Dealing with 2012 – Automatic Enrolment

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Auto-Enrolment – it's easy...............

Why reform workplace pensions?
A history lesson.....

- 2003 – 2005 Pensions Commission reviewed the UK pension system and made recommendations.
- Pension Commission found that:
  - Up to 12 million people are not saving enough for retirement
  - State Pension could not meet this challenge
  - Taking no action was not an option

The Pension Commission recommendations

- Fairer, more generous state pension coverage.
- System of automatic enrolment into pension saving
- Minimum employer contribution to workers pensions
- New, national pension scheme designed to provide a simple and low cost way of saving for low to moderate earners.

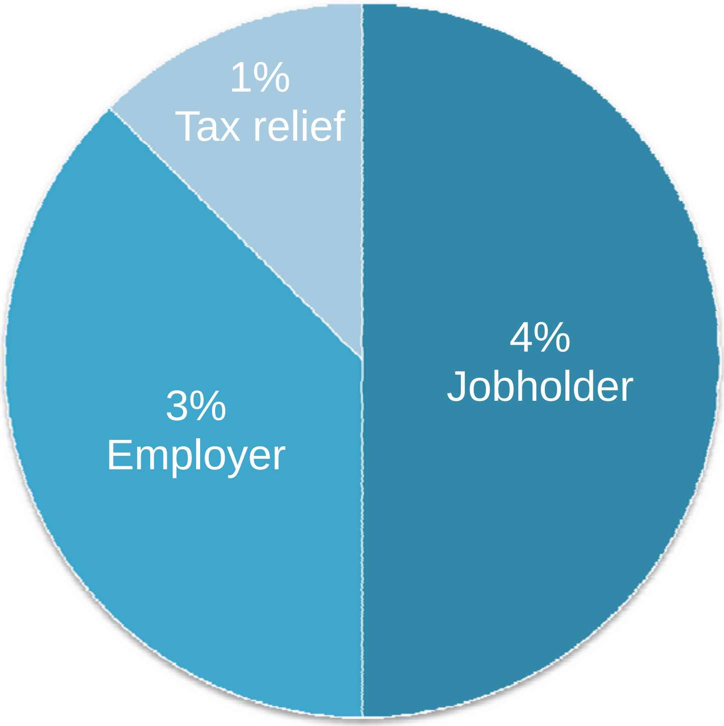
PENSIONS ACT 2008

Target population pre 2012

	Currently a Pension Scheme Member	Eligible for Auto-Enrolment in 2012 (Based on Pensions Act 2008)
Numbers	5 / 6 million	10 / 11 million
Male / Female	63% / 37%	59% / 41%
Household Wealth	£300k median	£130k median
Ethnic Group	94% white	< 90% white
Employer Size	69% work for employers with > 250 employees	33% work for employers with < 19 employees

