

# Overview of Workplace Pension Reform: Editors notes

People are living longer and are not saving enough to achieve the income they are likely to want, or expect, in retirement. Since 2003, there has been a decline in the number of eligible workers participating in a workplace pension from 12.6 million (64 per cent) to 11.0 million (56 per cent) in 2011<sup>1</sup>.

The government is introducing automatic enrolment into a workplace pension to encourage and enable people to save more. Starting from October 2012, millions of workers will be automatically enrolled into a workplace pension. Larger employers will go first, with small and medium sized employers following over several years.

Workers will put money in, as will employers, and the government will also contribute in the form of tax relief.

This is the first time that employers have been required by law to contribute to their workers' pensions.

Automatic enrolment is recognised as an effective best way to overcome people's saving inertia by turning the default from not saving into saving.

The Department for Work and Pensions estimates that around 11 million workers will be eligible for automatic enrolment and that the reforms will result in:

- 6-9 million workers newly saving or saving more;
- 2-4 million workers saving in NEST
- £11 billion a year in additional workplace pension saving once the reforms are in steady state (2012-13 earnings); and
- a social welfare benefit from increased well-being as a result of consumption smoothing over individuals' lifetimes equivalent to an increase in wealth of approximately £35 to £60 billion up to 2050.

These estimated outcomes are derived from a comprehensive programme of research and analysis undertaken by the Department to inform the development of workplace pension reforms.

The programme of work to deliver the workplace pension reforms is being led by the Department for Work and Pensions with the support of the Pensions Regulator and NEST Corporation<sup>2</sup>

- the Department for Work and Pensions is responsible for the development of the policy and legislation to support the introduction of automatic enrolment and for ensuring individuals are aware of the nature of the reforms and who they can turn to for further information;

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<sup>1</sup> Workplace Pension Reform Baseline Evaluation Report (2012)

<sup>2</sup> National Employment Savings Trust

- the Pensions Regulator role is to maximise compliance with the employer duties, and to ensure employers are aware of their duties and how to comply with them. It will also support intermediaries – whom employers are likely to turn to for information – in helping communicate changes; and
- NEST Corporation's role is to deliver and run NEST: a new low-cost, trust-based, occupational pension scheme designed for a target market that is largely new to pension saving and that the existing pensions industry finds it difficult to save.

This note is only a guide and does not cover every circumstance. The information contained in this note is correct as of September 2012, Some of the information may become inaccurate over time, for example because of changes to the law.