

Auto Enrolment: a UK perspective

Tim Middleton

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History

Pensions Commission

- Three reports 2004 - 2006

Auto-enrolment rather than compulsion

- PA 2008
- PA 2011
- Nest





Main features

'Eligible Job holders' auto-enrolled

Right to opt out

Re-enrolled every three years

Qualifying scheme

- NEST, NOW pensions or People's Pension
- Existing qualifying scheme





Auto-enrolment schemes

Existing DB / DC scheme

- Larger employers

New scheme

- Trust-based DC
- Contract-based DC
- Master Trusts



Auto-enrolment scheme

Defined Benefit

- 1/120ths
- 'Cost of accruals'

Defined Contribution

- 8% of 'Qualifying Earnings'
 - At least 3% paid by employer
- Alternatives permitted



Thresholds 2018 / 19



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Lower earnings threshold	(earnings below this figure discounted)
	£6,032 (€6,730) pa

Upper earnings threshold	(earnings above this figure discounted)
	£46,350 (€51,740) pa

Earnings trigger	(must be exceeded for AE)
	£10,000 (€11,630) pa

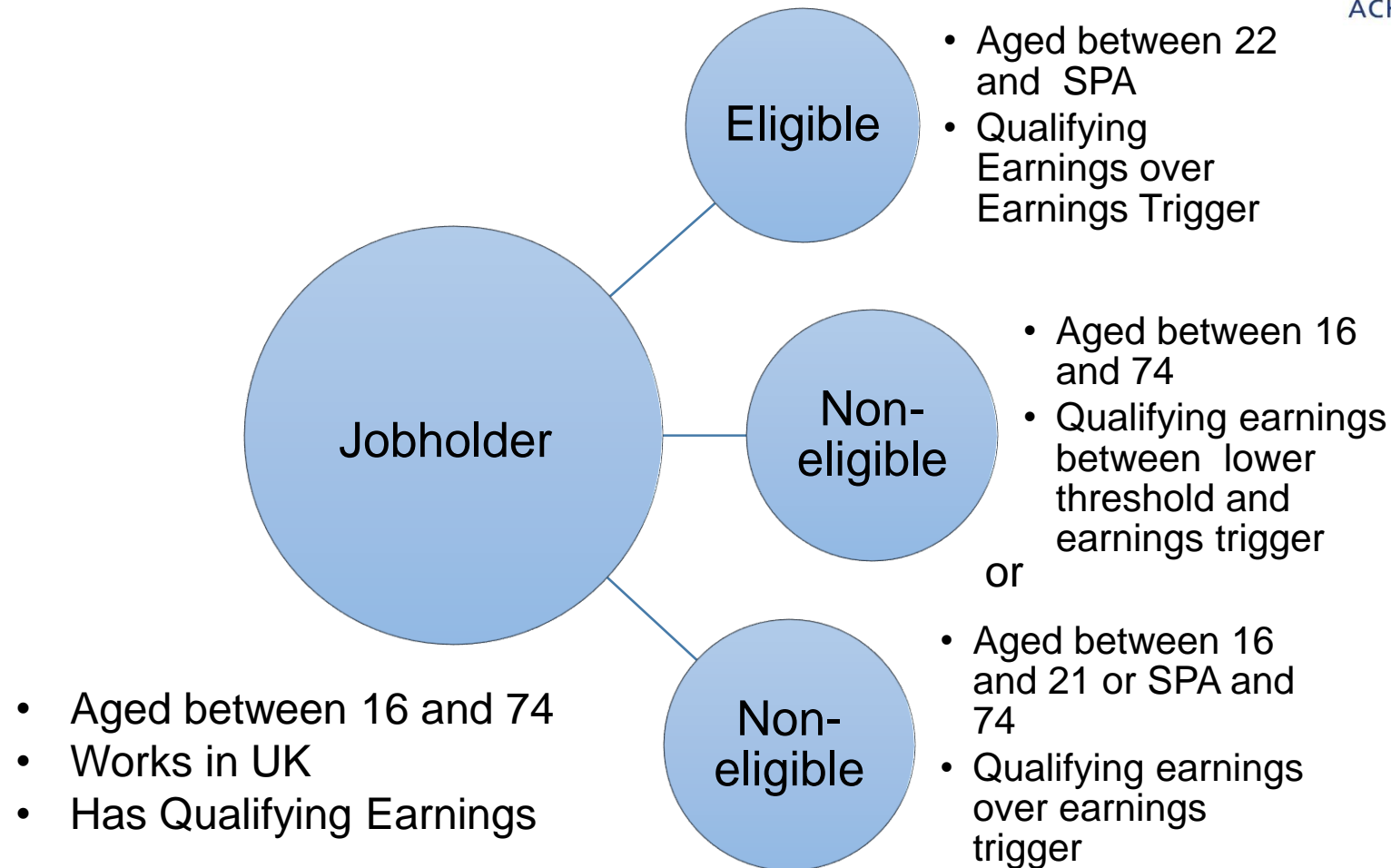


Jobholders



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Entitled Worker

Aged between 16 and 74

Works in the UK

Earnings below lower
threshold

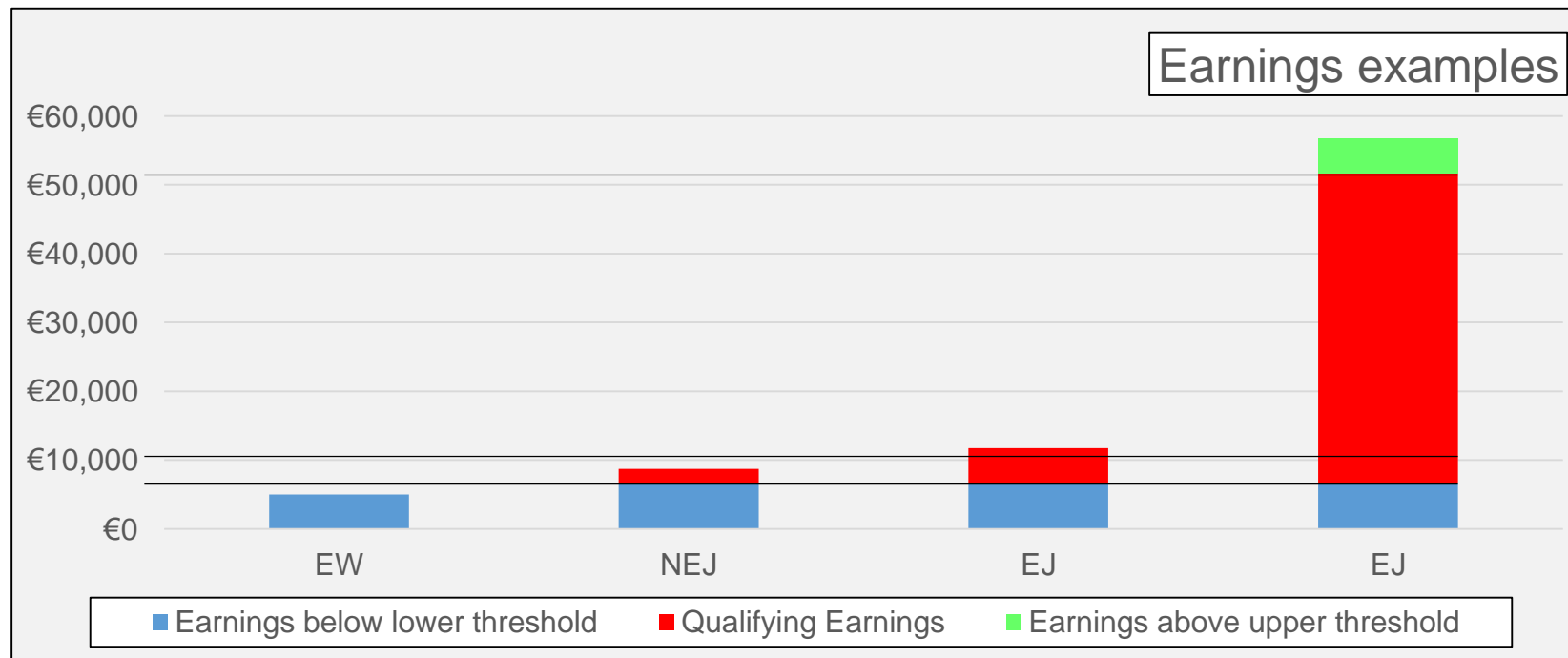


Qualifying earnings



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Permitted alternative salary definitions



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Set 1

- Basic pay
- 9% total
- 4% employer

Set 2

- At least 85% of total pay
- 8% total
- 3% employer

Set 3

- Total earnings
- 7% total
- 3% employer



Phasing



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	Qualifying Earnings		Set 1		Set 2		Set 3	
	Emp	Total	Emp	Total	Emp	Total	Emp	Total
01/10/12 – 05/04/18	1%	2%	2%	3%	1%	2%	1%	2%
06/04/18 – 05/04/19	2%	5%	3%	6%	2%	5%	2%	5%
06/04/19 –	3%	8%	4%	9%	3%	8%	3%	7%





Exceptions

Some employees may be excluded

- Protected status
- Exit date known

Enrolment may be deferred in some circumstances

- Payroll alignment
- Short-term employees
- Earnings spikes

Master Trusts



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Collects contributions from all employers

Centralised administration

Fund management

Authorisation requirements

- Too many schemes!



Nest



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Pension Commission recommendation

