.

10. Most of the developments that have occurred have strengthened the case for the 2012 reforms to go ahead as planned. The need for workplace pensions to be available to all workers has become more urgent during this time:

    - The decline in DB pensions has increased. When the Commission started its work in 2003, over 50% of private sector DB schemes were open to new members. Today less than a quarter are still open[2].
    - The numbers of people saving in workplace pensions has also declined. The Pensions Commission found that in 2003, 44% of people in work were not saving[3]. Today 53% of workers are not saving into a workplace pension[4]. And recent analysis by the Pensions Policy Institute for the NAPF shows that in 2050 over half of pensioners will still be eligible to means-tested benefits[5].
    - 87% of employers with fewer than 12 employees do not offer a pension, leaving 1.93 million workers without access to a workplace pension[6].
    - The recession has helped accelerate this decline in workplace pension provision, whilst the squeeze on public finances has emphasised the need for workers to make their own savings in addition to state provision.
    - NEST has set out a model for keeping charges low in the long term, whilst raising enough to repay its Government loan. However, pension providers in the private sector have been unable to find a model for providing low charge pensions to smaller employers. New developments like 'Active Members Discounts' attempt to keep charges low for active members – but at the price of higher charges for deferred members.
    - The continuing increases in longevity have also emphasised the need for more workers to be setting more aside for their retirement.

[2] NAPF Annual Survey 2009
[3] *Pensions: Challenges and Choices, The First Report of the Pensions Commission*, 2004.
[4] NAPF analysis of the *Occupational Pensions Scheme Survey 2008*, ONS, October 2009.
[5] *Fit for the Future: NAPF's vision for pensions*, NAPF, 2010.
[6] Annual Survey of Hours and Earnings, ONS, November 2009.

11. Other changes have emphasised the need for the system of auto-enrolment to be fine-tuned to ensure that the costs of the reforms are well targeted.

    - The recession has made it even more important to keep costs down for employers, and to remove any unnecessary bureaucracy.
    - The DWP made a number of important changes to the auto-enrolment regulations as a result of the consultation, but there is still a need to make the rules more flexible and less prescriptive.
    - Proposed changes to tax relief mean the DWP needs to look at how the auto-enrolment works for some high earners.

12. Therefore, the Turner Commission's analysis and recommendations still hold true today. In fact, the evidence shows that the need for NEST and auto-enrolment is stronger than ever, and that the reforms should not be delayed or watered down. Levels of pension saving continue to decline, and the pension industry has not been able to find affordable ways of delivering pensions to smaller employers and those on lower incomes. However, given the economic pressures employers are faced with and the risk of levelling down, it is right that review focuses on improvements that can be made to the system of auto-enrolment.

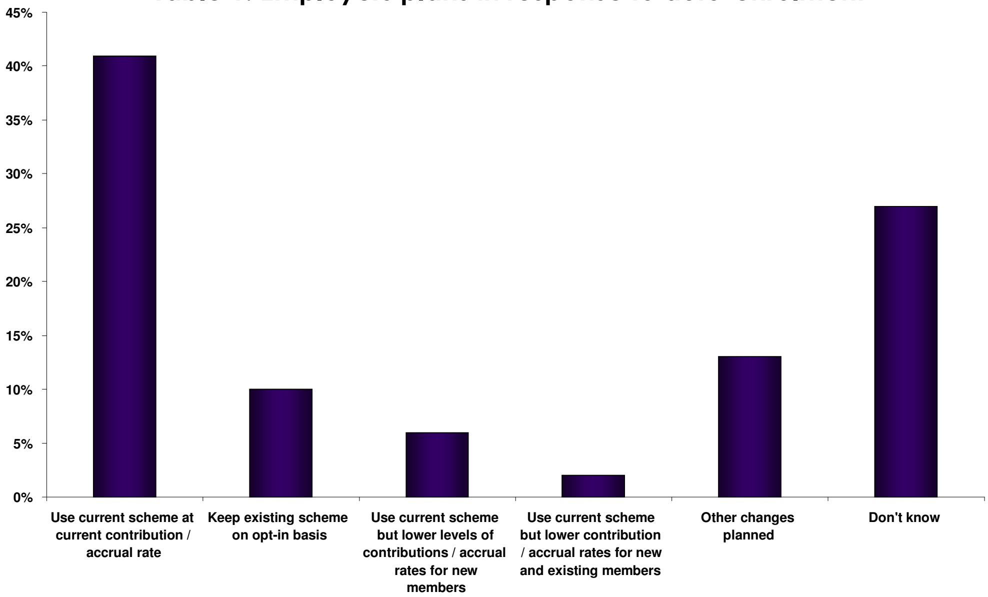
<u>Protecting existing schemes and preventing levelling down</u>

