

Review of automatic enrolment – initial questions

Automatic enrolment is a policy that works. So far over 7.1 million people have been enrolled and more than 370,000 employers have met their duties. By 2018 we estimate that around 10 million people out of the current target eligible population of 11 million will be newly saving or saving more as a result of automatic enrolment. The purpose of this review is to build on that success. The review is focused on how to ensure that automatic enrolment continues to meet the needs of individuals saving for their retirement in the future, and that the technical operation of the policy is working as intended.

The review will have regard to s149 of the Equality Act and three principles: fairness, affordability and sustainability through:

1. Ensuring that automatic enrolment continues to meet the needs of individual savers while,
2. Balancing the needs of individuals with the costs to employers and, where possible, minimising the administrative burden on employers through simplifying and streamlining employer duties; and
3. Ensuring value for money for the taxpayer.

The review will be conducted by DWP with advice, insight and challenge provided by an external Advisory Group.

To inform the work of the DWP Review team and Advisory Group, we are inviting views and evidence on the following matters.

Theme 1 – Coverage

The review will explore the existing coverage of automatic enrolment, and how to achieve the right balance between enabling as many people as possible to save in a workplace pension whilst ensuring that it should make economic sense for them to be included. In doing so, we will consider the continuing evolution of the labour market since automatic enrolment was introduced, particularly the rise of the gig-economy, and the growing population of the self-employed. We would be grateful for your views, including on the following:

Questions

1. Do the earnings trigger (£10,000 in 2017/18) and age criteria (22 to SPA) continue to bring the right people into automatic enrolment? ¹
 - a. Is there a case for bringing individuals not currently eligible for automatic enrolment into scope, and on what grounds?
2. Do the categories of non-eligible jobholders and entitled workers continue to make sense in terms of enabling those who are not eligible to be automatically enrolled to save into a workplace pension?
3. In the light of the continuing evolution of the labour market, is there a case for exempting any group or groups of employers from automatic enrolment duties?
4. How can self-employed people be encouraged and enabled to save more for later life/ for retirement?

¹ Details of automatic enrolment eligibility criteria can be found here: <http://www.thepensionsregulator.gov.uk/docs/resource-diff-types-of-worker.pdf>

Theme 2 – Engagement

Automatic enrolment was designed to ‘nudge’ people into saving in a workplace pension and create a default position so that the individual will save unless they take an active decision to opt out.

The review will not only explore this approach but also how individuals are engaging with saving through automatic enrolment or their existing workplace pension saving. We will look at communications around the processes of automatically enrolling employees and where more effective engagement could drive greater personal ownership and enable people to understand and maximise their savings.

This will include looking at behaviours that have been shown to sustain engagement in savings other than pensions. We would be grateful for your views, including on the following:

Questions

1. What examples are there of effective communications and engagement tools that have delivered:
 - sustained workplace pension saving over the long term, and
 - increased levels of savings resulting from changing contribution rates?
2. In an individual’s automatic enrolment journey, what are the most and least effective touch points when appropriate engagement can help reinforce personal ownership of pension saving? What form should that engagement take, who should deliver it and how?
3. What are the challenges and barriers to sustained or timely engagement for different cohorts and individuals, and how can they be overcome?
4. What are individual attitudes to workplace pension saving and what influences those attitudes?

Theme 3 – Contributions

Automatic enrolment has delivered a huge increase in participation in workplace pension saving. Under existing legislation contribution rates will increase in April 2018 and April 2019. Our ambition in the review is to strengthen the evidence around appropriate future contributions into workplace pensions after April 2019, recognising the need to understand how individuals and employers will respond to the planned increases. We do not expect to make policy recommendations in this area during 2017. The intent is to develop and deepen understanding of the issues around contribution rates to inform longer term policy thinking. We would be grateful for your views, including on the following:

Questions

1. What are the key drivers, opportunities and barriers for individuals and employers that may affect their behaviours in relation to sustaining existing, or managing increasing, contribution rates?
2. Is there scope for a more flexible approach to contribution rates to reflect an individual’s life and employment journey?
3. Do you have any evidence or views on the most appropriate/effective balance between employer and individual contribution levels? What are the

options for encouraging, ‘nudging’ and enabling people to save more into their workplace pension?

4. To what extent are individuals saving outside of a workplace pension for retirement and how does this impact on their interest and ability to save into a workplace pension?

The wider review activity

In addition to the three themes identified above, the department will be engaging with stakeholders separately on wider issues. The review will be an opportunity to consider whether the technical operation of the policy is working as intended. The review will also include the requirements set out in legislation relating to the statutory review of the alternative quality requirements for defined benefits schemes (section 23A) of the Pensions Act 2008) and for certification requirements for money purchase schemes (section 8 of the Pensions Act 2008).

An examination of the level of the charge cap will also be incorporated within this review. This will include considering what effect the charge cap (as well as any other factors) may have had on charge levels in the market, whether the cap has influenced investment approaches and to what extent it has led to changes in service providers e.g. pension providers or asset managers.

Questions

1. What are the advantages and disadvantages of lowering the level of the default fund charge cap?
2. What are the advantages and disadvantages of extending the cover of the charge cap to include some or all transaction costs?

Who are these questions aimed at?

We would like to hear from workers, employers, employee representatives, pension industry professionals, including occupational workplace pension scheme administrators, payroll administrators, accountants, payroll bureaux, independent financial advisors, employee benefit consultants, and comments from the general public are also welcome.

When to provide your views

We would like to hear from you before **22 March 2017**.

How to respond

Please send your responses to the Automatic Enrolment 2017 Review Team at 2017AUTOMATIC.ENROLMENTREVIEW@DWP.GSI.GOV.UK

Or by post to:

AE 2017 Review Team, Private Pensions Directorate
Department for Work and Pensions
First Floor, Caxton House
Tothill Street, London
SW1H 9NA

When responding, please tell us whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who your organisation represents, and where applicable, how the views of members were assembled. We will acknowledge your response.

Freedom of Information

The information you send us may need to be passed to colleagues within the Department for Work and Pensions and to members of the external Advisory Group for the Review, published in a summary of responses received and referred to in the published report.

All information contained in your response, including personal information, may be subject to publication or disclosure if requested under the Freedom of Information Act 2000. By providing personal information for the purposes of the public consultation exercise, it is understood that you consent to its disclosure and publication. If this is not the case, you should limit any personal information provided, or remove it completely. If you want the information in your response to the consultation to be kept confidential, you should explain why as part of your response, although we cannot guarantee to do this.

To find out more about the general principles of Freedom of Information and how it is applied within DWP, please contact:

Central Freedom of Information Team 4th Floor, Caxton House, Tothill Street, London, SW1H 9NA.

Freedom-of-information-request@dwp.gsi.gov.uk

The Central Fol team cannot advise on specific consultation exercises, only on Freedom of Information issues. More information about the Freedom of Information Act can be found at <https://www.gov.uk/make-a-freedom-of-information-request>

Government response

Towards the end of the year the government will publish a report to Parliament, which will be placed on www.gov.uk

The department will consult on any proposals that require legislative change.