

# Annex A

# Terms of Reference

## Context

The purpose of this review is to build on the work of the Pensions Commission for increasing private pension saving through the introduction of mandatory automatic enrolment into workplace pensions. This Government remains committed to the role of automatic enrolment. However, the review reflects a range of developments since the Turner recommendations were formulated, including:

- The credit crunch in financial markets, the economic downturn and the fiscal deficit.
- A greater understanding of likely costs and the proposed charging structure for NEST.
- The proposed approach and profile for introducing the new employer duties and phasing in of minimum levels of mandatory contributions.
- The proposed review of State Pension age; and
- Other changes such as the further increases in life expectancy and further decline in private sector pension coverage.

## Scope

The review will consider:

- Whether the proposed scope for automatic enrolment strikes an appropriate balance between the costs and benefits to both individuals, and employers, or whether the underlying policy objective of increasing private pension saving and balancing those costs and benefits would be better delivered by a different scope for automatic enrolment. In looking for the right group to automatically enrol, the review may among other things explore:
  - The earnings threshold, above which automatic enrolment applies.
  - The introduction of a *de minimis* level for contributions before automatic enrolment applies.

- The age group to which automatic enrolment should apply.
  - The size of firm to which automatic enrolment should apply; and
  - Whether employees should be automatically enrolled on the day they start work or some later date.
- The availability and capacity of pension providers other than NEST to serve the potential automatically enrolled population.

In light of these conclusions, whether the policy of establishing NEST, as currently envisaged, is the most effective way to deliver future access to workplace pension saving and income security in retirement.

In reaching its conclusions, the review will have regard to the effectiveness of the proposed regime in:

- Tackling pensioner poverty as quickly as possible, including among women pensioners.
- Maximising voluntary private savings and the speed by which this objective can be achieved.
- Minimising the administrative burdens on employers and the impact on existing provision.
- Achieving an effective balance between the achievement of policy objectives, pace of implementation, value for money and risk, and
- Maximising value for money for the Exchequer.

### *Outcomes*

The review should provide a critical analysis of the rationale underpinning the current approach to the programme, identifying whether alternative approaches could improve outcomes or value for money. It will also inform wider discussions on affordability and value for money in the context of the next Spending Review.

### *Resources*

DWP will provide full support to the review, including secretariat support, input on and discussion of policy objectives and possible options, option analysis and economic modelling, and support in drafting papers and reports.

### *Timing*

The review should present its analysis, conclusions and recommendations by 30th September.