Autoenrolment

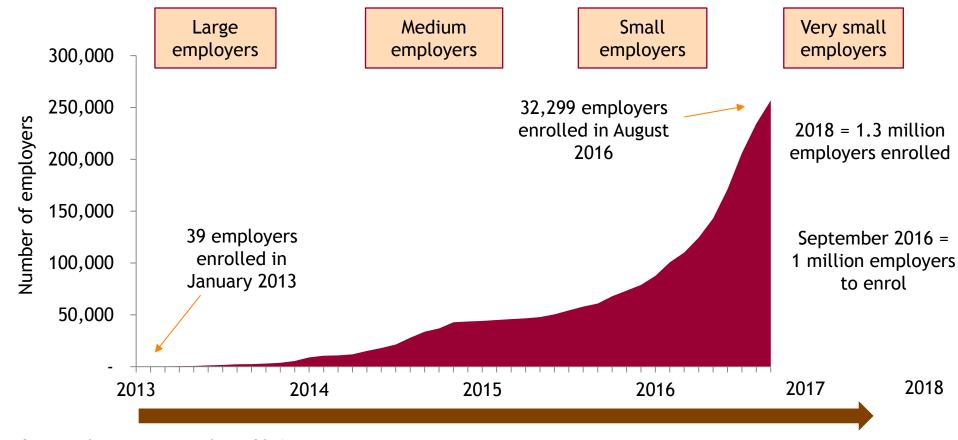
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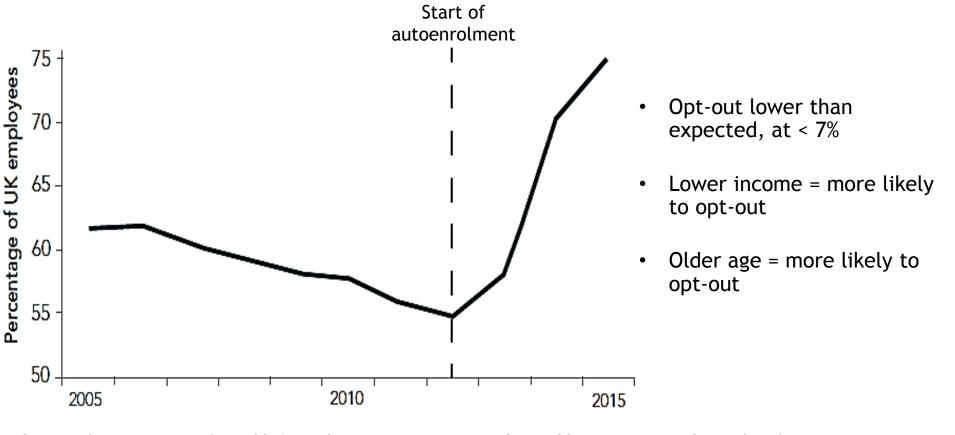
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UK autoenrolment a success: employers comply



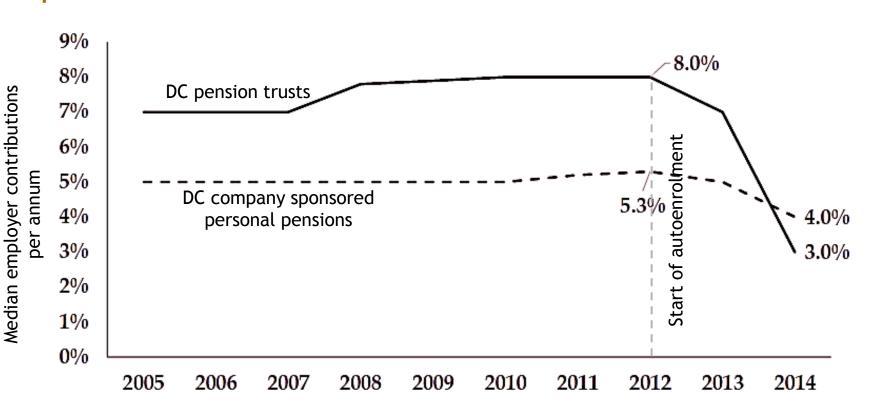
Source: The Pensions Regulator, 2016,

Participation a success, opt-out very low



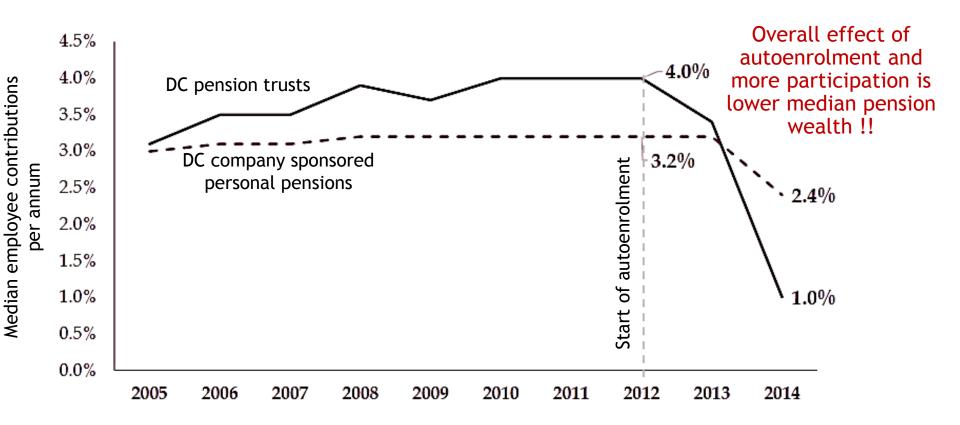
Source: The Pensions Regulator, 2016, Employers' Pension Provision Survey 2011, Department for Work and Pensions

