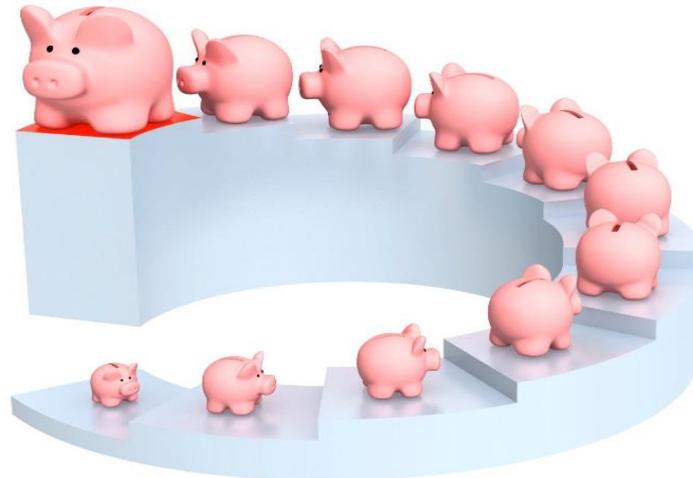




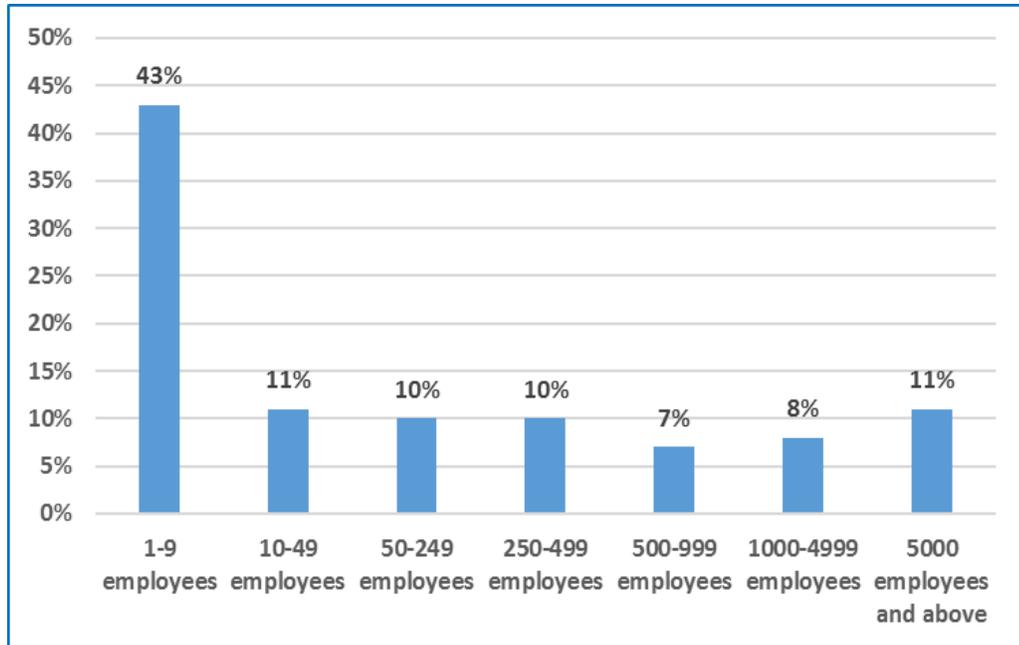
# Time to get real

Survey underscores need for next-step reforms to  
increase minimum pension contributions

