




## Auto-enrolment; making it work




Securing the future of pensions

2012 – The Challenge for Existing Schemes

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Securing the future of pensions

**What I'm planning to cover**

- Context
- Objectives
- Auto-enrolment and the review
- The road ahead

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### UK pensions landscape

- UK pension system used to be one of the best in the world
- But now:
  - One of the lowest state pensions in Europe
  - 60% currently on MTB
  - Only 45% of workers saving in pensions
  - Increasing longevity
  - DB decline
  - Increasing scheme costs

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### Turner reforms

- Turner recommended set path of reform:
  - State pension system
  - Auto-enrolment and NEST
- New Coalition Government wanted to re-evaluate
- NAPF supportive of review - important to get implementation right
- But 2012 only part of the solution.....

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### Objectives

- More people saving more to ensure adequate retirement income
- Support auto-enrolment and employer contributions
- NEST has important role to play
- But need to be careful not to level down

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### Its all systems go....

- Review confirms reform begins in 2012
- 5-9m people brought into pensions
- NEST to go ahead
- All firms included
- Sensible changes to earnings threshold
- BUT: Pensions Bill and regulations in 2011




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### Hard won concessions

- Three month waiting period
- DC schemes can pay contributions on basic pay (certification)
- Less data to report to Regulator
- More flexibility around re-enrolment




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### Waiting Periods

- Optional 3 months delay auto-enrolment
- Employees can opt in during 3 months
- More flexibility to align with payroll
- Could auto-enrol in tranches to reduce admin burden



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### Certification

- NAPF worked closely with DWP
- Existing schemes typically more generous
- New system provides flexibility:
  - **9% total contributions** (4% min from employer) overall ✓
  - **8% contributions** (3% from employer) and **pensionable pay is 85%** of total pay ✓
  - **Less than 8% total contributions but more than 7%, with 100% pensionable pay** ✓

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### What's next?

A lot to do ahead of implementation

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### The Road Ahead

- NAPF welcomed 2012 review
- Concentrate on implementation
- NAPF working to help members
- But 2012 not the end of the road



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### Remaining Challenges

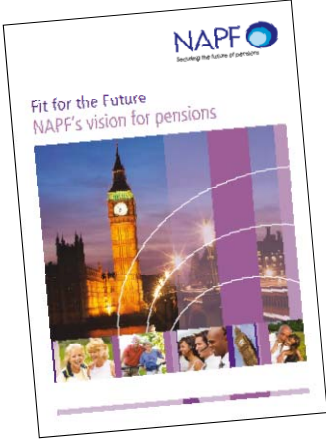
- 2-6 million NEST savers
- Majority of pensioners on MTB
- State pension reform
- Quality workplace pensions
- 2017 Review

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### NAPF Vision for Pensions




- Adequate retirement income for all
- State Pension System which is fit for purpose
- Flexibility for Workplace Pensions so can adapt to changes

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### Foundation pension

- Single, simple state pension
- Contributory – 30 yrs
- Govt plans - £140 per week for new pensioners
- Meet on a cost-neutral basis



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### Workplace Pensions

- Pensions work best when they are provided through the workplace
- Support autoenrolment and NEST - everyone should be entitled to a pension which comes with their job
- But, further support is needed to avert a 'race to the bottom'
  1. Scale
  2. Sharing risks
  3. Adequate contributions
  4. Simple regulatory structure
  5. Facilitative tax regime



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### Improving quality



- Pension Quality Mark to raise DC standards
- 80 PQM schemes already
- 150,000 savers in PQM schemes

[www.pensionqualitymark.org.uk](http://www.pensionqualitymark.org.uk)

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### Final Thoughts

- Pleased with 2012 Review
- Concentrate on implementation
- But still more to do...
  - Foundation Pension
  - Reinvigorating Workplace Pensions

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