Dealing with 2012 – Automatic Enrolment

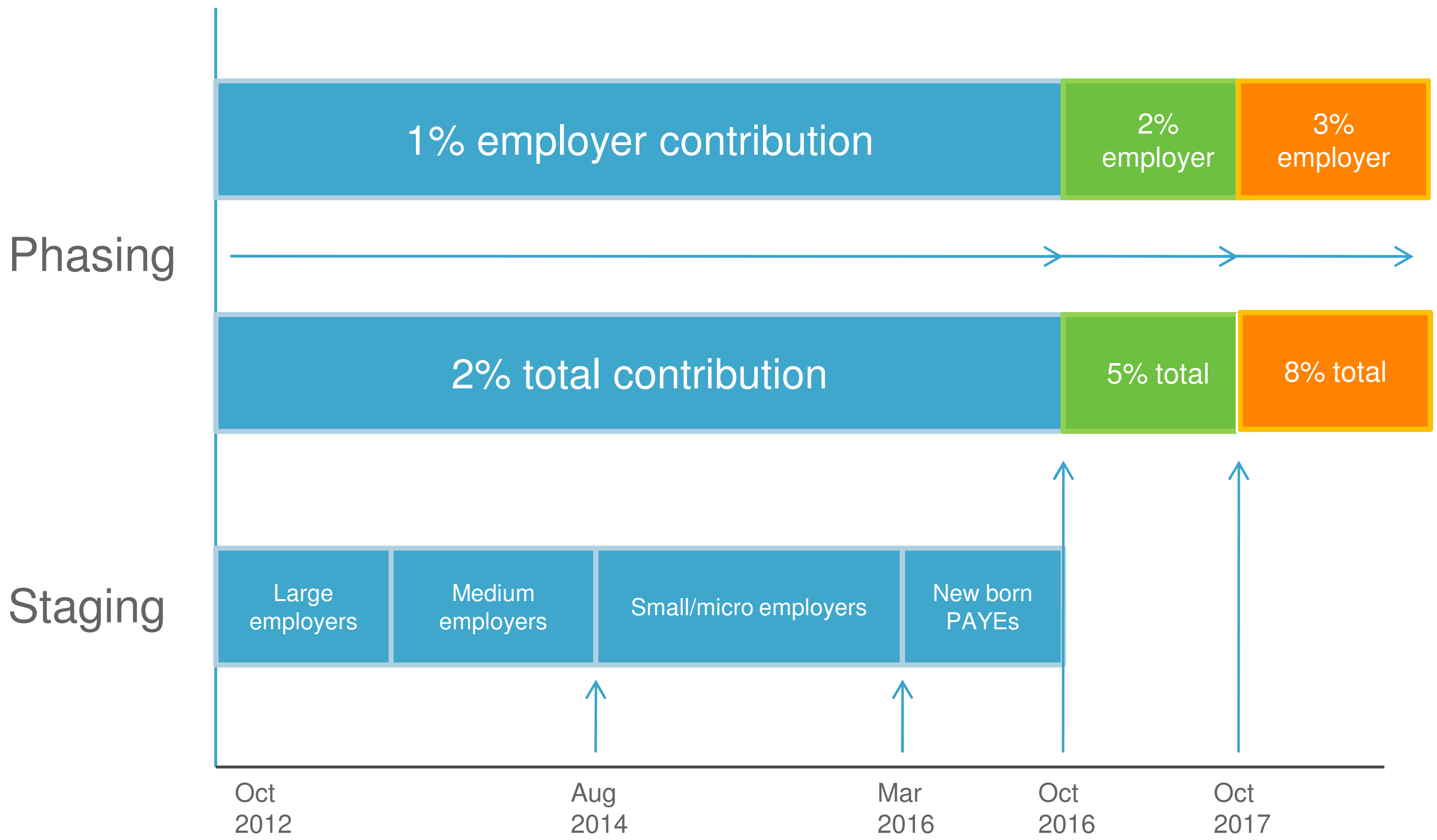
- Charles Young
- Hymans Robertson

Learning about DC

Summary of Current Position – Who?