**Summary of First Report of the ACA 2015 Pension trends survey  
conducted by the Association of Consulting Actuaries**



# Survey respondents

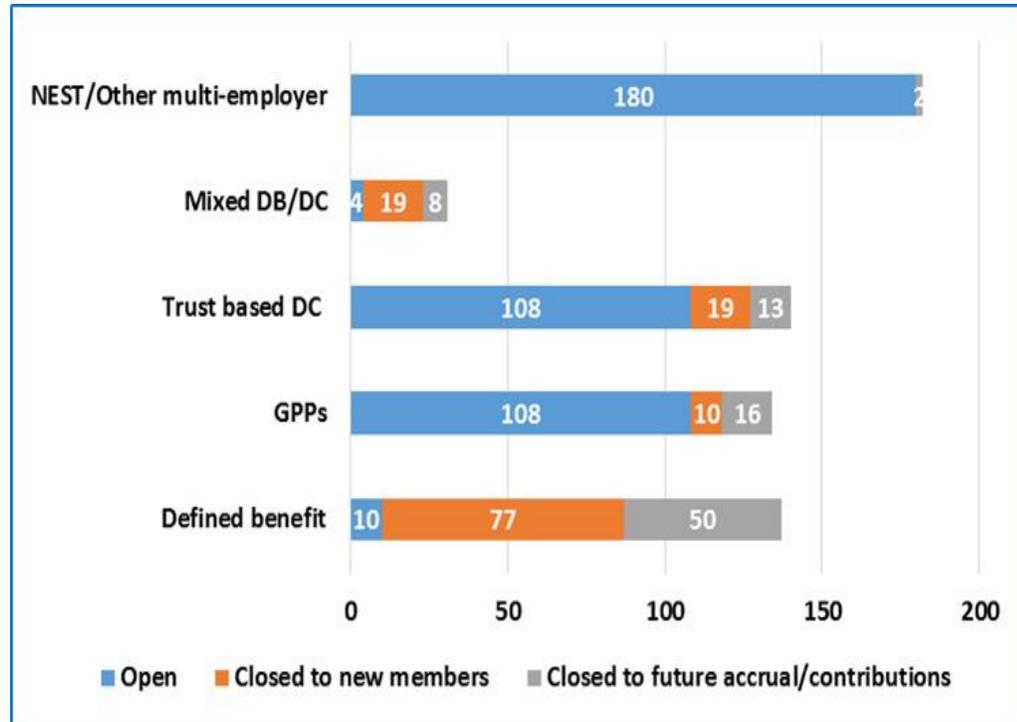


➤ 477 employers of all sizes

➤ Sponsors of over 620 pension schemes

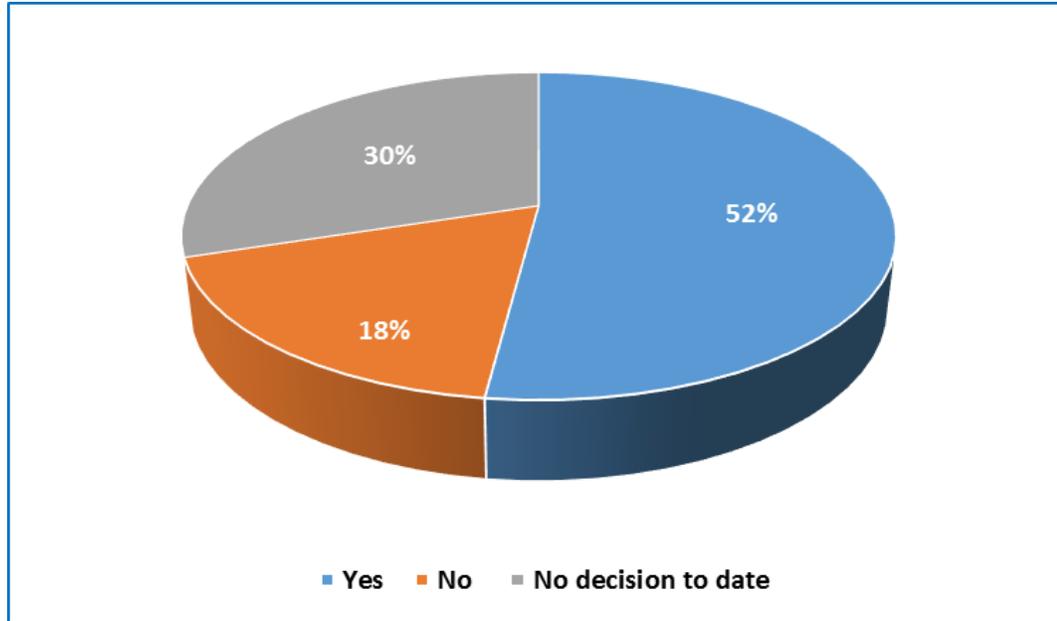
➤ 46% reached auto-enrolment staging date

