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Automatic Enrolment evaluation report 2013

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Summary

Millions of people in the UK are not saving enough for retirement. Automatic enrolment aims to increase private pension saving in the UK and forms part of a wider set of pension reforms designed to enable individuals to save towards achieving the lifestyle they aspire to in retirement.[1] The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme and pay a contribution, in addition to a Government contribution in the form of tax relief. The automatic enrolment duties are being staged in between October 2012 and February 2018 by employer size, starting with the largest employers.

Once fully implemented, automatic enrolment aims to increase the number of individuals newly saving or saving more in a workplace pension by around eight million, within a range of six to nine million, and increasing the amount that is being saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion.[2]

This report uses the latest research and analysis from a range of sources to show what has happened since automatic enrolment began and to update key baseline indicators that will be used to monitor progress in future reports.[3]

Key findings

Up to the end of October 2013, more than 1.9 million workers had been automatically enrolled across nearly 3,000 employers. Based on research with large employers, the average opt-out rate so far is around nine per cent.

Individuals remain positive about automatic enrolment with nearly three-quarters (73 per cent) surveyed saying it is a good thing. Recognition of the Government advertising campaign is high with those recognising the advertisements more likely to be aware of the reforms or say they will stay enrolled, than non-recognisers.

Levels of employer awareness and understanding of their automatic enrolment duties are high and showing appropriate progress towards them being able to comply with their duties. The duty that is least well known by employers is the need to register their details with The Pensions Regulator.

The main challenges faced by the first employers to implement automatic enrolment have been the complexities of assessing and categorising workers, adapting payroll systems and communicating the changes to workers.

1 The Government is also legislating to introduce a new state pension and has brought forward increases to State Pension age. https://www.gov.uk/government/policies/making-the-state-pension-simpler-and-fairer

2 DWP (2013). *Workplace Pension Reforms: digest of key analysis* – July 2012. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223031/wpr_digest_0712.pdf

3 DWP (2012). *Workplace Pension Reforms: Baseline Evaluation Report*. At: https://www.gov.uk/government/publications/workplace-pension-reforms-baseline-evaluation-report-rr803

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The Authors

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Abbreviations

AMC	Annual Management Charge
ASHE	Annual Survey of Hours and Earnings
DA	Defined Ambition
DB	Defined Benefit
DC	Defined Contribution
DWP	Department for Work and Pensions
ELSA	English Longitudinal Study of Ageing
EPP	Employers' Pension Provision Survey
EQ	Evaluation Question
FRS	Family Resources Survey
FCA	Financial Conduct Authority
FSA	Financial Services Authority
GPP	Group personal pension
HMRC	HM Revenue & Customs
IA	Impact Assessment
IDBR	Inter-Departmental Business Register
IFA	Independent financial adviser
ISA	Individual Savings Account
KPI	Key Performance Indicator
MAS	Money Advice Service
MI	Management information
NEST	National Employment Savings Trust
ONS	Office for National Statistics
OPSS	Occupational Pension Schemes Survey
PAYE	Pay As You Earn
PSO	Public Service Obligation
RDR	Retail Distribution Review

SIC	Standard Industry Classification
SPA	State Pension age
TPAS	The Pensions Advisory Service
TPR	The Pensions Regulator
WAS	Wealth and Assets Survey

Glossary of terms

Accrual — The build up of a scheme member's pension benefits or rights.

Accrual rate — The rate at which pension benefits or rights are built up.

Accumulation — The stage in people's lives when they are adding to their pension pot. See also **Decumulation**.

Active member — Individuals currently contributing to a pension scheme.

Administration — Refers to the day-to-day running of a pension scheme, e.g. collection of contributions, payment of benefits, record-keeping.

Automatic enrolment — The Government has introduced a new law designed to help people save more for their retirement. This requires all employers to enrol their workers into a workplace pension scheme if they are not already in one. In order to preserve individual responsibility for the decision to save, workers can opt out of the scheme.

Annual Management Charge (AMC) — A charge levied on an investment fund for its management and administration.

Baseline — Refers to the *Workplace Pension Reforms Baseline Evaluation Report* (DWP 2013). See **References**. Baseline is a term used in evaluation research to describe a marker against which progress can be measured at different points in time.

Basic State Pension — A weekly payment made by the Government to people who have reached State Pension age (SPA). It is based on the number of qualifying years that an individual has earned during their working life, which is based on National Insurance contributions.

Career average — A Defined Benefit (DB) scheme that gives individuals a pension based on their salary times the accrual rate in each year of their working life. Entitlements that are built up each year are revalued in line with inflation or earnings.

Ceasing active membership — In the context of this report, if an eligible jobholder chooses to leave an automatic enrolment scheme after the end of the opt-out period, they are said to cease active membership.