Concerns about commercial providers

Public Service Obligation



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Statistics



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Nine million workers auto-enrolled

One million employers

Opt-out rate about 10%

High levels of employer compliance



Auto-enrolment and the gig economy



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Increase in self-employment

Increase in part-time employment

- Pressure from TUC to include part-timers

Where to set the earnings trigger?



2017 review



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Lower limit to be removed

- More earnings pensionable
- 'Entitled Worker' status to disappear

Age threshold to be reduced to 18

Bring self-employed into pension saving

- Taylor review

Implementation by 'mid 2020s'



Political hazards

'Scrap AE in no-deal Brexit to help businesses', suggests home secretary








Home secretary Sajid Javid has called for auto-enrolment (AE) to be scrapped as part of a "shock and awe strategy" should the UK fail to reach a Brexit deal, according to reports.

This was one of Javid's "huge shopping list of policies" proposed at a cabinet crisis summit last Thursday (13 September), *The Times* reported. The proposal was aimed at easing business activity in the event of a no-deal Brexit scenario.

The meeting, convened by prime minister Theresa May, was held to work on contingency plans for exiting the European Union without an agreement - in which both sides hope to have agreed an outline of future relations by 18 October.

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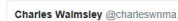
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Scrapping the initiative - which has brought nearly 10 million people into workplace pensions - would stop AE from reaching its full potential. For example, it could affect the progress of policy proposals outlined in the *AE review* last year, which included pension savings being "the norm" when most individuals start work.



Steve Webb @stevewebb1

There were a few times in the 2010-15 when we had to resist pressure to scrap auto enrolment - there are some who have never accepted the basic principle



Charles Walsley @charleswalsley

Scrapping auto enrolment on the no dealers wish list



AE successful but still has opponents

Brexit creates uncertainty

So much good work undone?