# Pension schemes provided by employers



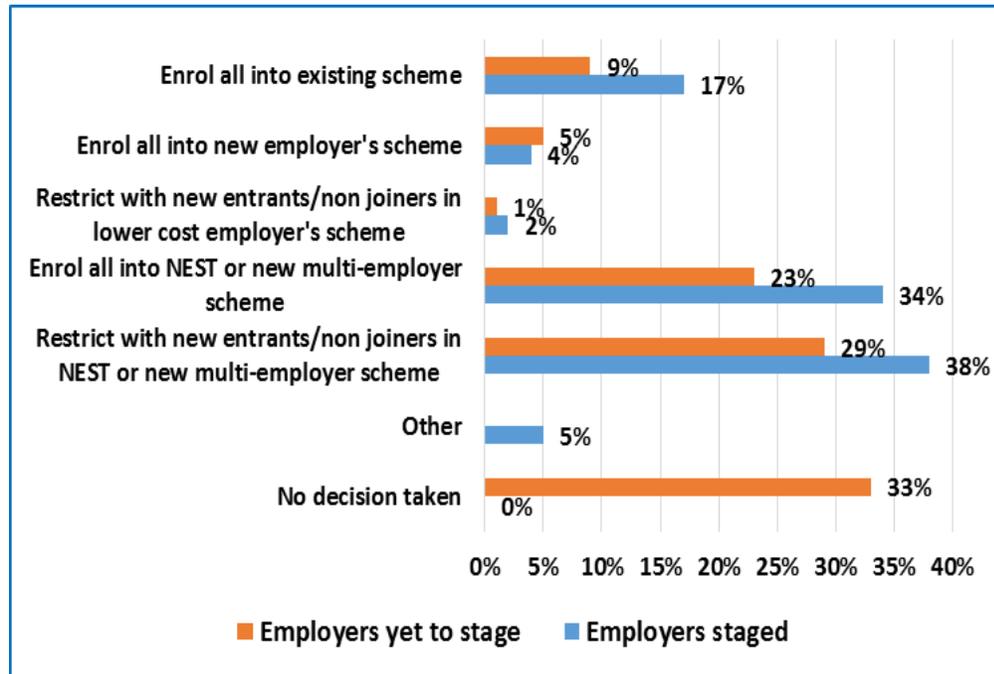
- Eight out of ten employers that have auto-enrolled employees are using NEST or another multi-employer scheme for some or all of their employees
- Fifth of trust-based DC schemes and GPPs closed
- Only 7% of DB schemes open to future accrual

# Changes to workplace pensions



- 52% of employers have or will change pension arrangements as a result of auto-enrolment
- 30% of employers still undecided on future pension offering

# Changes to workplace pensions



## Of those employers that have reached their staging date for auto-enrolment:

- a fifth have enrolled all their employees into an existing or new employer's scheme
- one third have enrolled all their employees into NEST or one of the other multi-employer schemes
- close to four out of ten have restricted entry into an existing scheme and have auto-enrolled previous non joiners and new entrants into NEST or a multi-employer alternative

## Of those smaller employers who have not as yet reached their staging date:

- a third have not made a decision on what they will do
- of those that have, close to a quarter will enrol all employees into NEST or another multi-employer scheme
- three out of ten will enrol previous non joiners and new entrants into NEST or another multi-employer arrangement.
- Just one in ten will enrol all employees into an existing scheme

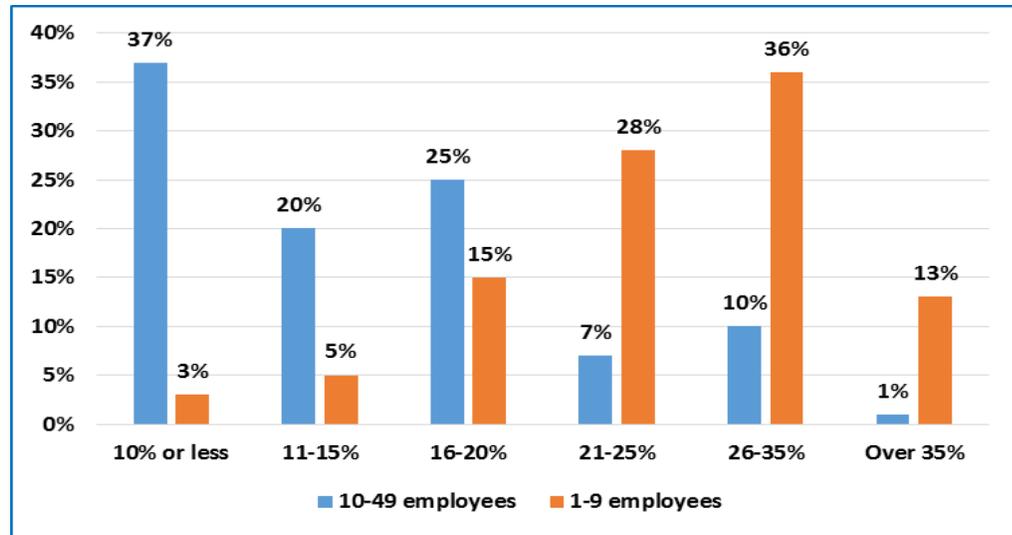
# Biggest problems preparing for auto-enrolment