13. Whilst NEST is important, a key part of the success of the reforms will be in increasing access to <u>existing</u> good pension provision. Introducing auto-enrolment could greatly increase membership of existing pension schemes, and benefits in both existing DB and DC pensions schemes are significantly higher than the minimum under the 2012 reforms (8% contributions on qualifying earnings, with 3% from the employer). The average contributions going into a DC pension scheme run by an NAPF member are 11.7%, with employer contributions of 7.3%[7]. In 2006, the NAPF calculated that the average DC saver will be £3,000 a year better off in retirement compared to someone saving at the 2012 minimum level[8].

14. However, there is a risk in the current economic environment that many employers level down their provision to the minimum, to contain their pension costs as membership increases. Our last Annual Survey found that 31% of NAPF members are planning to level down in some way – and another 27% have not yet made up their mind about whether to level down or not. The full responses to the survey are in Table 1.

[7] NAPF Annual Survey 2009
[8] *More Savers, More Saving?* NAPF, 2006

Table 1: Employers plans in response to auto-enrolment



15. These figures shows that the decisions made by the Review Team could still have a large impact on the amount of employers who decide to level down their provision. Therefore, the Review needs to focus on protecting and promoting existing pension provision, and discouraging the 'levelling down' of pensions to the 2012 minimum.

Section 2: The scope of auto-enrolment

16. A key focus of the Review is the scope of auto-enrolment and whether it is targeted at the right groups. The issues mentioned in the Review TOR relating to the scope of auto-enrolment are listed in Box 3 below. This section responds to all the issues in the list. However, the first issue to focus on is that of qualifying earnings and basic pay, as this is the biggest long-standing concern of the NAPF and many other stakeholders. Making sure this issue is resolved should be a priority for the Review.

Box 3: Issues relating to the scope of auto-enrolment – from the Review TOR

- The earnings threshold, above which automatic enrolment applies;
- The introduction of a de minimis level for contributions before automatic enrolment applies;
- The age group to which automatic enrolment should apply;
- The size of firm to which automatic enrolment should apply; and
- Whether employees should be automatically enrolled on the day they start work or some later date.

Definition of qualifying earnings

17. The DWP's qualifying earnings band (£5,035 - £33.540) for auto-enrolment has long been an area of concern. Over 80% of employers with DC schemes have all of basic pay as pensionable pay, and the NAPF argued for the Government to use a definition based on basic pay not an earnings band. Switching definitions of pensionable pay from basic pay to qualifying earnings would not only be problematic for employers (NAPF members have estimated the one-off costs of system changes at £25,000 to £100,000), it would also disadvantage the majority of employees, particularly those on low incomes.

18. According to the ONS, the main types of non-pensionable pay (bonuses, overtime and commission) make up a larger proportion of high earners pay packets than they do for low earners, and for an average earner only make up around 5% of total pay[9]. So, for employees on average earnings, basic pay makes up almost 95% of total pay. This is much more generous than qualifying earnings, where the first £5,000 is non-pensionable. If an employer levelled down its definition of pensionable pay from basic pay to qualifying earnings, an employee on average earnings would (on average) lose a fifth of his or her pension. An employee on half average earnings would lose about a third of his or her pension.

