

Current UK pensions issues

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Automatic Enrolment



Pensions Commission

- 7 million with just State pension coverage
- Three reports
- AE and NEST

Launched October 2012

- Completion in April 2017

Criteria

Enrolled

- Aged 22 – SPA
- Earnings over €11,225

Not
enrolled

- Aged 16 - 74
- Earnings between €6,740 and €11,224
- Or
- Aged 16 – 24 or SPA – 74
- Earnings over €11,224

Not
enrolled

- Aged 16 – 74
- Earnings below €6,740

Auto-enrolment schemes

DB confined to public sector

Combination of

- Occupational DC
- Contract-based DC
- Master Trusts

National Employment Savings Trust

Public Service Obligation

Low cost and easy access

Suitable for all employers

Implementation

People in <u>Largest</u> PAYE (on 1st April 2012)	Staging Date
120,000 or more	1 st Oct 2012
50,000-119,999	1 st Nov 2012
30,000-49,999	1 st Jan 2013
20,000-29,999	1 st Feb 2013
10,000-19,999	1 st Mar 2013
6,000-9,999	1 st Apr 2013
4,100-5,999	1 st May 2013
4,000-4,099	1 st Jun 2013
3,000-3,999	1 st Jul 2013
2,000-2,999	1 st Aug 2013
1,250-1,999	1 st Sep 2013
800-1,249	1 st Oct 2013
500-799	1 st Nov 2013
350-499	1 st Jan 2014
250-349	1 st Feb 2014

Implementation to date

As at July 2013:

- 1,600 employers registered
- 8.8 million workers
 - 1.4 million auto-enrolled
 - 4.9 million existing members
 - 326,000 subject to DB transitional arrangements
 - 2.2 million others

Pace of implementation



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About 6,000 employers due to stage
between April 2013 – April 2014

Around 40,000 employers due to stage
between April 2014 – May 2015

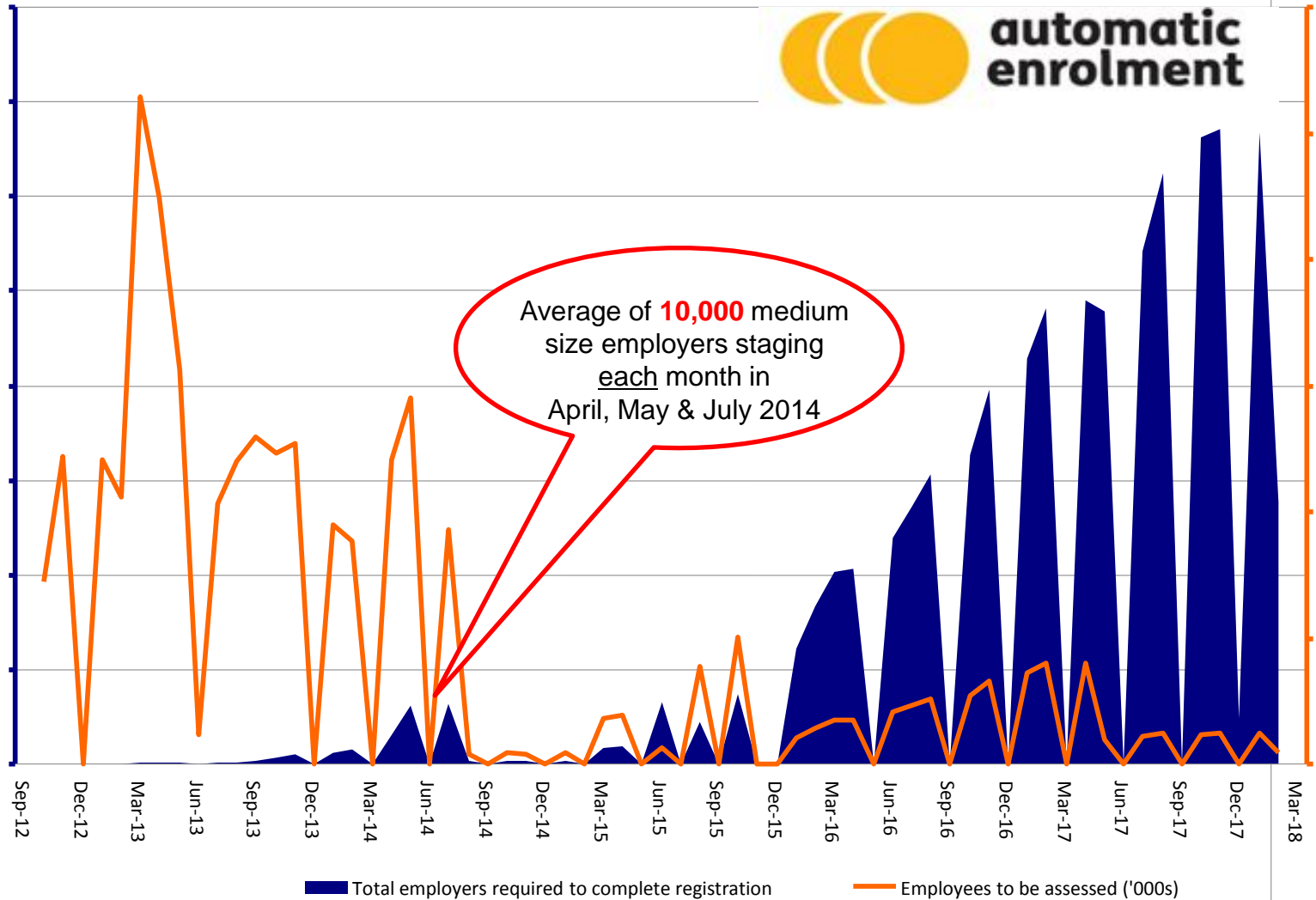
Over 1 million employers stage
between June 2015 – September 2017