Employers: passed staging date for auto-enrolment		Employers: not yet reached staging date
Assessment of options available	1	Assessment of options available
Processes preparing for change	2	Regulatory complexity
Systems	3	Communications
Regulatory complexity	4	No preparations to date
Communications	5	Processes preparing for change
Uncertainty of financial cost	6	Uncertainty of financial cost
	7	Systems

- Large and mid-sized employers, who have already auto-enrolled eligible employees, found assessment of the options available, the processes in preparing for change, systems, regulatory complexity and communications have been the biggest problem areas with auto-enrolment
- Smaller employers, many of which have not begun preparations for auto-enrolment, see the assessment of the options available and regulatory complexity as their biggest problems

# Employee opt-outs from auto-enrolment

Employers status	Actual	Forecast	
Already staged	8-9%		
Not staged (10-49 employees)		11-15%	
Not staged (1-9 employees)			21-25%
All not staged		16-20%	



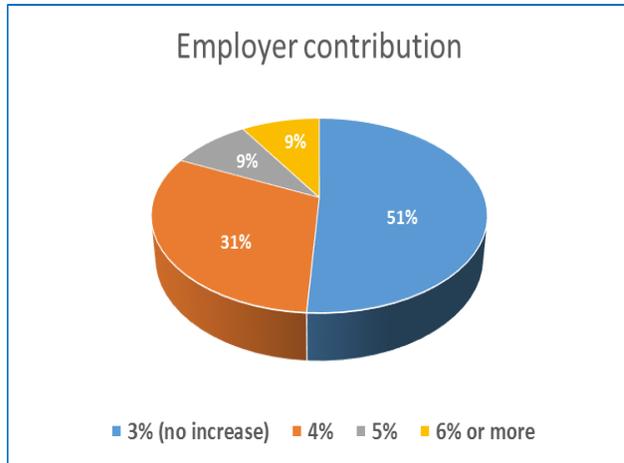
- Median employee opt-out rate to date in 8-9% range
- Forecast opt-out rates in range 16-20% from employers yet to reach staging date
- Close to half of smallest firms expect opt-out rates of over 26%

# Contribution rates into pensions slide

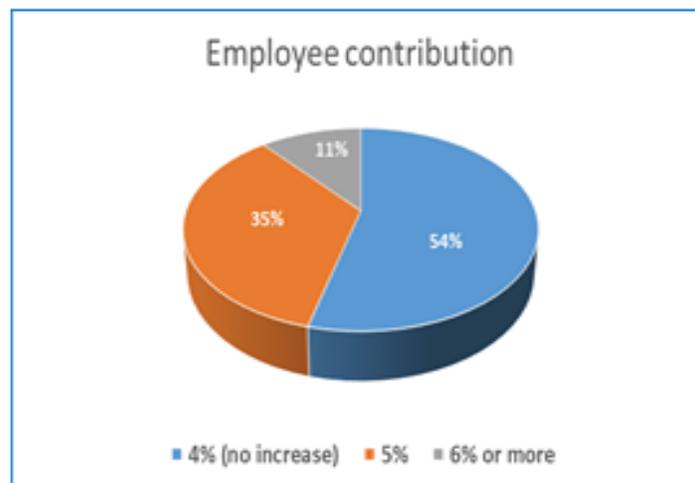
	Employer		Employee
Group Personal Pension	4% (5.8%)		3% (4.2%)
Trust based DC	5% (6.9%)		4% (4.5%)
NEST	1% (NA)		1% (NA)
Other multi-employer schemes	3% (NA)		1% (NA)
Mixed DB/DC	11-15% (NA)		5% (NA)
Defined benefit	16-20% (21.9%)		6% (6.1%)

