



For immediate release

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TISA leads industry group on biggest overhaul to Auto-Enrolment, including a personal contribution 'opt out' for the financially insecure

- TISA launches an additional four proposals to overhaul Auto-Enrolment (AE) as the second phase of 'Getting Retirement Right'
- Those earning less than £17,500 would have the option to opt out from their personal AE contribution and still receive the employer contribution
- These proposals have been created in collaboration with major pension and investment firms*.

The Investing and Saving Alliance (TISA) today launches a set of proposals to ensure everyone can better plan, prepare and enjoy their pensions as part of their 'Getting Retirement Right' campaign. One pioneering proposal would help prevent the least financially secure from increasing personal debt levels or foregoing household essentials in order to remain opted into a workplace pension by allowing an opt out of personal contributions but ensuring the continuance of the employer contribution.

Research has shown that lower earners may struggle to pay their personal contributions, yet this doesn't translate into opt outs, suggesting the financially insecure are increasing personal debt levels instead. Based on the Department for Work and Pension's definition of 'low pay'**, those earning less than £17,500 would be permitted the option to opt out of personal contributions while continuing to receive employer contributions. This additional earnings threshold would be reviewed on an annual basis.

Currently, AE contributions are set at 8% of qualified earnings - 5% from employee and 3% from employer. The first research paper, published in February 2020, concluded that for a median earning household, a contribution level of 12% of whole salary may enable families, when combined with full state pensions, to achieve a moderate retirement. The proposals published today recommend that to reach the optimal 12%, contributions should be split evenly between the employer and employee and should be phased in over a period of six years at a rate of 0.5% per year, commencing in 2023.

The net pay anomaly is also an issue which hits the lowest earners. In line with the Net Pay Action Group, TISA recommends the anomaly should be corrected through an HMRC end of tax year reconciliation process using RTI data. This would ensure a bonus, representing any tax relief forgone to those impacted, is automatically paid.

Renny Biggins, Head of Retirement at TISA, commented: *"We are pleased to present phase two of the campaign which sets out our proposals to progress AE and ensure that everybody has the opportunity to save for their futures. AE has been a bigger success than anyone could have imagined*



but, nearly 10 years on from its inception, changes need to be made to ensure it continues to develop and serve hard working people in the UK.

“Research has shown that opt out levels have remained consistently low, lower than predicted, which is excellent news but may also have a detrimental impact on the lowest earners. This could result in levels of debt reaching unsustainable levels, yet it is also vital people are saving for their futures.

“We hope to continue working closely with the Government to realise these proposals, most notably to protect the lowest earners and to ensure contributions reach the necessary 12% of pensionable salary for the majority, which will allow people and households to retire on a moderate income as set by the PLSA Retirement Standards.”

‘Getting Retirement Right’ intends to help inform and influence the debate on AE contribution levels. It is run by TISA in collaboration with major pension and investment firms.

Ends

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Notes to Editors

*The involved organisations have contributed and were consulted in developing the proposals and recommendations in the report. None of the proposals should be assumed to be the individual policies of any of these organisations. They do, however, represent significant thought and debate and whilst not all organisations have had the same level of involvement, they all welcome the opportunities these proposals provide for a constructive dialogue with government, regulators and other financial services stakeholders.

**DWP’s definition of ‘low pay’ is 60% of national media earnings. ONS figures show that media household disposable income for tax year ending 2019 was £29,400 which would result in an earnings trigger of circa £17,500.

Set of proposals in Phase Two of ‘Getting Retirement Right’:

1. The 12% level of contribution proposed in the ‘Getting Retirement Right’ research should be split equally between the employer and employee
2. To recognise the financial impact on employers and employees, the increases should be phased in over a period of 6 years at a rate of 0.5% per year and should commence the year after the proposed mid-2020 proposals have been fully implemented (which were proposed by 2022 in part 1) – 2023 and complete in 2028
3. To introduce an additional personal contribution ‘opt out’ option linked to earnings, to recognise that flexibility is needed with the AE framework to cater for lower earners
4. Resolve the Net Pay Anomaly through an HMRC reconciliation process using RTI data



The Investing and Saving Alliance (TISA) is a unique and rapidly growing membership organisation. Our mission is to work with our industry members to improve the financial wellbeing of all UK consumers to **deliver practical solutions** and devise innovative, evidence-based strategic proposals for government, policymakers and regulators that address major consumer issues.

TISA membership is **representative of all sectors** of the financial services industry: We have **over 200-member firms** involved in the supply and distribution of savings, investment products and associated services, including the UK's major investment managers, retail banks, insurance companies, pension providers, online platforms, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Complementing our development of consumer policy and commitment to open standards and governance, TISA has become the **pre-eminent membership body for the delivery of digital industry initiatives**, including:

- **Open Savings & Investments** - a fundamental component of Open Finance which will enable our industry to become fully digitally enabled
- **Digital ID** - enabling easy access to all digital services by creating a single, reusable, secure ID owned and controlled by the consumer
- **TISAtech** - the new generation digital marketplace connecting Financial Institutions with FinTechs
- **TISA Universal Reporting Network (TURN)** - an industry-designed blockchain data solution for the collection & dissemination of EMT data

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