YOU’VE GOT A FRIEND

One of the major concerns right now in the pension’s world is with auto-enrolment (AE) and what is termed the capacity crunch. The real concern here is the ability to facilitate the next wave of much smaller employers who will struggle with their staging dates and complying with their legal duties.

I recently attended a workshop with the catchy title of ‘The Friends of AE’. This is an interesting group as it is a cross-industry body set up in response to the concerns of many advisers, providers, regulators and professional bodies who are really concerned that there is a real issue here and where the potential scale of the issue is staggering.

In April, May and July this year there will be around 10,000 medium-sized employers passing through their staging dates. In 2016 up to 80,000 employers will be staging each month and by 2017 as many as 130,000 employers will have to stage.

Those present at The Friends of AE inaugural meeting were concerned issues had already started to rise with some providers now exiting the market and others having difficulties with back office systems and middleware software restricting the number of clients they were able to “on board”.

There is a real fear that employers are not acting with sufficient urgency and often do not have specialist resource to support them. Providers will struggle to bring on board such large volumes of clients and also it is possible that those advisers who are in this market will be overwhelmed by demand. This will lead to employers missing their staging deadlines and more providers leaving the market. This could then lead to the remaining players cherry picking across the supply chain with firms that were less attractive to providers being given no choice but to use the National Employment Savings Trust (NEST).

If there is a serious capacity crunch then the whole AE project will be at risk. This makes The Friends of AE a worthwhile idea, as to avoid a capacity crunch the entire industry needs to work together on solutions to the problems faced by smaller employers to make AE a success.

TISA will update members as the group ‘The Friends of AE’ progress their work.

Peter Smith, Head of Distribution Engagement