NEST VIDEO

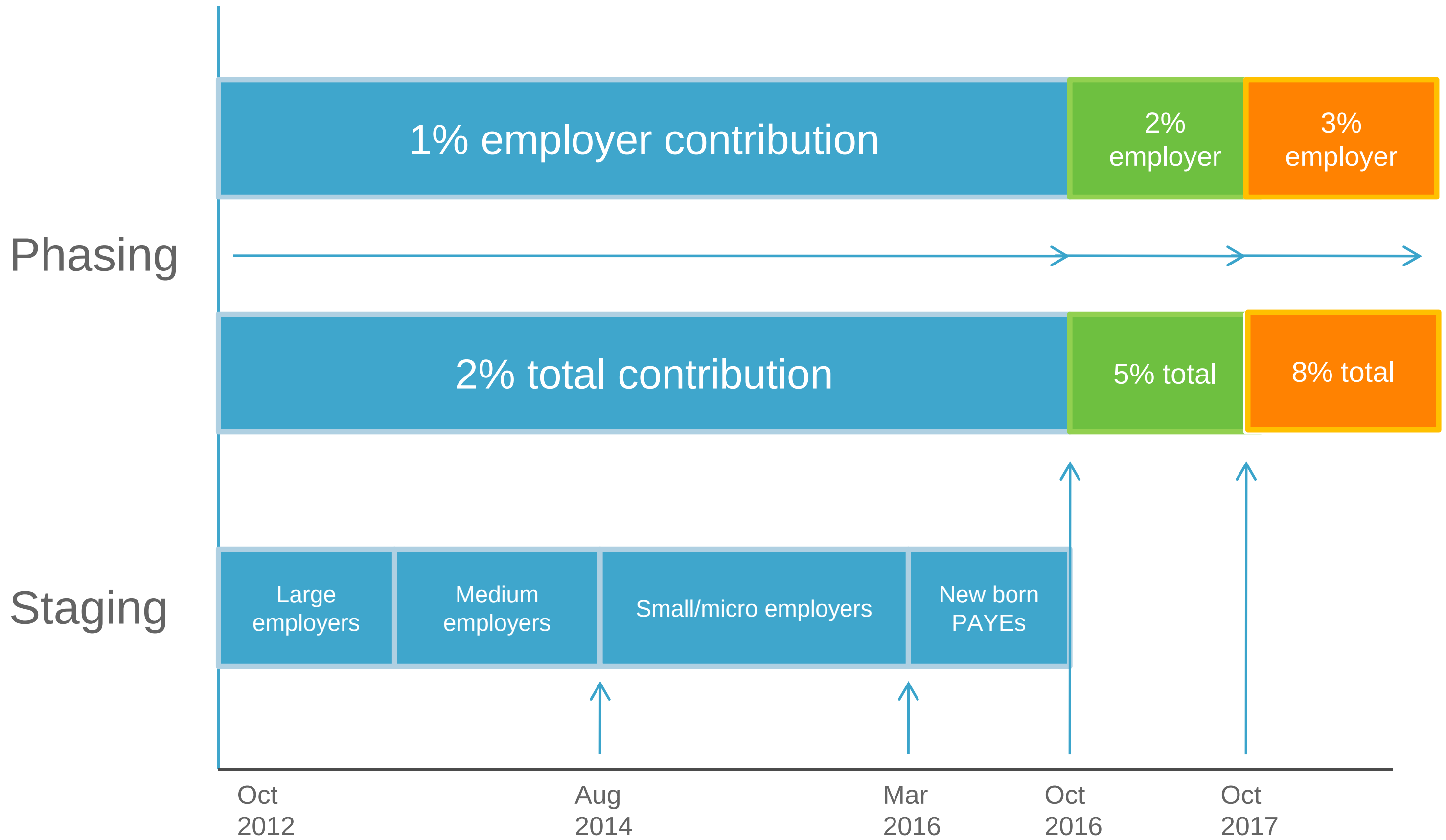
What? - Minimum contribution levels



- Minimum contribution of 8 per cent of qualifying earnings (between £5,035 and £33,540, Pensions Act 2008)
- Employer must contribute at least 3 per cent
- Can choose to contribute more if they wish
- Jobholder can also contribute more

- DB: 1/80th contracted out or 1/120th contracted in

When? DC staging and phasing plans



- DB, Hybrid – autoenrolment Oct 2016, no phasing

Then the world changed.......

- Financial crisis.
- Change in political environment - Government went from red to blue (and gold).
- Despite the previous broad political consensus a review of automatic enrolment was announced on 24th June 2010.

Review objectives

- “...scope of it (automatic enrolment) and whether a new national pension scheme (NEST) needs to be put in place for it to work.”

- Review and conclusions addressed 4 broad questions

Is there a case for excluding employees below a particular threshold?

- Review rejected a big increase in earnings threshold
- **Review concluded that auto-enrolment should apply to those over the tax threshold on earnings above the NI primary threshold.**

Is there a case for excluding any employers?