19. Therefore, it is essential that employers are allowed to keep their existing generous definitions of pensionable pay. The most obvious way of doing this would be to change the earnings band set out in the Pension Act 2008, and to create a definition of basic pay. We accept this would create an incentive for employers to increase the proportion of pay that is non-pensionable and reduce the proportion that is classed as basic pay. However, changing pay in this way is not easy and any move would be slow and gradual. To stop this, the DWP or the Pensions Regulator could monitor the situation and have reserve powers to take action if necessary. Limits could then be set on the proportions of pay that could be non-pensionable in a similar way to what has been proposed for certification (see paragraph on certification below).

20. At the Review's employer and industry stakeholder groups there was almost universal support for moving to a basic pay definition of qualifying earnings. The NAPF would continue to support that call and urge the Review to look at the case for changing the Act.

21. The next best solution would be a workable system of Certification for DC schemes. We were very pleased that the DWP withdrew the first draft regulations on Certification, which all stakeholders agreed were too complex. It is essential the system is flexible and simple to use, and this means the test must be at a scheme level rather than individual level. The NAPF has suggested a

[9] Annual Survey of Hours and Earnings: Statistical Bulletin, November 2009, p11.

certification system which compares contribution levels going into the scheme with total pay to scheme members. DWP officials have developed a model of certification based on this concept which they call the 'sliding scale' system, and which has had a good response from employers who have been consulted by the DWP. However, the devil will be in the detail – and it is vital that the DWP does not overcomplicate the system with extra requirements and tests. It would be better to start with a simple system and review this after several years of operation to see if there are any problems, rather than set complex rules to deal with problems that may not even emerge.

<u>The earnings threshold</u>

22. It has been suggested that the lower band of qualifying earnings should be increased to better target auto-enrolment and exclude people on lower incomes. Proponents argue this would make the reforms more affordable and would reduce the risk of people being auto-enrolled who won't benefit from pensions due to means-testing in retirement. As set out earlier the NAPF believes the answer to concerns about means-testing is to reform the state pension no reducing the coverage of auto-enrolment and excluding the low paid. The 2012 reforms are supposed to be about extending pension coverage to those on lower incomes and reducing pensioner poverty (and the Review TOR reflects this).

23. Increasing the threshold to £10,000 would exclude 17% of all employees. It would disproportionately exclude women, with 27% of female employees earning less than £10,000, and part-time workers, with 58% of part time jobs earning less than £10,000. Whilst we accept that the current £5,035 threshold should not necessarily be set in stone, we have not seen any evidence that any savings from increasing the threshold would be worth the disadvantages. In particular, we would have a major concern about reducing the size of the earnings band, as this would reduce overall levels of pension savings and the effectiveness of the whole reform. An increase in the threshold would therefore only make sense if the qualifying earnings definition was changed so that once an employee earned over the threshold, contributions were on all basic pay from the first pound of earnings.

24. Some concerns have also emerged about the auto-enrolment of very high earners, due to proposed changes to tax relief. In addition, there are also concerns about employees with Enhanced Protection being auto-enrolled. The DWP and the Pensions Regulator need to look into these issues, and make sure that advisers and employers are able to warn employees in this situation of the risks of not opting out.

De minimis levels of contributions

25. The smaller the contribution the more likely that the costs of administration will outweigh the benefits to the recipient. Clearly, there is a case for employers to be allowed to set a very low de minimis level of contribution – so that say contributions under £10 do not need to be paid. However, the problem of small contributions is created by the qualifying earnings band, which means those that earn just over the band may have very low eligibility. This would be eradicated by a move to basic pay so that all eligible employees pay contributions on a large proportion of their pay.

26. A parallel issue of concern is the costs of administering small pension 'pots', which are created by an employee ceasing contributions after a short period. Again the costs of maintaining small pots over many decades are likely to exceed the benefits to the recipient. Occupational pensions are allowed to return contributions if the employee is in pensionable service for less than 2 years. There is clearly a case for a similar rule for contract-based schemes, so that there is equal treatment of employees and schemes, and to reduce the incidence of small pots. At a later stage, there may also be a case for allowing small pots to be compulsory transferred into NEST, where it is more likely the pot can be combined with pots from other employments and administered economically.