Certification	A process that employers can use to ensure an existing money purchase or hybrid scheme qualifies to be used for automatic enrolment and related duties.
Contract-based pensions	Pensions where the legal contract is between the individual and the pension provider, usually an insurance company. See **Personal pensions**.
Contractual enrolment	If an employer chooses to include enrolment into a pension scheme as part of a worker's employment contract, this is known as contractual enrolment. This is not classified as automatic enrolment because the worker is considered to have consented to active membership of the scheme.
Contributions	The amount (often expressed as a percentage of earnings) that a worker and/or employer pays into a pension.
Counterfactual	Term used in evaluation research. The counterfactual is a view or measure of the world in which the workplace pension reforms never happened.
Cross-sectional survey	Refers to a survey or study carried out at one point in time with all (i.e. a census) or part (i.e. a representative sample) of a population. Can be repeated but will not necessarily include the same participants, making it distinct from a longitudinal survey.
Decumulation	Opening a pension pot to receive retirement income.
Defined Ambition (DA)	Term given to new types of pension scheme aimed at sharing risk between employers and workers. DA would seek to complement the DB and Defined Contribution (DC) structures that dominate the market. Originally set out in Government's *Reinvigorating workplace pensions report* (DWP, 2012). See **References**.
Defined Benefit (DB)	A type of occupational pension scheme. In a DB scheme the amount the member gets at retirement is based on various factors. These could include how long they have been a member of the pension scheme and earnings. Examples of DB schemes include 'final salary' or 'career average' earnings related pensions schemes. In most schemes, some of the pension can be taken as a tax-free lump sum. The rest is then received as regular income, which might be taxable.

Defined Contribution (DC)	A type of occupational pension scheme. In a DC scheme a member's pension pot is put into various investments such as shares (shares are a stake in a company).The amount in the pension pot at retirement is based on how much is paid in and how well the investments have performed. In some schemes, some of the pension can be taken as a tax-free lump sum. The rest can then be used to buy an income, which might be taxable. These are also known as 'money purchase' schemes.
Easement	A reduction in the regulatory burden on employers and/or increasing simplicity to enable employers to comply with the automatic enrolment duties more easily.
Eligible worker	See **Eligible jobholder**. A worker (sometimes referred to as an employee) who is 'eligible' for automatic enrolment.
Eligible jobholder	A worker (sometimes referred to as an employee) who is 'eligible' for automatic enrolment. An eligible jobholder must be aged at least 22 but under State Pension age, earn above the earnings trigger for automatic enrolment and work, or usually work, in the UK.
Employer awareness	Employers are classed as having awareness of the workplace pension reforms if they have sufficient knowledge to know what the main requirements and implications are for them when prompted, namely: employers will have to automatically enrol UK workers; employers will have to provide a pension scheme for automatic enrolment; and employers will have to contribute to their workers' pensions. Employer awareness is monitored by The Pensions Regulator (see **Chapter 2**).
Employee benefits consultant	An adviser, or firm of advisers, that advises employers on employment benefits packages that they might offer to its employees, including pensions and other benefits.
Employer duties	Employers' legal obligations under the workplace pension reforms legislation. Compliance with the duties is monitored and enforced by The Pensions Regulator.

Employer size	Employer size is determined by the number of employees. For the purpose of staging dates, the regulator categorises employer size based on number of employees in PAYE schemes as follows: • Micro employers = 1 to 4 employees • Small employers = 5 to 49 employees • Medium employers = 50 to 249 employees • Large employers = 250+ employees Different categorisations are used throughout this report depending on the context; where this is the case it has been indicated in the text accompanying the analysis.
Enhanced protection	On 6 April 2006, a lifetime allowance for pension funds was introduced. Where individuals already had a pension fund greater than the lifetime allowance, they were eligible to apply for enhanced protection. This meant that they were exempt from tax on pension savings beyond the lifetime allowance, provided that the individual saved nothing further into a pension in their lifetime. On 6 April 2012, the lifetime allowance was reduced. Individuals seeking to be exempt from tax on savings above this lower allowance could apply for a new form of protection, known as fixed protection.
Entitled worker	A worker who: is aged at least 16 and under 75; works, or ordinarily works, in the UK; and earns below the lower earnings level of qualifying earnings. Entitled workers are not eligible for automatic enrolment, although they can choose to join a workplace pension. Their employer is not required to make a contribution if they do so.
Evaluation Question (EQ)	Research term. The set of questions that will assess the effects of the workplace pension reforms against policy objectives as set out in the DWP's Workplace Pension Reforms Evaluation Strategy (see **References**).
Fixed protection	See **Enhanced protection**.
Funded scheme	A scheme in which benefits are met from a fund built up in advance from contributions and investment income. See **Unfunded scheme**.
Group personal pension (GPP)	A type of personal pension scheme set up by an employer on behalf of its workers. Although the scheme is arranged by the employer, each pension contract is between the pension provider and the worker. The employer may also pay into the scheme, adding money to each worker's pension pot.

