TISAtalk 10th April 2014

JOIN TOGETHER

TISA recently attended a new gathering of industry representatives at 'Friends of AE', which has been formed to help automatic enrolment succeed in our UK pension's regime. This diverse group intends to help overcome some of the implementation issues involved. This year 38,000 businesses will join the auto enrolment party some 32,000 employing between 50 and 250 workers participating from the beginning of the tax year this April. It will of course be interesting to see whether the auto-enrolment success story continues or hits a wall, as smaller employers attempt to provide their workers with an obligatory pension provision also.

NEST published research showing that 63% of those employers who have already staged found it far more difficult to implement than they expected. Worryingly the NEST research indicates 32% of employers with 50 to 99 workers do not even know when their proposed staging date is! In this employer segment research from independent financial advisers indicates also that many employers, as many as two thirds are unengaged with auto-enrolment. The main barrier seems to be the man hours taken up and the cost of implementation. It is no surprise therefore that only 23% of employers due to stage in the first half of this year are ready. Many are postponing as the regulations permit. Many employers have simply underestimated the work involved. In addition it would appear that delays are being used to reduce the impact of new contribution costs and to coordinate with payroll runs to reduce the likelihood of employee opt outs.

It is clear and certainly endorsed by the 'Friends of AE' that all employers really should have access to quality advice and quality pension schemes to support the needs of future generation's pension provision. Employers should be engage fully and not just see auto-enrolment as a mere box ticking exercise. The advisory community has an essential role to play here, guiding employers through the process and helping to ensure the schemes they select for their employees are fit for purpose.

It is probably for this reason that DWP has softened its stance on the proposed ban of commission and the resultant effect an immediate ban would have on helping employers with auto-enrolment. It is now considering giving firms three years from their staging dates to remove commission. If the rules came into force next April they would apply immediately for new schemes but existing schemes would have three years from their staging date to eliminate commission. This is clearly a green light for advisers as it gives them three years to plan for the removal of commission and also gives providers time to plan to make any necessary technology changes which will invariably take time. The more time there is to plan the better. The DWP consultation response is eagerly awaited.

Peter Smith, Head of Distribution Engagement