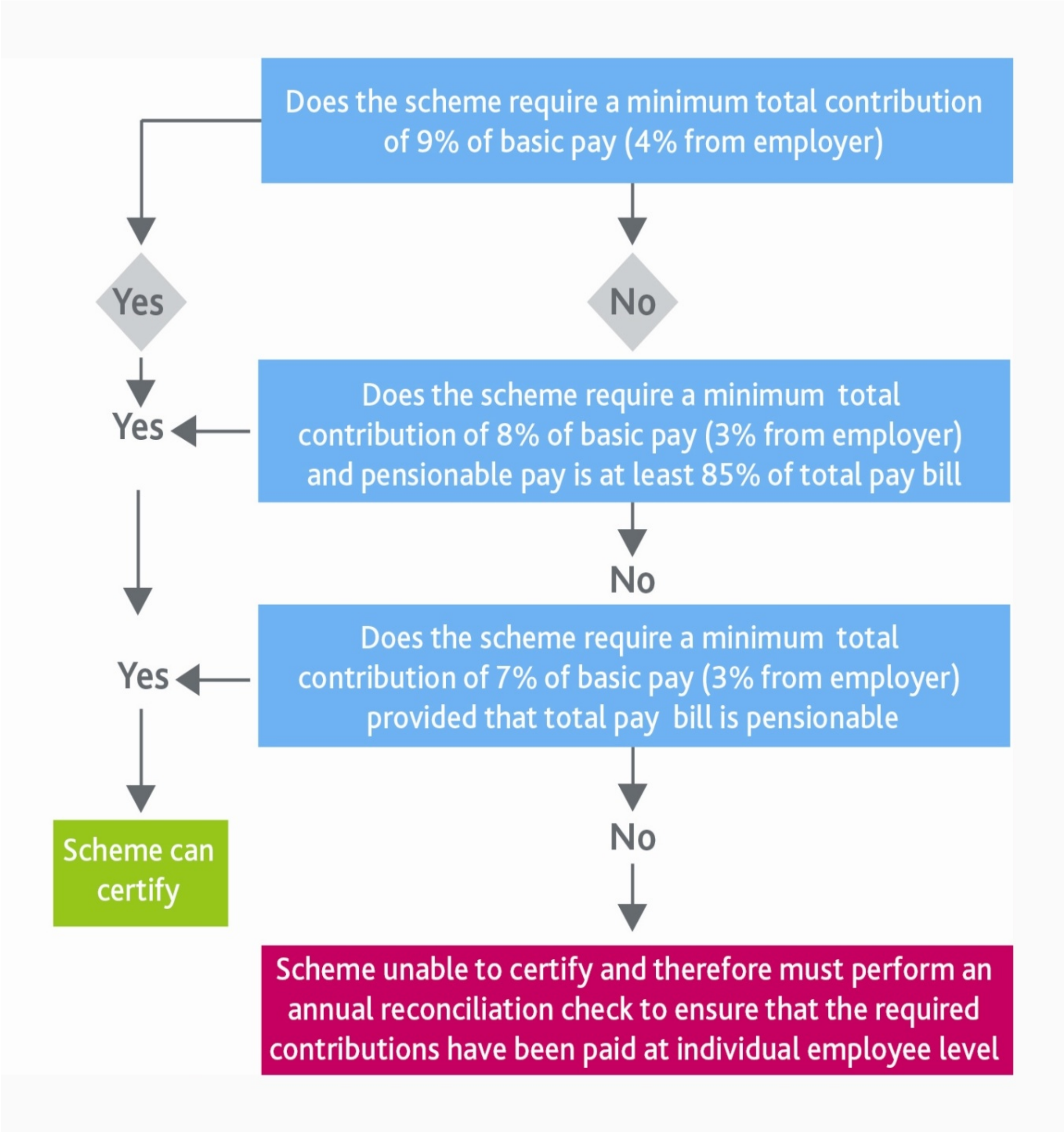
- Higher costs for micro employers. However.....
- Excluding 800,000 micro employers would be hard
  - Identifying via PAYE
  - Creates barriers to growth
  - Competitive distortions
  - Not gender neutral

Review also felt it had the potential to undermine the policy

Would any changes to proposed regulations, enhance the policy?

- **A range of regulatory issues identified**
- Flagging of NEST for small employers
- Opt out before auto enrolment
- Flexibility over enrolment dates
- Re-enrolment
- Waiting periods
- Certification

Certification



Is NEST necessary for the successful implementation of automatic enrolment?

- **NEST would not be needed and the Market could provide if.........**
  - Small employers excluded
  - Earnings threshold to at least £10k
  - More time available
  - Higher charges acceptable

.....but Review believes it is needed for the intended audience.

