

TISA RESPONSE TO

**Department for Work and Pensions
Consultation on draft regulations
Technical Changes to Automatic Enrolment**



Date 9th January 2015

INTRODUCTION

TISA is a not-for-profit membership association operating within the financial services industry.

TISA's membership comprises over 145 member firms involved in the supply and distribution of savings and investment products and services. These members represent many different sectors of the financial services industry, including banks, stockbrokers, asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers and pension providers.

Having a legacy of focusing predominantly within the tax incentivised products area, TISA has in recent years moved into the broader savings and investment world, extending our status of 'trusted advisor' to the authorities over a much greater remit. This has been welcomed by our members and the authorities as a natural progression.

TISA has a highly successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve the performance of the industry and the outcomes for consumers. Policy and regulation continues to be the major focus for our members with regard to corporate responsibility.

TISA and its members' remit is evolving into a clearer focus on pro-active consultation in the regulatory world in order to influence policy and associated regulation before its creation, rather than reacting to issue policy directives. This will help to ensure a more considered policy creation from the authorities.

What makes TISA unique is that we cover the entire industry, incorporating cross sector policy, industry and technical expertise. Whilst we maintain a solid partnership with government, the regulators and wider industry, we remain independent and develop neutral views and opinions. This impartiality is reflected in our ability to drive development projects which improves industry performance and puts us in the unique position of being able to constantly challenge the status quo to bring about material improvement. At the forefront in all of our recommendations and actions is to consider national and consumer outcomes.



RESPONSE TO CONSULTATION

TISA welcomes the Department of Work and Pensions (DWP) proposals to further simplify the automatic enrolment (AE) process and reduce burdens on employers.

As we approach the final staging dates for auto enrolment it is vital to recognise the issues and challenges faced by the small and micro employers. These firms may not have the skills or resources available to sufficiently handle the business process implementation of automatic enrolment and therefore any simplification of regulation is helpful.

TISA notes that the DWP has listened to industry feedback from the early stages of AE and the draft regulations proposed reflect that experience. The challenges faced by larger employers have identified two key areas that could threaten the successful roll out of AE in the final phase, namely cost and complexity. It was pleasing to note that the measures in the Pensions Act 2014 sought to reduce the administrative burden on employers and administrators alike.

Key to a successful AE implementation and good employee take up rates is effective communication. TISA notes that the valuable work being undertaken by the DWP in conjunction with the TPR to give support to employers. Regulation needs simplifying for the industry professionals but employers need an even greater deal of assistance in understanding their obligations and duties. The TPR role here for small employers is critical.

TISA has chosen not to respond to the individual consultation questions preferring to leave that to subject matter experts at the trade bodies representing Employers, Trade Unions, Employees, Accountants, and Actuaries etc. but would like to comment on the three measures introduced in the draft regulations.

Alternative Quality Requirements for Defined Benefit Scheme.

This is a positive move. Where an employer has a good pension arrangement in place but would not meet the Test Scheme Standard it did not seem reasonable to force them to seek another workplace pension. The DWP has listened to calls for a simpler test of scheme quality and this should assist employers and avoid unnecessary additional costs.

Proposed changes to the Information Requirements for Employers

This is an area that has caused employers operational confusion and additional costs. The intention of reducing information requirements is well intended and TISA acknowledges the DWP's challenge in drafting regulations. The draft regulation would still appear to be complex. The hope is that the TPR templates and its guidance will be sufficient so an small employer can navigate through his employer duty.

Exceptions to the Employer Duty

Giving the employer the choice whether to auto enrol an individual is a good measure where the prescribed exceptions are stated in the draft regulations.

TISA was concerned by the possible harmful tax position a saver might be exposed to as a direct result of being enrolled automatically. It is right and proper that those individuals holding a valid



HMRC certificates could continue to benefit from their tax protected status. Further monitoring of the employer experience is exercising their discretionary powers will be required.

It is still to be seen post April 2015, how many savers might flexibly access their pension rights but it is right that the DWP keeps this potential exception under review.

TISA understands that the employer burden may well have increased post April 2015 if those accessing pension rights flexibly were allowed exceptions, however, in support of the government policy to encourage greater saving towards later life, we must ensure a positive saver experience first. Further investigation and analysis is required in this field and TISA would be pleased to discuss this further with the DWP.

Carol Knight, Operations Director, TISA