Group stakeholder pension	An arrangement made for the employees of a particular employer, or group of employers, to participate in a stakeholder pension on a group basis. This is a collecting arrangement only; the contract is between the individual and the pension provider, normally an insurance company.
Hybrid pension scheme	A private pension scheme which is neither purely a DB nor DC arrangement. Typically, a hybrid scheme is a DB scheme, which includes elements of DC pension design.
Impact Assessment (IA)	A published assessment of the benefits and costs of a Government policy.
Implementation	Refers to the period in which employer duties are being introduced. This will take place between 2012 and 2018 by size of employer (from large to small). See also **Staging** and **Phasing**.
Independent financial adviser (IFA)	An adviser, or firm of advisers, that is in a position to review all the available products and companies in the market as the basis for recommendations to clients. All IFAs are regulated by the Financial Conduct Authority.
Industry	Refers to the pensions and wider financial services industry affected by the reforms.
Inter-Departmental Business Register (IDBR)	A dataset produced by the Office for National Statistics (ONS) that provides a sampling frame for surveys of businesses carried out by the ONS and other Government departments.
Jobholder	A worker who is aged at least 16 and under 75; works, or ordinarily works, in the UK; and earns above the lower earnings level for qualifying earnings. The category of jobholder is divided further into two groups: eligible jobholders and non-eligible jobholders.
Levelling down	This is when employers reduce their contributions. It can also refer to other forms of reduction in contributions or benefits that are made in order to meet the new duties on employers. For examples of levelling down strategies see **Box 4.1**.
Lifetime allowance	On 6 April 2006, a lifetime allowance for pension funds was introduced by HMRC. This represents the limit on the amount of tax relief that individuals can get on pensions savings. The allowance was set at £1.8 million initially; this reduced to £1.5 million in April 2012; and the allowance is again being reduced to £1.25 million in 2014.
Longitudinal survey	Refers to a research study or survey where the same participants are repeatedly observed at different points in time. Sometimes referred to as a panel survey.

Management information	Any data routinely collected by organisations which can be used to inform evaluation.
Money purchase scheme	Type of DC scheme in which individuals buy a retirement income.
NEST (National Employment Savings Trust)	A trust-based workplace pension scheme established by legislation and developed to meet the needs of most people. NEST is available to all employers who want to use it and has been designed to complement existing pension provision. Particularly aimed at eligible jobholders on moderate to low incomes, who do not have access to a good-quality workplace pension.
NEST Corporation	Body created to set up and oversee the NEST pension scheme, replacing the Personal Accounts Delivery Authority (PADA).
Non-eligible jobholder	A worker (sometimes referred to as employee) who is not eligible for automatic enrolment but can choose to 'opt in' to an automatic enrolment scheme. If they do opt in, their employer must still make a contribution. Non-eligible jobholders are in either of the following two categories: a worker who is aged at least 16 and under 75 and earns above the lower earnings level of qualifying earnings but below the earnings trigger for automatic enrolment; or is aged at least 16 but under 22, or between State Pension age and under 75; and earns above the earnings trigger for automatic enrolment.
Occupational pension scheme	Pension scheme organised by an employer (or on behalf of a group of employers) to provide benefits for employees on their retirement and for their dependants on their death. In the private sector, occupational schemes are trust-based. Occupational pension schemes are a type of workplace pension. Types of occupational scheme include DB, DC and hybrid schemes.
Opt in	Eligible jobholders can choose to opt into the pension scheme nominated by the employer for automatic enrolment during the postponement period, where applicable. Non-eligible jobholders have the right to do the same at any time. See **Postponement**.
Opt out	Where a jobholder has been automatically enrolled, they can choose to 'opt out' of a pension scheme. This has the effect of undoing active membership, as if the worker had never been a member of a scheme on that occasion. It can only happen within a specific time period, known as the 'opt-out period'.

Opt-out period	A jobholder who becomes an active member of a pension scheme under the automatic enrolment provisions has a period of time during which they can opt out. If a jobholder wants to opt out, they must do so within one month from, and including, the first day of the opt-out period. The opt-out period begins one month after the worker has both become an active member and been provided with written confirmation of this.
Panel survey	See **Longitudinal survey**.
Pay reference period	The frequency that income is paid to an employee, e.g. weekly or monthly.
Pensim2	An analytical tool used by DWP. Pensim2 is a dynamic micro-simulation model that simulates key events occurring from birth to death using regression-based probabilities to enable us to see how an individual's life evolves within a given policy.
Pension	A pension is a way of saving money to provide an individual with an income in retirement.
Pension Acts 2007, 2008 and 2011	Key legislation underpinning the workplace pension reforms.
Pension Credit	The main means-tested benefit for pensioners.
Pension fund	A pension fund is usually made up of shares and other financial products. The aim of the fund is to increase the value of the contributions to a pension pot which is more than if the money had been put into other forms of saving or not saved.
Pension pot	Term used for a fund built up by an individual to provide income for retirement. An individual may have multiple pots.
Pension provider	An organisation, usually a bank, building society, insurance or life assurance company, that offers financial products and services relating to retirement income.
Pension scheme	A legal arrangement offering benefits to members.
Persistency	Continuing to pay into a pension or other investment or savings policy that requires regular contributions over a period of time.