15 Recommendations from the Review

- Accepted as a package
- Now with DWP
- To legislate this year

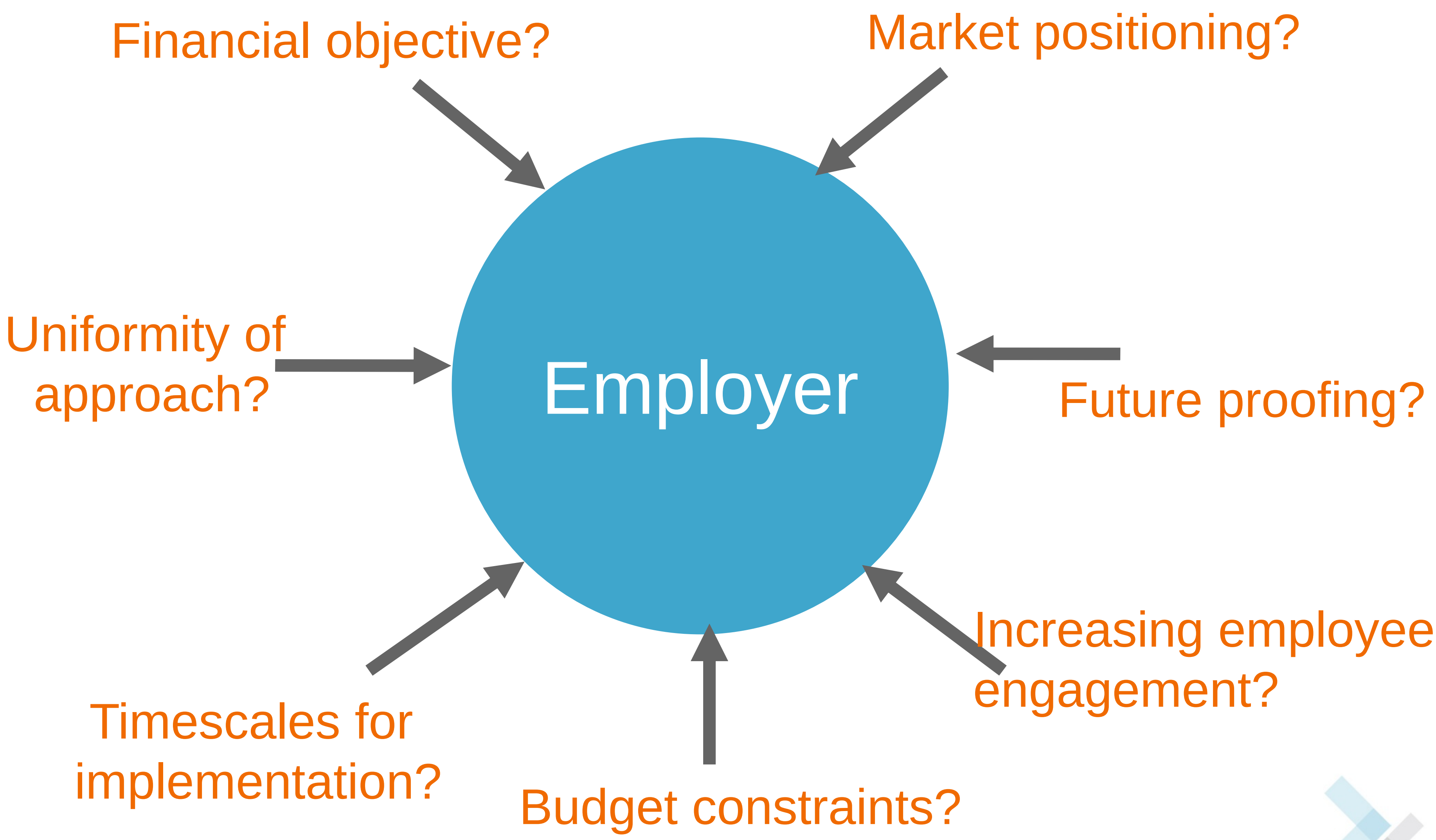
So where will that leave us?

	Pensions Act 2008	Making Automatic Enrolment Work
Eligible Jobholders	Aged between 22 and SPA and earnings in excess of £5732 (in today's prices)	Aged between 22 and SPA and earnings above income tax threshold (£7495 in 2011/12)
Auto Enrolment	Day 1	After 3 months service
Contribution Level	Phased in	No Change
Contribution Band	£5732 to £38185 (in today's prices)	£5715 (linked to NI primary threshold) to £38185 (in today's prices)
Staging Dates	Start 1st November 2012	No change (except largest can start w.e.f. July 2012).