Staging profile (volumes of employers & workers)



Number of staff employed

Number of employers



■ Total employers required to complete registration

— Employees to be assessed ('000s)

Advice gap

Marked increase in number of employers involved

Many will have little or no prior experience of workplace pensions

Insufficient capacity within the advisory sector?

State Pension reform

Current system

- Flat rate pension (€131 pw)
- Earnings-related State Second Pension

Single flat rate benefit from 2016

- €171 pw
- End to contracting out

'Defined Ambition'



Alternative scheme designs

- More equitable risk-sharing

Simplified DB

- No guaranteed indexation
- Removal of spouses' benefits
- Benefit conversion
- Fluctuating benefits

New DC

- 'money back' guarantee
- Guaranteed retirement income
- Guaranteed fixed period return
- Standardised income guarantee insurance

Collective DC

Collective DC



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Common model in the Netherlands and Denmark

Small number of large schemes

Contributions paid into a common fund

No annuitisation

Pot Follows Member



Employees change jobs frequently

Collection of small DC pots

Desire to aggregate

Consultation



Aggregator

- Favoured by occupational sector
- Schemes used to aggregate small pots
- NEST proposed as ideal scheme

Pot Follows Member

- Favoured by retail sector
- Automated transfers when employees change jobs

Progress

DWP opted for 'pot follows member'

DWP working party established to implement

Alternative suggestion

Enhanced TVs / PIEs



Enhanced TV

- Member offered enhanced TV
- Cash incentive

Pension Increase Exchange

- Scheme discharges any future commitment to discretionary pension increases

Code of Practice

Government concern

Code of practice

- Cash payments banned
- Access to independent advice
- Threat of legislation

Pensions Liberation Fraud



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Access to pension funds
before age 55

'commission' paid to a third
party

€0.6 billion in 2012

Response

Task force headed by
Pensions Regulator

Raid on 'boiler room'

Prosecution in Scotland