Personal pension	An arrangement where the pension is set up directly between an individual and a pension provider. The individual pays regular monthly amounts or a lump sum to the pension provider who will invest it on the individual's behalf. The fund is usually run by financial organisations such as building societies, banks, insurance companies or unit trusts. Personal pensions are a form of DC pension. See also **Contract-based pensions**.
Phasing	The Government has set a minimum amount of money that has to be put into the pension by an employer and in total (i.e. employer and worker's contribution). This starts low and increases gradually over a number of years. The total minimum contribution will remain at two per cent of the worker's salary of which the employer must contribute at least one per cent, until 30 September 2017. From October 2017, the minimum contribution rises to five per cent of which the employer must contribute at least two per cent, and then rises again to a total of eight per cent of which the employer must contribute at least three per cent, from 1 October 2018.
Postponement	Postponement is an additional flexibility for an employer that allows them to choose to postpone automatic enrolment for a period of their choice of up to three months. Postponement can only be used for a worker on the employer's staging date; the first day of worker's employment; or on the date a worker employed by them meets the criteria to be an eligible jobholder.
Private pension	Private pensions are all pensions that are not state basic retirement or state earnings-related. They include occupational and personal pensions, including those for public sector employees.
Protected groups	Groups protected by equality legislation including gender, ethnicity, disability and age. Impacts on these groups are covered by the published impact assessment for the reforms.
Provider	An organisation, usually a bank, life assurance company or building society, which sets up and administers a pension scheme on behalf of an individual or trust.
Public Service Obligation (PSO)	NEST has a PSO to accept any employer that wishes to use the scheme to fulfil their automatic enrolment duties.

Qualifying earnings	In the context of the workplace pension reforms this refers to the part of an individual's earnings on which contributions into a qualifying pension scheme will be made. A worker's earnings below the lower level and above the upper level are not taken into account when working out pension contributions. For the 2013/14 tax year, the lower level is set at £5,668 and the upper level is set at £41,450. These figures will be reviewed annually by the Government.
Qualifying scheme	To be a qualifying scheme for automatic enrolment a pension scheme must meet certain minimum requirements, which differ according to the type of pension scheme. DC schemes are based on the contribution rate and require a minimum total contribution based on qualifying earnings, of which a specified amount must come from the employer. The minimum requirements for DB schemes are based on the benefits a jobholder is entitled to under the scheme. Hybrid pension schemes contain elements of DB and DC and, depending on what type of hybrid they are, will have to meet either the same, or a modified version of, the minimum requirements for DB or DC pension schemes or a combination of both.
Real time information	From 6 April 2013 employers have been required to report PAYE information to HMRC in real time.
Registration	A duty on employers to tell The Pensions Regulator information about the pension scheme they are using and how many employees they have enrolled into it for automatic enrolment.
Retail Distribution Review (RDR)	A review by the then FSA (Financial Services Authority, now Financial Conduct Authority) aimed at: improving the clarity with which employers describe their services to consumers; addressing the potential for adviser remuneration to distort consumer outcomes; increasing the professional standards of investment advisers. Changes from the review came into effect on 31 December 2012.
Retirement	There is no widely agreed definition of retirement. Generally, it refers to someone who used to be in employment and has withdrawn from the labour market. However, there is no agreement on whether people should only be considered to be retired if their exit from the labour market is permanent, or if they are in receipt of a pension, or other factors.

Staging	The staggered introduction of the new employer duties, starting with the largest employers, based on PAYE scheme size, in October 2012, to the smallest in 2017. New PAYE schemes from April 2012 will be staged in last, in 2017 and 2018.
Staging date	The date on which an employer is required to begin automatic enrolment. It is determined by the total number of workers in an employer's largest PAYE scheme.
Stakeholder pension	A type of personal pension arrangement introduced in April 2001 which could be taken out by an individual or facilitated by an employer. Where an employer had five or more staff and offered no occupational pension and an employee earned over the Lower Earnings Limit, the provision of access to a stakeholder scheme with contributions deducted from payroll was compulsory. These ceased to be mandatory after automatic enrolment was introduced.
Standard Industry Classification (SIC)	Way of classifying businesses and organisations by the type of economic activity in which they are engaged.
State Pension age (SPA)	The earliest an individual can claim State Pension.
Steady state	Period after which the reforms have been implemented. Steady state should be from 2018. During steady state the reforms should be operating according to the policy intent.
The Pensions Regulator (TPR)	The Pensions Regulator, referred to in this report as 'the regulator', is the UK regulator of work-based pension schemes. The regulator is responsible for ensuring employers are aware of their duties relating to automatic enrolment, how to comply with them and enforcing compliance. It uses a programme of targeted communications and a range of information to help employers understand what they need to do and by when.
Tax relief	Money that would have gone to the Government in the form of tax that goes into an individual's pension pot instead.
Trust-based pensions	Pension schemes set up under trust law by one or more employers for the benefit of workers. In a trust-based scheme a board of trustees is set up to run the scheme. Trustees are accountable for making decisions about the way the scheme is run, although they may delegate some of the everyday tasks to a third party. See also **Occupational pension scheme**.
Unbundled pension	A pension in which different fund charges are charged separately.