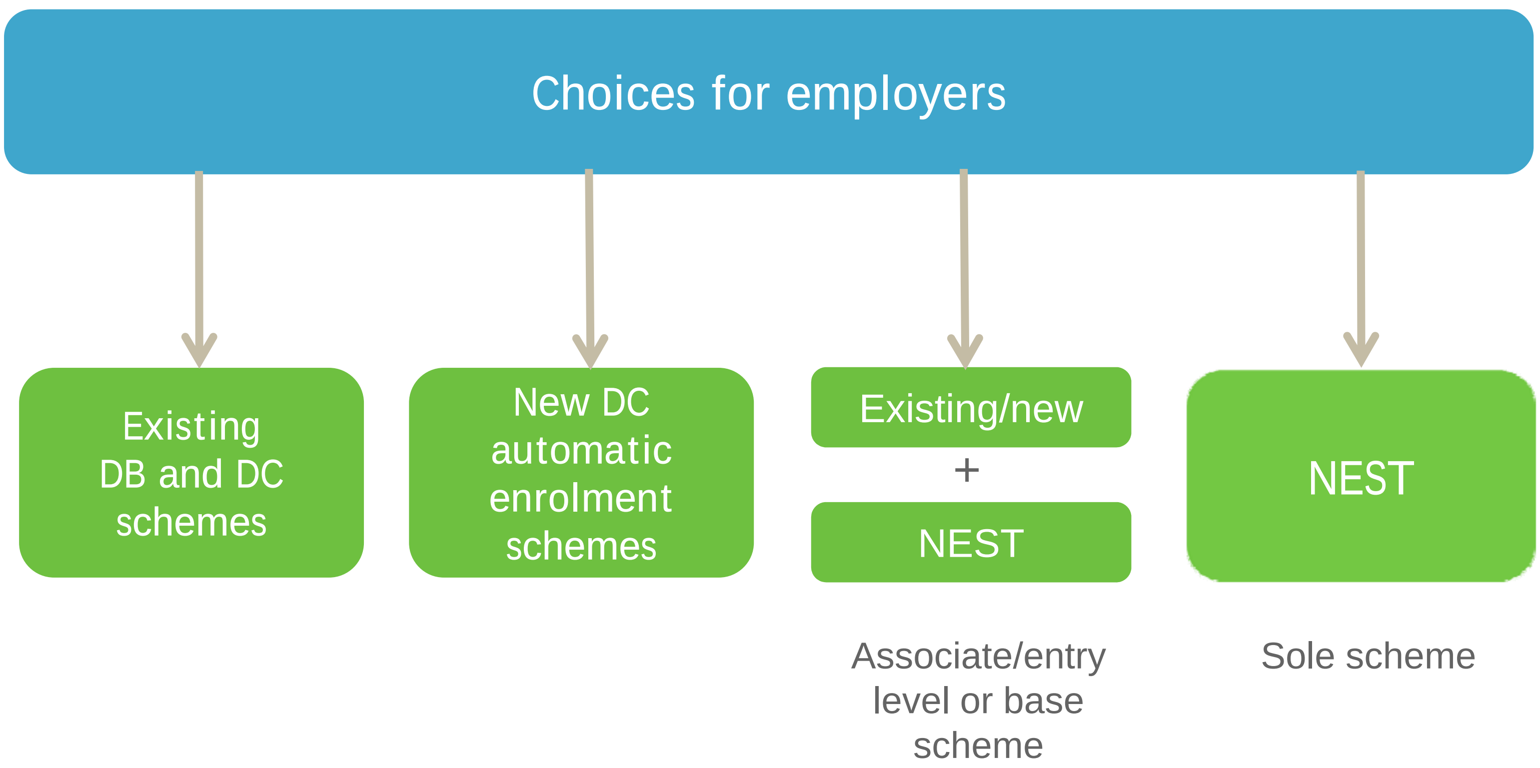
Getting ready for 2012

- Defining a good outcome
- Plan design and financial analysis
- Assess delivery vehicle options
- Design and testing of admin process
- Communications