- Median employer contributions into GPPs and defined contribution pension schemes across our sample are respectively in the 4% and 5% band of earnings
- Median employee contributions into GPPs and defined contribution schemes are respectively 3% and 4% of earnings
- Contributions into NEST and other multi-employer arrangements are reported at a much lower level, with many employers and employees contributing at the minimum initial auto-enrolment level, which is below 1% of total earnings
- Over the last decade there has been a gradual, if small, increase in median employer and employee contribution levels into defined contribution arrangements. However, it is clear from this year's research that this trend has reversed due to the much lower minimum contributions paid by both employers and employees for many on auto-enrolment. This is highlighted by comparing this year's findings with those reported in the *ACA 2013 Pension trends survey* (see 2013 mean figures in brackets in chart opposite)

# Views on scope for higher pension contributions from 2020

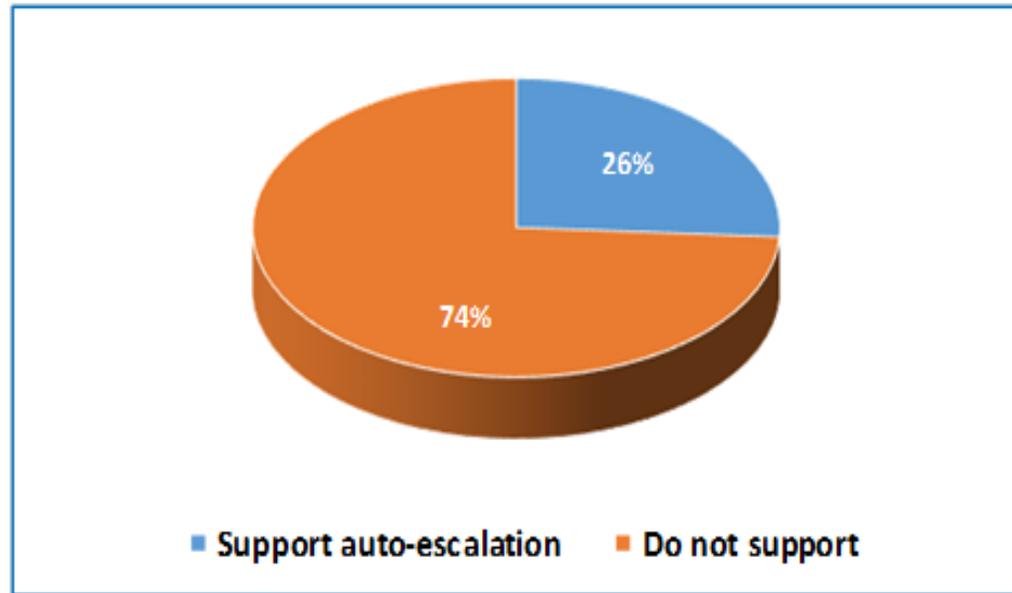


- The majority of employers wanted both the minimum employer and employee contributions to stay at the 2018 levels, namely respectively 3% and 4% of qualifying earnings



- However, over four out of ten were prepared to see minimum contributions rise to 4% from employers and 5% from employees, or higher from 2020

# Auto-escalation of employee contributions



- Over a quarter of employers are prepared to support the idea whereby employees are encouraged to auto-escalate their pension contributions at a future date as wages and salaries increase
- This must be seen as encouraging, but it seems likely that for the initiative to take-off there may be a need for the Government to incentivise employers to offer such an option

# ACA report recommendations

## Minimum pension contributions: the future

The ACA survey report makes the following 'next step' policy recommendations to Government:

- ✓ **Serve notice that in 2018 the Government will reduce the lower band on earnings eligible for auto-enrolment and lower the auto-enrolment earnings threshold to extend provision to more women and low earners**
- ✓ **Serve notice that the Government will increase the minimum auto-enrolment contributions by 1% every two years after 2020 until they have reached a combined contribution of 16%. The Government's contributions will take account of the outcome of the current tax relief consultation**
- ✓ **Serve notice that the Government will assist employers and employees over the period of these increases in pension contributions by way of planned reductions in NI and further increases in tax free allowances and the Employment Allowance**
- ✓ **Serve notice that these increases in contributions and tax adjustments may be implemented subject to the performance of the economy, particularly in terms of earnings growth and growth in earnings net of tax**

# Time to get real

First report of the ACA 2015 Pension trends survey

The full report is available at [www.aca.org.uk](http://www.aca.org.uk)  
(see 'Publications' or 'research & surveys' pages)

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