



Personal Accounts



Personal Accounts and auto-enrolment: the employer view

Jim Bligh

Senior Policy Advisor, CBI

jim.bligh@cbi.org.uk

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Employer-sponsored pensions landscape



- Final salary pensions of the 50s and 60s “reflected a society of growing prosperity and longevity...but the scale of development also reflected specific factors which made pension provision appear easily affordable...” (Turner Commission)
- Since the late 70s, a series of new rules have diminished the prevalence of private sector DB (but not public sector)
- Longevity, accounting standards and risk pose massive problems

Employer-sponsored pensions landscape



- Now: 2.73m active members in DB in the private sector (14% of workforce – compared to 88% of public sector workforce)
- 31% of schemes are open to new members
- March 09: 43% of scheme members were in open schemes, compared to 51% in March 07
- 82% of CEOs see it as their responsibility to provide pensions for employees

Employer-sponsored pensions landscape



- DC is increasingly popular – 5.28m people
- Flexibility, portability, shared (not shunted) risk
- Average contributions:
 - 7.2% from employers
 - 4.4% from employees

Auto-enrolment is welcome, but it will be a major challenge



- potential to be a credible solution to the problem of how to increase individual saving for retirement in response to demographic ageing
- employers are willing to play their part and will contribute 3% of qualifying earnings where workers also contribute...
- ... but burdens must be minimised as far as possible

Making pensions reform palatable



- CBI secured key concessions in the Pensions Act 2008, including staging
- The first draft regulations were completely unpalatable...
- ...but these have largely been rewritten along CBI members' suggested lines
- There is much still to do, however. In particular around establishing how you calculate someone has received their correct pension

Spreading good practice in DC is vital



- *Saving for tomorrow* (2008) set out clear, evidence-based principles of good defined contribution pension management
- Key is to combat TUC and others with “DB good, DC bad” argument – good DC will provide a high quality pension
- Right now, we are working on areas such as annuity reform and governance.



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jim.bligh@cbi.org.uk
020 7395 8162