Unfunded scheme	A DB scheme, usually in the public sector, in which liabilities are not underpinned by a corresponding fund or funds.
Waiting period	See **Postponement**.
Worker	An employee or individual who has a contract to provide work or services personally and is not undertaking the work as part of their own business. See also definition of **Eligible jobholder** and **Entitled worker**.
Workplace pensions	Any pension scheme provided as part of an arrangement made for the employees of a particular employer.
Workplace Pension Reforms	The reforms introduced as part of the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011). Starting in 2012, the reforms include a duty on employers to automatically enrol all eligible jobholders into a qualifying workplace pension scheme.

Executive summary

Background

Millions of people in the UK are not saving enough for retirement. The legislative changes set out in the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011) and the packages of associated regulations aim to increase private pension saving in the UK. They form part of a wider set of pension reforms designed to ensure that the UK has a pension system that enables individuals to save towards achieving the lifestyle they aspire to in retirement while minimising the burden on employers and the industry.[4]

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme. The automatic enrolment duties are being staged in between October 2012 and February 2018 by employer size, starting with the largest employers. Workers will be eligible provided they are aged at least 22 and under State Pension age, and earn over £9,440 per year in 2013/14 terms.[5] Initially, until September 2017, contributions have been set at a minimum of one per cent employer contribution as part of a total minimum contribution of two per cent on a band of earnings.[6] By October 2018, once fully phased in, the total minimum contribution will be eight per cent, of which at least three per cent must come from the employer and one per cent will come from the Government in the form of tax relief.

As part of the reforms NEST (National Employment Savings Trust) was introduced, a new workplace pension scheme aimed particularly at low to moderate earners and employers of all sizes. NEST has a Public Service Obligation (PSO) to accept all employers that want to use the scheme to fulfil either all or part of their employer duties.

Once fully implemented, automatic enrolment aims to transform the culture of saving, increasing the number of individuals newly saving or saving more in a workplace pension by around eight million, within a range of six to nine million, and increasing the amount that is being saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion.[7]

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4 In addition to rolling out automatic enrolment, the Government is also legislating to introduce a new state pension and has brought forward increases to State Pension age. https://www.gov.uk/government/policies/making-the-state-pension-simpler-and-fairer

5 These thresholds are reviewed annually.

6 In 2013/14, the band of earnings on which contributions must be paid is £5,668 to £41,450.

7 DWP (2013). *Workplace Pension Reforms: digest of key analysis* – July 2012. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223031/wpr_digest_0712.pdf

Evaluation strategy

The Department for Work and Pensions (DWP) is committed to fully evaluating the effects of the workplace pension reforms and set out its evaluation strategy in a report published in July 2011.[8] Following on from the strategy, DWP published the baseline evaluation report in July 2012, which described the landscape before the implementation of automatic enrolment and set out the key indicators against which progress will be measured.[9] This report updates and shows progress against the baseline report using the latest available research and analysis from a range of information sources.

Key findings

The implementation of automatic enrolment began as planned in October 2012 starting with the largest employers. The first part of this summary describes what has happened since automatic enrolment began using the latest available research evidence from a range of sources. The second part of the summary updates the key baseline indicators that will be used to monitor the impact of automatic enrolment in future reports. It is important to note that these sources will not yet reflect the impact of automatic enrolment because the information was collected before the start of automatic enrolment.

Pension participation and opt-out rates

Up to the end of October 2013, more than 1.9 million workers had been automatically enrolled across nearly 3,000 employers.[10] Current NEST membership stands at over 600,000 individuals with around 1,800 employers.[11]

Once automatically enrolled into a workplace pension, individuals have the right to opt out within a specified period of one month. Workers can also choose to cease active membership of the pension scheme after the opt-out period has closed. Opt-out rates are important in providing an early indication of whether automatic enrolment is effective in increasing participation. DWP research with large employers with staging dates between October 2012 and April 2013 showed an average opt-out rate of nine per cent. The proportion of workers choosing to leave the scheme after the opt-out period had closed was typically around one-fifth of the original opt-out rate. Within the employers taking part in the research it is estimated that overall participation in a workplace pension increased from 61 per cent to 83 per cent as a result of automatic enrolment.[12]

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8 DWP (2011). *Workplace Pension Reforms Evaluation Strategy*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214545/rrep764.pdf

9 DWP (2012). *Workplace Pension Reforms: Baseline Evaluation Report*. At: https://www.gov.uk/government/publications/workplace-pension-reforms-baseline-evaluation-report-rr803

10 The Pensions Regulator (2013 – updated monthly). *Automatic enrolment monthly registration report*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-monthly-registration-report-2013.pdf

11 Management information provided by NEST in November 2013.

12 DWP (2013). *Automatic enrolment: Qualitative research with large employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

The most important factor influencing opt-out rates was contractual enrolment. Where this was already in place, opt-out rates were nearly double the average. Opt-out rates were also higher in the 50 and over age group compared with other age groups. The main reason given by individuals for opting out was the affordability of contributing to a pension set against other priorities. Other factors included life stage and career plans.