Defining a good outcome

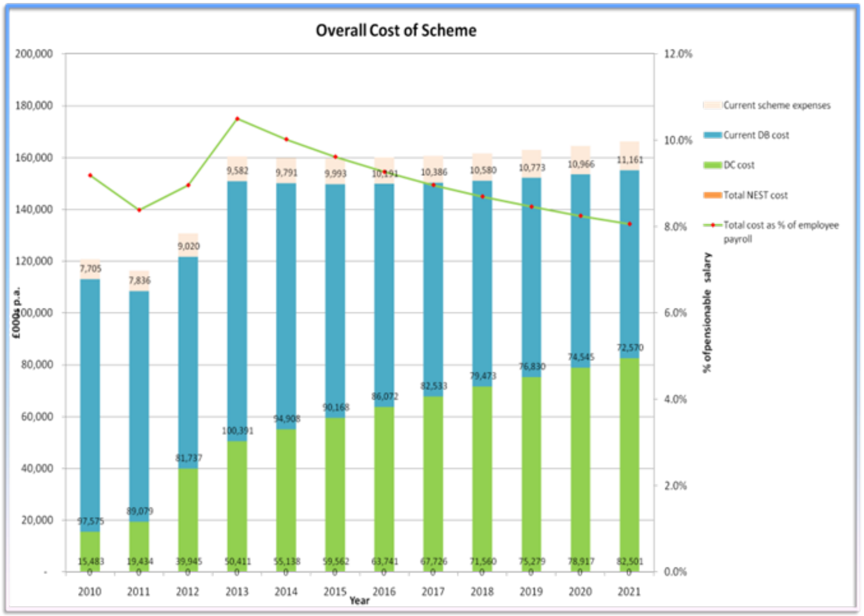


2012 – Employer Options



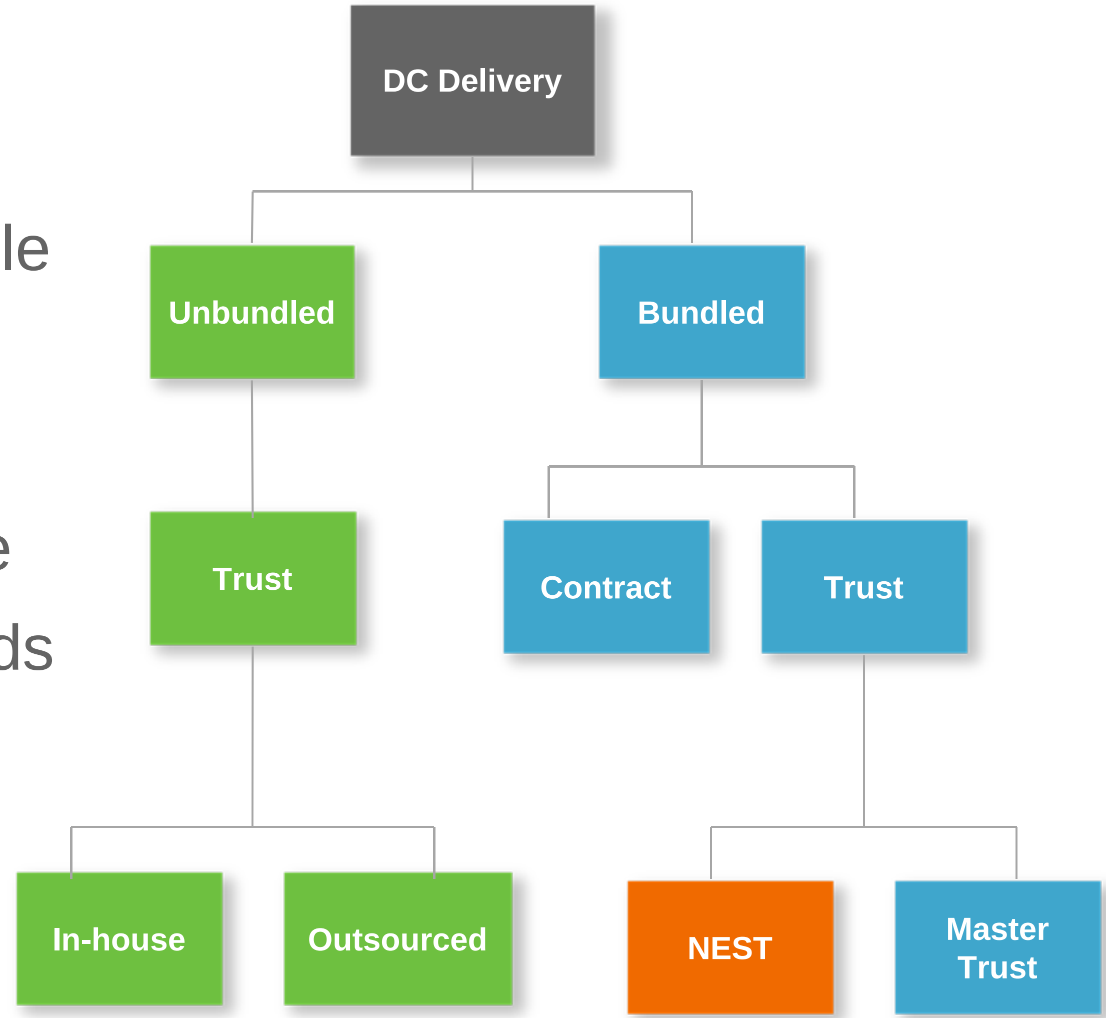
Plan design and financial analysis

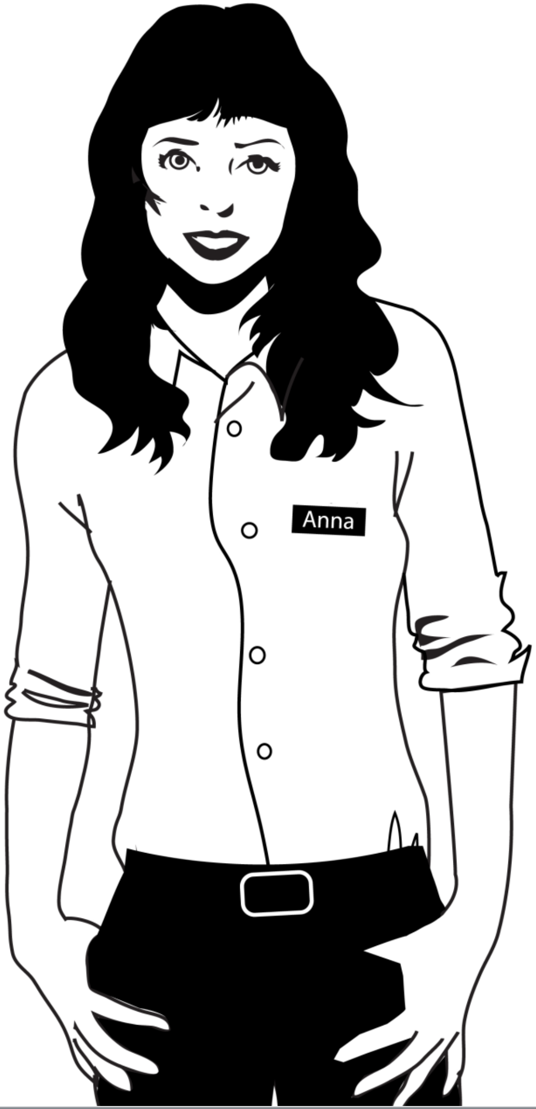
- Contribution structure
  - Current state – financial projections
  - Alternative designs
- Design considerations
  - Uniformity of approach
  - Transitional period
  - Pensionable pay definition
  - Competitors / Unions
  - Ease of certification