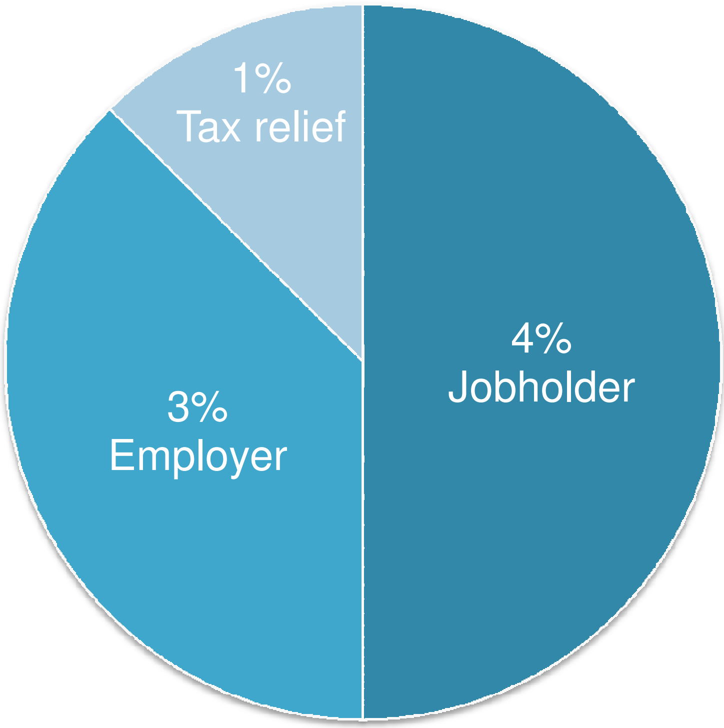
- Automatic enrolment of “eligible jobholders” in a “qualifying pension scheme”
  - From age 22 up to State Pension Age
  - Those earning more than tax threshold (£7,475)
  - 3 month waiting period after becoming eligible is permitted
  - Individuals can choose to opt out, but only after being enrolled

When? DC staging and phasing plans



- DB, Hybrid – autoenrolment Oct 2016, no phasing

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

Self-certifiable alternatives – for discussion

	Earnings base	Minimum contributions	
		Total	Employer
Standard	Qualifying earnings ie all pay in £5,715 - £38,185 band	8%	3%
Alternative 1	Basic pay	9%	4%
Alternative 2	Basic pay, as long as this exceeds 85% of total pay in aggregate	8%	3%
Alternative 3	All pay	7%	?