Individual awareness and attitudes

DWP has been running advertising campaigns to raise awareness and understanding of the reforms among individuals and monitors the impact of these campaigns using a tracking survey.[13] The most recent survey found that overall recognition of the advertising campaign remained high (82 per cent) and that recognisers were substantially more aware of the changes than non-recognisers (76 per cent compared with 33 per cent). Those closer to being enrolled were typically more aware than those further away from being enrolled.

Campaign recognition also had an effect on stated intentions about likelihood to stay in a pension once enrolled. Half of potentially eligible recognisers (51 per cent) were more likely to say they would stay in once enrolled, compared with 41 per cent of non-recognisers.

The communications tracking survey also showed that feelings towards automatic enrolment among individuals remains positive, with nearly 73 per cent of those surveyed saying it was a good thing. Just under 18 per cent were neutral about automatic enrolment, while just seven per cent were negative about automatic enrolment.

The DWP is working with its delivery partners, the Money Advice Service (MAS) and the Pensions Advisory Service (TPAS), to provide information for individuals. The information is provided online, in keeping with the Government's digital-by-default approach, with telephony support also available. Between April and September 2013, there were more than 680,000 page views of these organisations' websites, the vast majority of which were to the landing page on the GOV.UK website.[14]

Research with large employers found that most were satisfied that their communications had been successful in informing workers about automatic enrolment. Volumes of queries from workers in response to the information provided were much lower than employers expected.

Employer awareness, understanding and activity

Employers' awareness and understanding of their duties are crucial to maximising compliance with the legislation. As part of its role to maximise compliance, The Pensions Regulator (the 'regulator') acts to make employers aware of and understand how to discharge their duties. This also includes activity to raise awareness and understanding by intermediaries who will play an important role in supporting employers with their automatic enrolment duties. The regulator monitors levels of awareness and understanding using tracker surveys.[15]

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13 DWP (2013). *Pensions portfolio: communications tracking research – Findings from the July 2013 survey*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251435/pensions-communications-research-july-2013.pdf

14 Source: Data supplied to DWP by its partners for the period April to September 2013.

15 The Pensions Regulator (2013). *Employers' awareness, understanding and activity relating to workplace pension reforms – Spring 2013* and *Intermediaries' awareness, understanding and activity relating to workplace pension reforms – Spring 2013*. At: http://www.thepensionsregulator.gov.uk/doc-library/research-analysis.aspx

A key point at which to measure awareness and understanding among employers is four months from their staging date, as employers receive a final letter reminding them of their duties around this time. In the most recent survey all employers staging between October 2012 and April 2013 and 99 per cent of those due to stage between May 2013 and October 2013, were aware of their duties.

Most employers understood their automatic enrolment duties, although levels of understanding have decreased slightly over time. All employers staging between October 2012 and April 2013 said they understood how to discharge their duties, compared with 85 per cent of employers staging in November 2013 and 91 per cent due to stage in January 2014.

Across employers of all sizes and excluding those four months from their staging date, the levels of awareness and understanding measured in spring 2013 were high. Awareness was near universal among large employers and also very high (95 per cent) for medium size employers for whom staging begins from April 2014. Awareness among small and micro employers furthest from their staging dates was 74 per cent and 61 per cent respectively.

Awareness of specific features of the employer duties also remained high across all employer sizes. The feature with the lowest level of understanding was the need to register with the appropriate Government body, i.e. the regulator. Awareness of this feature ranged from 87 per cent in large employers to 44 per cent in micro employers who are furthest from their staging dates.

Awareness of automatic enrolment by intermediaries measured in spring 2013 was also very high across all intermediary groups, ranging from near universal awareness among financial advisers to 90 per cent among bookkeepers. Awareness of specific features of employer duties was higher among financial advisers than trustees and business advisers who are more likely to be dealing with smaller employers furthest from their staging dates. As with employers, the least well known aspect of understanding was the need to register with the regulator.

Impact on employers

Minimising the burden and costs of automatic enrolment on employers will be a key factor in its success. Qualitative research with large employers who were among the first to begin automatic enrolment found that implementation costs varied according to a number of factors including use of external organisations to support implementation and the size and profile of the population being enrolled. Individual employers estimated set up costs (not including employer contributions) to be in six or seven figures. The highest costs identified by employers were for external legal advice and running communication campaigns.[16]

In order to manage contribution costs, the majority of large employers set their contribution at the minimum level required. In some cases, employers, and particularly those with contractual enrolment in place, offered matched contributions or offered more than the minimum employer contribution.

Whilst implementing automatic enrolment, the key challenges identified by large employers were: establishing effective data systems; categorising and assessing workers and communicating the changes to workers. In response to these issues the Government recently announced technical changes to the legislation in order to make the automatic

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16 DWP (2013). *Automatic enrolment: Qualitative research with large employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

enrolment process more straightforward for employers, for example allowing employers to use alternative definitions of pay reference periods for assessing workers and extending the automatic enrolment joining window from one month to six weeks.

In deciding on which pension scheme to use for automatic enrolment, most large employers in the research considered extending their existing provision to the new population who were to be automatically enrolled. The majority stayed with their current provider and many simply used one of their existing schemes for automatic enrolment. However some decided to switch to new schemes or providers entering the market to supplement existing provision, especially those with large numbers of low-paid workers to enrol.