Delivery vehicle assessment

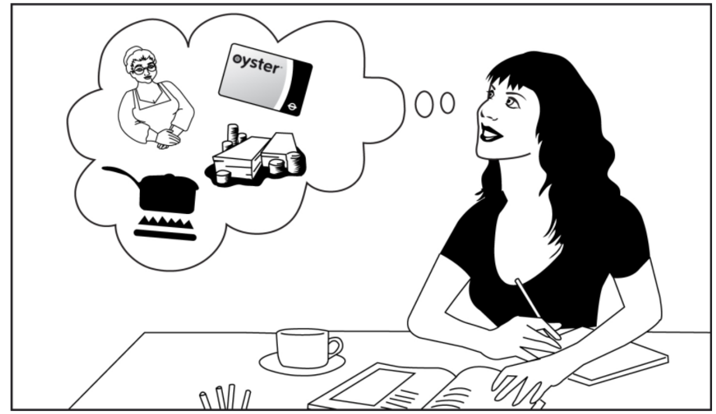
- Considerations
  - Efficient and scalable
  - Cost effective
  - Employer duties
  - Member experience
  - Short-service refunds
  - Future proofing





Anna's Story

Working and studying

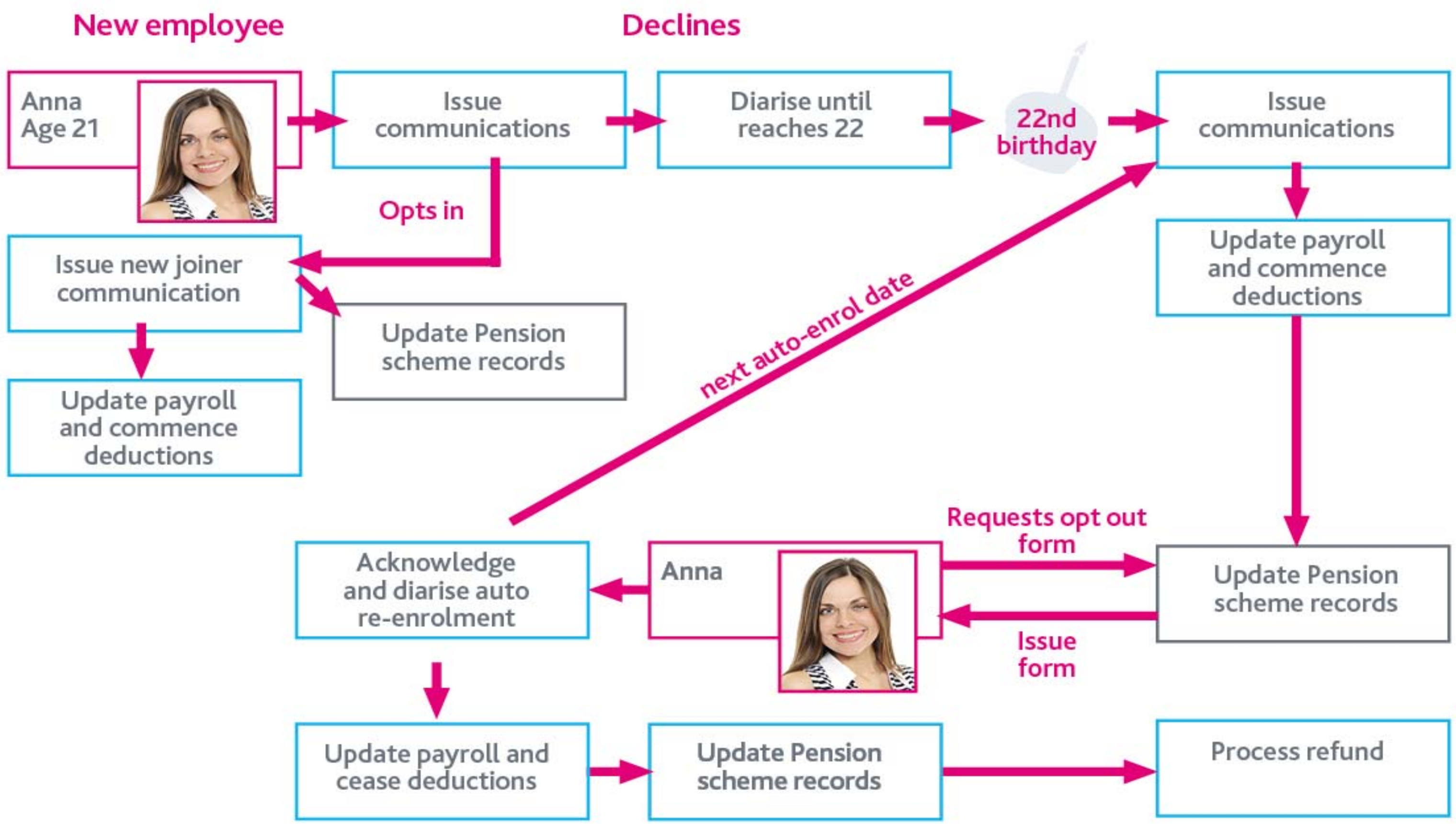


Balancing budget and priorities

A social life is important

What does the future hold?