Age group

27. It has been suggested that older workers should be initially excluded from auto-enrolment as people who only start saving a few years before retirement may not benefit because of means testing. NAPF members have expressed concerns about treating older workers differently given rules about equalities and age discrimination. Many older workers would benefit from saving, but might see there exclusion from auto-enrolment as an 'official' signal that they should not be saving. The removal of the default retirement age will make it harder to make universal assumptions about how long an older employee will be saving for. The best solution would be to leave it to the employee to decide whether to opt out based on their own knowledge of when they plan to retire, and to make sure help and information is available to those who are unsure what to so. Picking any cut off age is fairly arbitrary and will cause anomalies (people born a few days apart being treated completely differently), but at least the current cut off of 65 has some justification – such as relating to state pension age for men.

28. Of course, there are concerns that some older workers with little or no existing pension may be caught in a means-testing trap if they start saving too close to retirement. As stated earlier the real answer to this problem is state pension reform, which reduces the impact of means-testing. However, another issue that could be looked at is increasing the size of a pension pots that do not have

to be turned into an annuity under the trivial commutation rules. It might make more sense for more of these small pots to be taken as a lump sum rather than a pension income, as small amounts of capital often so not effect benefit entitlements. This could further reduce the likelihood that a older worker is penalised for saving into a pension.

29. Some NAPF members have expressed concerns that opt out levels for younger employees could be very high, and therefore cause high administration cost for limited benefit. We do not believe it makes sense to increase the starting age, but levels of opts out should be monitored to see if, with the benefit of experience, 22 is the correct point to auto-enrol young workers.

Size of firm

30. The NAPF does not believe that the scope of auto-enrolment should be changed to exempt small firms, and judging by the Review's stakeholder seminars this is little support for such a change amongst most stakeholders. Exempting small firms would undermine the whole reform, by excluding huge proportions of the UK workforce. According to the ONS, 87% of firms with fewer than 12 employees do not offer a pension, leaving 1.93 million jobs with no access to a workplace pension[10]. Tackling this problem is one of the main reasons the 2012 reforms were developed. It is not the case that workers at small firms are less likely to need or benefit from a pension. Removing small employers is likely to create fairness and competition concerns amongst medium-sized and larger firms. It also risks breaking the consensus, which means most employer organisations have supported the reform to date.

31. The costs of providing pensions to smaller employers is higher, but even if it was desirable there would be no easy way of excluding only the employers that it is uneconomic to serve, as there is no precise correlation between costs and firm size. For instance, a small firm that employs mostly higher earners (e.g a solicitors office) might be economic, but a much larger firm where most employees are low paid and do not stay long might be uneconomic.

Auto-enrolment from day one or later

32. The NAPF has consistently argued for employers to be able to use waiting periods, to make the administration of auto-enrolment easier and less costly. We believe all employers should be able to set a waiting period of a maximum of 3 month, rising to 6 months if they use for higher quality schemes that meet the deferment criteria (Almost all DB and Hybrid Schemes meet the criteria, as do DC schemes with 6% employer contributions). Allowing higher quality schemes to have a longer waiting period is as an important incentive that will help discourage levelling down and it essential this distinction remains.

[10] Annual Survey of Hours and Earnings, ONS, 2009.

33. The costs and complexity of auto-enrolling from day one are high for a couple of reasons. Firstly, auto-enrolment from day one forces employers to enrol staff who only stay for very short periods and would only ever create a small pot that is likely to be uneconomic. Employers can try to deal with this by using NEST for short-term staff or as a nursery scheme. However, forcing employers who have a good existing scheme to start using NEST for some or all new employees will encourage the development two-tier pension provision and invite employers to level down their provision. The UK's largest pension scheme, the Local Government Pension Scheme, excludes employees on short term contracts from auto-enrolment.

