



### PRESS RELEASE

## Employers support higher minimum contributions, but more than a quarter say COVID has increased the number of employees leaving pension schemes...pension coverage dilemma persists

7 December 2020: In the third of a series of reports outlining the findings of the ACA's 2020 Pension trends survey, the Association of Consulting Actuaries (ACA) has found very strong support from employers for key automatic enrolment (AE) reforms.

6 in 10 employers think more flexibility would lead to higher saving and most larger employers support minimum contributions increasing to 10% from April 2022. Pension coverage remains a major problem. Almost 9 in 10 employers support extending AE to over 18s and applying AE from the first £1 of earnings. The survey found 59% of employers now engage 'gig workers' who, in addition to 15% of their employees, are ineligible for AE. Pension coverage hasn't been helped by the unsurprising increase in cessations following COVID-19.

The ACA survey<sup>1</sup> was conducted over summer 2020. It received responses from 281 employers of all sizes, who together run over 500 pension schemes.

### Key views of employers in the report are:

#### AE eligibility and opt outs

- **11-15%** of employees are **ineligible for AE**, plus 'gig economy workers' (engaged by **59%** of employers responding to the survey).
- **11%** saw **more employees leave their AE scheme(s)** last year. This **increased to 26%** following the COVID outbreak <sup>2</sup>.
- **88%** support **over 18s being eligible** for AE.
- **84%** support AE **applying from the first £1** of earnings.

#### Flexibility

- **62%** think **more flexibility would increase employee saving** (up from 53% last year).

#### Contribution rates

- Total **DC contributions remained at 9 – 11%** of earnings. This isn't enough to provide a comfortable retirement.
- Median **DB contributions increased to 21-25%** of earnings (excluding deficit contributions).
- **52%** support **higher minimum AE contributions**. **68%** could support total minimum AE contributions of 10% of earnings from April 2022 (mainly employers with more than 250 employees).

**Commenting on the findings, ACA Chair Patrick Bloomfield said:**

*“The Government has resisted calls to include AE reforms in the Pension Schemes Bill. The ACA’s survey shows strong support from employers, to add to support for reforms from MPs and Lords. We call on the Government to publish a timetable for its next AE review and implementing the recommendations of the last AE review.*

*“It’s understandable that more people have opted out of pensions following COVID. Our challenge is that we weren’t saving enough for a decent retirement in the first place. This will leave more people facing a miserable retirement.*

*“Our society needs the Government to bring in higher minimum savings rates, which apply to more people. It will take time to phase in, so we need to start planning now, as part of the Government’s “build back better” response to COVID. Continuing to duck the issue of adequate pensions will come home to roost when people can’t afford to retire.”*

**Also commenting on the findings, Tessa Page, Chair of the ACA DC Committee said:**

*“This year’s survey underscored many of the weaknesses that remain in the DC-world – weaknesses that call for action from Government, employers and employees over the years ahead.*

*“Government needs to put flesh on the bones of how it intends to implement AE reforms and whether it is minded to move ahead with increases in minimum contributions. The calls for a more flexible workplace savings vehicle identified in our survey also require Government legislative action, supported by innovation from the industry.*

*“Employers too need to do more to encourage employees to stick with pension saving, make the most of their workplace schemes, and, ideally, offer more in the shape of guidance so the value of long-term savings is appreciated better – this will support employers too in managing the challenges of an ageing workforce. For those who have opted out of saving during the pandemic, employers can help to get them back on track through targeted communications and re-enrolment.*

*“And employees must relocate the savings habit over the ‘spend now’ habit and look to plan ahead. The self-employed and those working for any length of time in the ‘gig economy’ – with no workplace pension are a particular concern, and it would be great to see Government policy to better support these groups. Aside from a windfall, there really are no short cuts to ensuring greater peace of mind for life after work.”*

**Further reports on the 2020 Pension trends survey’s findings are due to be published over the next two months and a final report at the turn of the year.**

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## About the Association of Consulting Actuaries (ACA)

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<sup>1</sup> The *ACA 2020 Pension trends survey* was conducted in the summer of this year and attracted 281 responses from employers of all sizes, running over 500 different schemes.

<sup>2</sup> As at 31 July 2020 when data for the survey closed.