Admin process – design and testing



Dinesh's Story

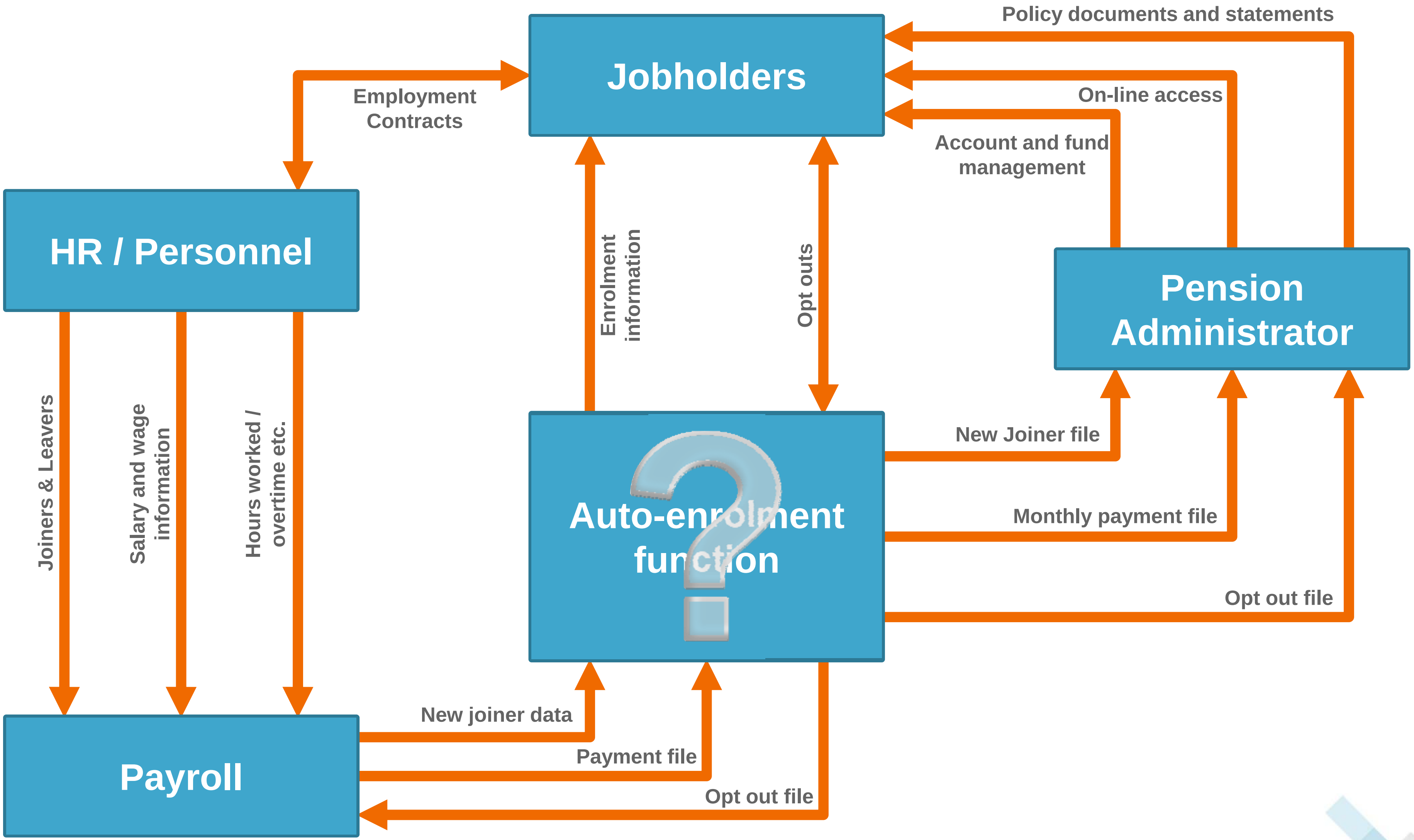
Management responsibility

His team are looking for help

Frustrated by own lack of understanding

Friends and colleagues help

Capability assessment



Administration considerations

- Design of processes
  - Apportionment of process responsibility
  - Interface with providers
  - Timing
  - Tie in with communications
  - Record keeping requirements
- System capabilities
  - Diary function
  - Record keeping
  - Reporting
  - Provider support

Communications

- Compliance or benefit?
- Branding?
- Media?
- Detailed content

Thank You

Any questions?