34. Secondly, auto-enrolment from day one forces employers to go through the costs of setting up membership and often refunding contributions to employees who decide to opt out. A waiting period allows new employees to express their wish to opt out before these costs have been incurred and deductions have been made. This benefits the employee, the employer and the scheme. NAPF members estimate the cost of each refund to be £25, so an employer with a high turnover of staff could have significant costs from refunds if a high proportion of employees opt out after deductions have been made. For contracted-out DB schemes the administration of setting up membership and then refunding contributions is even more complex and expensive because of the National Insurance issues. However, the Pensions Act prevents employees from opting out during a waiting period and it is essential these rules are changed.

35. The proponents of auto-enrolment from day one claim that delaying auto-enrolment and allowing employees to opt out during the waiting periods will increase the numbers of opt outs. However, there has never been any evidence to back up this assertion, and the NAPF do not believe it is true. In fact, schemes that have auto-enrolment after a waiting period still get high levels of take-up. The NAPF have provided the Review Team with a case study where auto-enrolment occurs 12 months after staff begin employment and there are very low levels of opt out.

36. Much of the evidence on the success of auto-enrolment comes from the US where 42% of 401 k plans use auto-enrolment[11] – but there is no requirement for this to happen from day one, and often employees aren't eligible to join the plan for up to a year. Almost 30% of 401 k plans don't allow temporary staff to join.

[11] 52nd Annual Survey, PSCA, 2009, p42

Other auto-enrolment flexibilities

37. Whilst the auto-enrolment rules require most employees to be auto-enrolled from day one (or after 3 months in a postponement scheme), employees on low incomes that are normally below the threshold cannot be auto-enrolled until they receive a pay packet that exceeds the threshold that makes them an eligible employee. This requires the employer to continually monitor the situation and only start membership on a week when the low paid employee's pay fluctuates over the line (for instance, because they do overtime or receive a bonus). This is needlessly prescriptive, and employers should be allowed to auto-enrol employees who don't ordinarily have earnings above the threshold into the scheme, and then make deductions as and when they cross the threshold. This would mean low-paid employees get information and the chance to opt out at the same time as any other employee would, rather than in a rush on Christmas bonus week – with the risk that contributions are deducted when he or she does not want that to happen.

38. Employers also need more flexibility over the way that auto-enrolment duty is staged in by employer from October 2012. The system currently set out in the regulations forces employers to auto-enrol all their employees on one prescribed date. All accruals and deductions must be started from this one date. This is simply too inflexible and does not take into account the different payroll cycles used by employers. For instance, some employers use both weekly and monthly pay cycles. Some employers will have thousands of staff members to auto-enrol and would welcome the opportunity to stage in the requirements across their workforce.

39. The NAPF believes that employers should be given the flexibility to auto-enrol their staff over a longer period, so that they can pick a date or dates that suit their workforce and payroll. The DWP believe that the Pensions Act does not allow this flexibility. The Review Team should take legal advice on this and consider whether the Act needs to be amended.

Alternatives to NEST

40. Following the publication of the Turner Commission's final report there was a long and thorough investigation into whether existing pension providers could deliver an alternative to NEST (then called NPSS or Personal Accounts). Since then, pension providers have been unable to develop a model for reaching smaller employers and those on lower incomes at a reasonable charge level. At the Review's industry group it was clear that most pension providers and ABI members are still not able or willing to develop an alternative to NEST. Those who do advocate an alternative, make it clear that this will only be achievable if a number of changes are made. The changes argued for include:

- The exclusion of uneconomic small employers
- The exclusion of the low-paid
- Higher charges
- A delayed start date beyond 2012
- Government subsidies to help the industry meet the universal service obligation if it is maintained

41. It's clear therefore that such alternatives do not offer any benefit, and would hinder the objectives of tackling poverty and boosting savings. The NAPF believes that the objectives of the reforms are best served by continuing with NEST, as NEST is more likely to be ready on time than any new alternative, and can reach the small employers and lower-paid employees who are currently excluded from pensions. However, if the Government are determined to look at alternatives to NEST, they should look at creating large industry-wide trust-based schemes, as these would have lower costs and better governance than other alternatives. The NAPF has proposed 'SuperTrusts' in its vision document *Fit for the Future*.

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