Updating the baseline indicators

The following sections update some of the key baseline indicators that will be used to monitor the impact of automatic enrolment in future reports. It is important to note that these sources will not yet reflect the impact of automatic enrolment because the information was collected before the start of automatic enrolment. The full report contains more detailed information about the data sources shown.

Increasing the number of savers

Automatic enrolment aims to reverse the trend in falling workplace pension participation; once fully implemented, it aims to increase the number of individuals newly saving or saving more in a workplace pension by around eight million, within a range of six to nine million.

In 2012, before the introduction of automatic enrolment, the number of eligible employees participating in a workplace pension was 10.9 million (55 per cent), falling from 12.3 million (65 per cent) in 2003. While public sector pension participation has remained consistently high at 4.9 million (88 per cent) between 2003 and 2012, private sector pension participation has fallen to 6.0 million (42 per cent) in 2012, down from 7.7 million (56 per cent) in 2003.[17]

The gap between male and female workplace pension participation in the private sector has narrowed slightly in 2012 to 43 per cent for males compared with 40 per cent for females. However, across both public and private sectors, participation by women is higher (59 per cent) compared with men (52 per cent).

Looking at participation by age, the 22 to 29 age group has the lowest levels of participation at 35 per cent compared with the 30 to 39 group at 54 per cent. Participation is highest in the 40 to 49 and 50 to 64 age groups, both at 62 per cent.

Increasing the amount of savings

Once fully implemented, automatic enrolment aims to increase the amount that is being saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion.

In 2012, before the introduction of automatic enrolment the total amount saved in workplace pensions was £72.9 billion, of which £37.1 billion was saved in private sector workplace pensions and £35.8 billion saved in public sector workplace pensions. Across both sectors contributions by employees accounted for 27 per cent of saving, while employer contributions accounted for 65 per cent.

17 DWP estimates derived from the Office for National Statistics (ONS) *Annual Survey of Hours and Earnings* (ASHE), 1997 to 2012.

Employers may choose to reduce contributions or outcomes for existing pension scheme members, known as 'levelling down'. Between 2010 and 2012, before the introduction of automatic enrolment, around six per cent of eligible savers experienced some form of levelling down.[18]

The evaluation will look at the distribution of household wealth in order to understand the context in which automatic enrolment is being introduced using the longitudinal Wealth and Assets Survey.[19] In 2008/10, private pension wealth was the largest component of household wealth accounting for around 60 per cent of the total stock of net wealth.[20] Net property wealth (including main and other properties) accounted for around 30 per cent, while net financial wealth accounted for about ten per cent of the total.

The median total net wealth of all eligible employees in 2008/10 was £101,000. Looking at the components of net wealth, net property wealth for all eligible employees had the highest median value of £40,500. Median private pension wealth was lower at £34,200, with median net financial wealth considerably lower at £2,200. Up to 25 per cent of eligible employees had no private pension wealth at all.

Looking at private pension wealth, half of eligible employees had Defined Benefit (DB) pension wealth and 40 per cent had Defined Contribution (DC) pension wealth. Mean DB pension wealth was £107,700, much higher than the equivalent for DC pensions which was £14,600.

Understanding the wider context

The evaluation will also monitor changes to the wider pensions landscape. Analysis of the number of pension schemes shows a continuing decline in all types of scheme prior to the introduction of automatic enrolment. There has also been a decline in the number of non-employer sponsored pension schemes.[21]

With millions of new savers starting to save in a workplace pension scheme as a result of automatic enrolment, pension scheme charge levels have become a key issue because of the need to protect employees from poor pension returns. Latest research shows the average Annual Management Charge (AMC) for trust-based schemes in 2013 was 0.75 per cent. For contract-based schemes the average charge was 0.84 per cent. These levels were largely unchanged from 2011.[22]

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18 ibid.

19 DWP estimates derived from the ONS Wealth and Assets Survey – Wave 2 – 2008/10.

20 Private pension wealth includes all workplace pension and private pension wealth but excludes accrued rights to State Pension and pensions in payment.

21 Sources: Occupational Pension Schemes Survey (OPSS), The Pensions Regulator (TPR)/Pension Protection Fund (PPF) Purple Book, information from the regulator's DC Trust publication and HMRC PEN2 tables.

22 DWP (2013). *Charges in defined contribution pension schemes*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/258652/charges-in-defined-contribution-pension-schemes.pdf

Long-term impact of the reforms

Automatic enrolment is predicted to reduce the number of people facing inadequate retirement incomes. It largely removes the problem of people not saving whilst in work, which is currently a common reason for people facing inadequate retirement incomes which are unlikely to be sufficient to allow them to maintain their standards of living in retirement.

Recent DWP analysis shows that automatic enrolment is expected to halve the number of people retiring with no private pension at all, from 27 per cent to 12 per cent in 2050.[23] Automatic enrolment is also expected to reverse the trend of falling private pension income over time. Without automatic enrolment the median private pension income is expected to fall from around £3,900 a year in 2020 to around £2,200 a year in 2050. However, automatic enrolment reverses the falling trend; by 2050 the expected median private pension income is expected to be around £3,600. Improvements in private pension incomes are largely concentrated on those with low and median incomes who are expected to see larger proportional increases due to automatic enrolment than those on higher incomes.