Source: Making automatic enrolment work

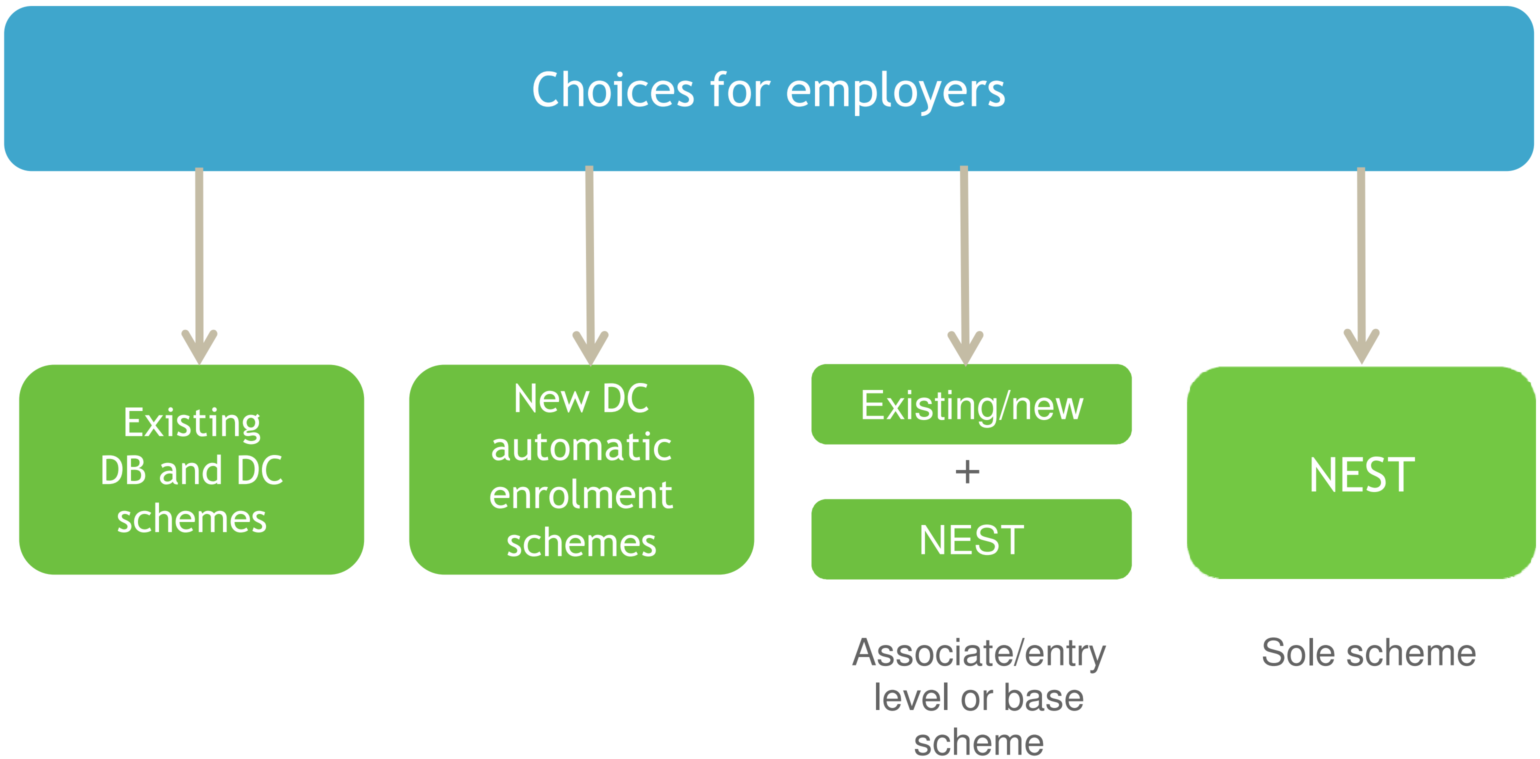
Hokey-cokey

- Enrol all eligible jobholders
- If they opt out within one month, give refund
- Re-enrol around 3rd anniversary of employer’s original staging date
- If they opt out within one month, give refund
- etc

Getting ready for 2012

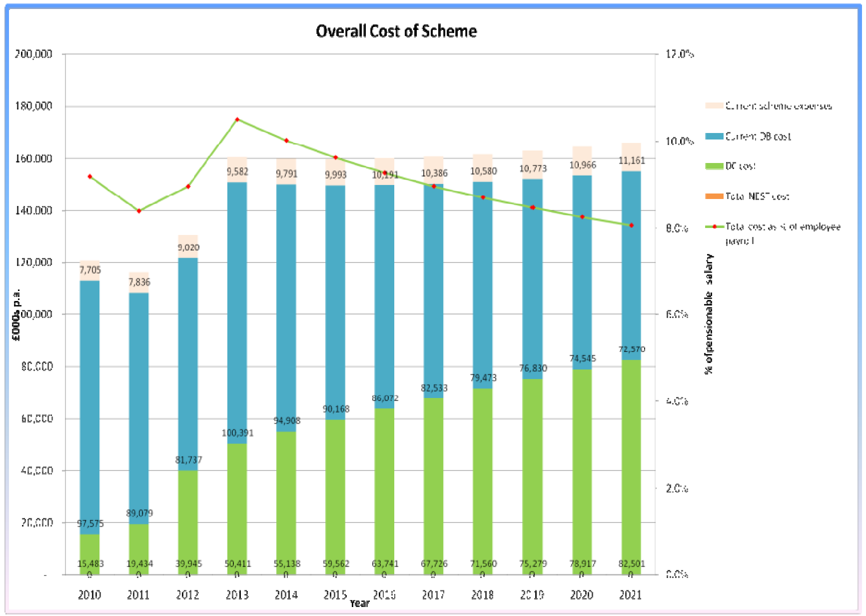
- Plan design and financial analysis
- Assess delivery vehicle options
- Design and testing of admin process
- Communications
- Select providers