Median employer contribution rates in DC plans higher than expected



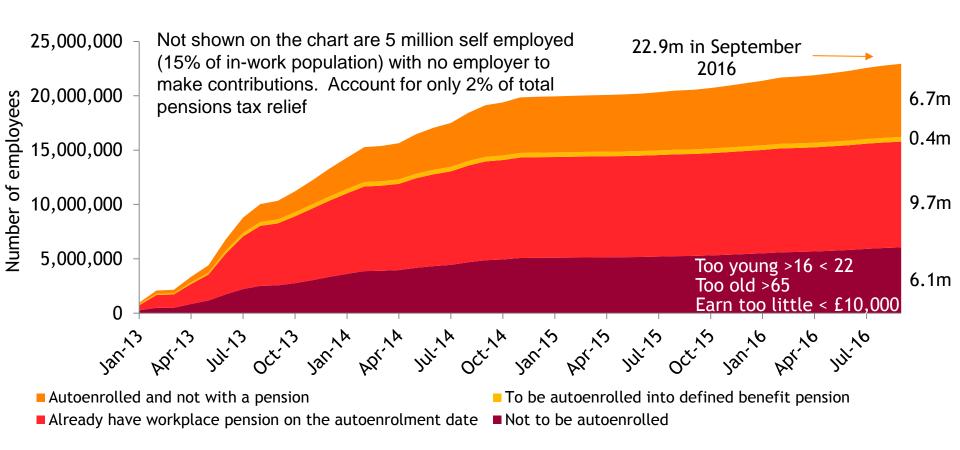
Source: ONS, 2014

Median employee contribution rates in DC plans as expected



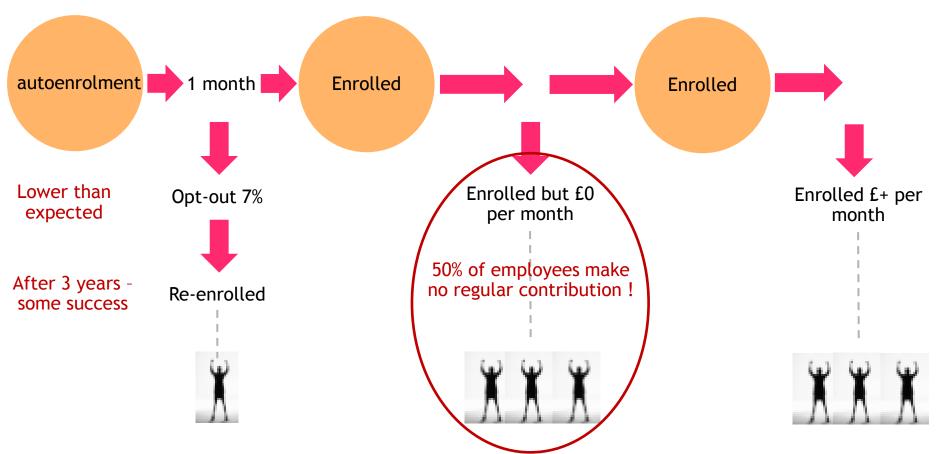
Source: ONS, 2014

But autoenrolment not for everyone, there are many kick-outs



Source: The Pensions Regulator, 2016

Opt-out and contribution rate data are pleasing, so why are total contributions less than expected?



Policy strengths:

- Policy improves pension wealth of employed workers.
- Non-savers now saving.
- Under-savers saving more.
- 100% of employers contributing.
- ≈ 93% autoenrolment success
- > 50% increase in likelihood that worker now participates in pension plan.
- No levelling down in existing employer contributions.
- Unexpectedly, employers not previously contributing gone straight to 3% contribution.

Policy weaknesses:

- Kick-outs.
 - Self employed.
 - Young: in work >16 and < 22 years old.
 - Old: in work >65 years old.
 - People earning < £10,000.
 - Workers with > 1 job whose total income > £10,000.
- Total contributions and flows to capital markets less than expected.
- Significant numbers of autoenrolled making £0 monthly contributions.
- Aggregated nature of information masks assessment of pension policy to all but the most informed.

Further discussion

- Scale needed to achieve mostly private sector cost (though NEST in UK addressed clear market failure).
- Evidence that industry responds to major competitive threats but does not voluntarily innovate for better societal outcomes.
- Government cost is writing legislation, compliance and enforcement (see next slide).
- State already has autoenrolment with State (tier 1) pension typically no opt-out.
- Solution for self employed needed compulsion through tax system. More incentives to build pension wealth than property wealth.
- We remain unsure about effects on?
 - Employer hiring decisions.
 - Saving elsewhere.
 - How participation rate will react to increase in employee contributions to 4%.

UK autoenrolment compliance and enforcement

Pensions Schemes Act 1993, Pensions Act 1995, Pensions Act 2004, Pensions Act 2008, Data Protection Act 1998,

Employer requirement not to discourage	Regulator risk- based and constructive with employers	Detect non compliance	Evidence gathering	Non compliance action	Statutory powers
No inducement to opt out	Company declaration of compliance	Declaration verification	Request information from employer	Minor breach Warning letter to remedy breach	Fixed penalty; employer pays £400
Cause employee to cease active membership	Keep records for 6 years to demonstrate compliance	Whistleblowing	Enter premises to obtain information	Statutory Improvement notice	Escalating penalty: employers pays £50 to £10,000
When recruiting indicate opt-out is looked on positively	Minimise burdens and work with, and help, companies	Sharing intelligence e.g. with HMRC		Statutory Unpaid contribution notice	Recover unpaid contributions using powers of trustees
	Accidental non- compliance acceptable	Information analysis		Statutory Third party compliance notice	Third party must rectify situation or conduct
	Intentional non- compliance unacceptable			Review and appeal process	All penalties paid to HM Treasury
					Court action – civil or criminal