2012 – Employer Options



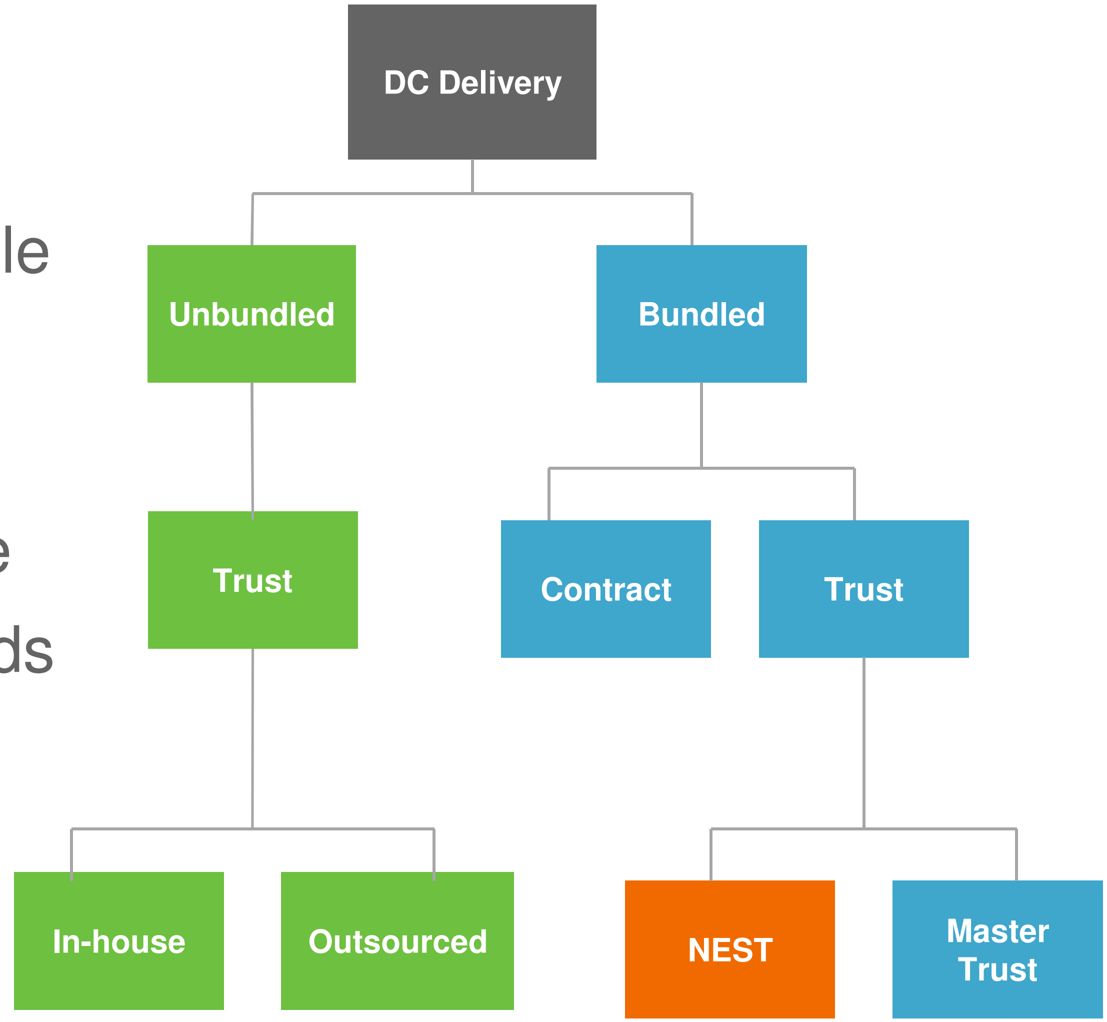
Plan design and financial analysis

- 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

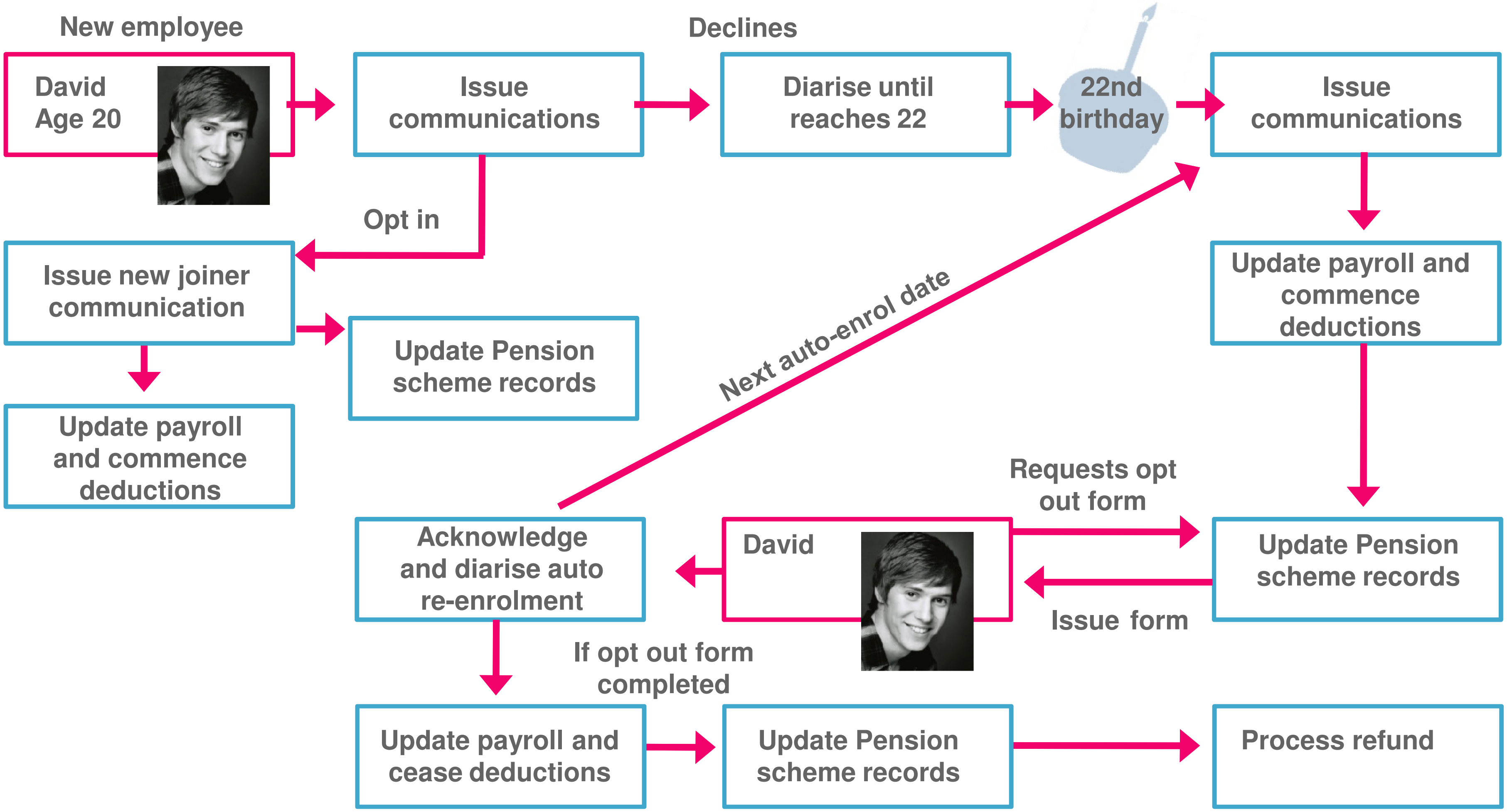
- Considerations
  - Efficient and scalable
  - Cost effective
  - Employer duties
  - Member experience
  - Short-service refunds
  - Future proofing



Administration process – in practice

- Meet David

Administration process - design and testing



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

Three recent / current consultations

- DWP
  - Regulatory differences between occupational and workplace personal pensions
  - Offering a default option for defined contribution automatic enrolment pension schemes
- tPR
  - Enabling good member outcomes in work-based pension provision

Regulatory differences between occupational and workplace personal pensions

Personal pensions

- No refunds
- Restricted trivial commutation

Occupational

- Disclosure?
- Trustee body
- Fiduciary duties
- Trust law
- MNTs
- TKU
- IDRP
- Myners / IGG

DC default option for autoenrolment

- Occupational and contract-based
- Design, monitoring, communication & reviewing
- The “designated person”
  - Trustees, employer, governance committee, adviser, provider
- Required, or best practice?
- “Safe harbour” for employers?

Enabling good member outcomes in DC

Requires success in...

- Contribution decisions
- Investment decisions
- Administration
- Protection of assets
- Value for money
- Decumulation decisions

Market segmentation

Occupational

- Large
- Multi-employer
- Small unbundled
- Small bundled

Personal

- Advised and engaged employer
- Advised and disengaged employer
- Unadvised employer

Accountability