While such long-term projections are subject to substantial uncertainty the reforms will potentially have a sizeable effect on private pension incomes in the longer term beyond 2050.

23 DWP (2013). *Framework for the analysis of future pension incomes*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/238978/framework-analysis-future-pension-incomes.pdf

1 Introduction

Millions of people in the UK are not saving enough for retirement. The legislative changes set out in the Pensions Act 2007, 2008 (and updated as part of the Pensions Act 2011) and the packages of associated regulations aim to increase private pension saving in the UK. They form part of a wider set of pension reforms designed to ensure that the UK has a pension system that enables individuals to save towards achieving the lifestyle they aspire to in retirement while minimising the burden on employers and the industry.[24]

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme. The automatic enrolment duties are being staged in between October 2012 and February 2018 by employer size, starting with the largest employers. Workers will be eligible provided they are aged at least 22 and under SPA, and earn over £9,440 per year in 2013/14 terms.[25] Once fully phased in by 2018, a minimum contribution of eight per cent on a band of earnings (£5,668 to £41,450 per year in 2013/14) must be paid in respect of the member, of which at least three per cent must come from the employer and one per cent will come from the Government in the form of tax relief. However, the initial contribution has been set at a minimum one per cent employer contribution as part of a total minimum contribution of two per cent until September 2017.[26]

Once fully implemented, automatic enrolment aims to transform the culture of saving, increasing the number of individuals newly saving or saving more in a workplace pension by around eight million, within a range of six to nine million, and increasing the amount that is being saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion.[27]

1.1 Evaluation strategy

The Department for Work and Pensions (DWP) is committed to fully evaluating the effects of the workplace pension reforms and set out its evaluation strategy in a report published in July 2011.[28] The evaluation is structured around eight evaluation questions as set out in the strategy (reproduced in Appendix A).

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[24] In addition to rolling out automatic enrolment, the Government is also legislating to introduce a new state pension and has brought forward increases to State Pension age (SPA). https://www.gov.uk/government/policies/making-the-state-pension-simpler-and-fairer

[25] These thresholds are reviewed annually.

[26] Until September 2017, the minimum employer contribution is set at one per cent of the salary of each worker as part of a total minimum contribution of two per cent. From October 2017 employers will be required to contribute a minimum of two per cent on a band of earnings for eligible jobholders, as part of a total minimum contribution of five per cent. The minimum employer contribution will rise to three per cent in October 2018, and will be supplemented by the jobholder's own contribution and one per cent in tax relief. Overall contributions will then total at least eight per cent.

[27] DWP (2012). *Workplace Pension Reforms: digest of key analysis* – July 2012. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223031/wpr_digest_0712.pdf

[28] DWP (2011). *Workplace Pension Reforms Evaluation Strategy*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214545/rrep764.pdf

Following on from the strategy, DWP published the baseline evaluation report in July 2012, which described the landscape before the implementation of automatic enrolment and set out the key indicators against which progress will be measured.[29] Automatic enrolment began in October 2012 starting with the largest employers and this report updates and shows progress against the baseline using the latest available research and analysis from a range of information sources, a full list of which is provided in Appendix B. It is important to note that some of the latest research and analysis in this report is based on data collected before automatic enrolment began and so will not reflect the impact the reforms so far. Where this is the case, it has been noted in the supporting commentary.

Future evaluation reports will be published on an annual basis. The DWP, The Pensions Regulator (the 'regulator') and NEST (National Employment Savings Trust) will also publish related research and analysis throughout the year.[30]

1.2 Report structure

The report is structured around the following themes. For consistency these have been retained from the baseline report to enable readers to monitor progress across key themes.

1.2.1 Delivery of reforms

Chapter 2 describes what has happened since the baseline report including key activities by the DWP, The Pensions Regulator and NEST. The chapter also updates the baseline with latest research findings on employer awareness, understanding and activity relating to their duties under the reforms. The report also includes new findings from research with intermediaries concerning their awareness, understanding and activity in relation to the reforms.

1.2.2 Increasing the number of savers

Chapter 3 updates the baseline indicators designed to monitor trends in the number of individuals saving in a workplace pension and presents early evidence on levels of opt-out and the impact on workplace pension participation. The chapter also examines the effectiveness of recent Government communication campaigns on automatic enrolment and how information is provided through DWP and its partner organisations for individuals about the benefits of saving and how the reforms affect them.

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29 DWP (2012). *Workplace Pension Reforms: Baseline Evaluation Report*. At: https://www.gov.uk/government/publications/workplace-pension-reforms-baseline-evaluation-report-rr803

30 See DWP research at: https://www.gov.uk/government/organisations/department-for-work-pensions/about/research; http://www.thepensionsregulator.gov.uk/doc-library/research-analysis.aspx

Regulator research at: http://www.thepensionsregulator.gov.uk/doc-library/research-analysis.aspx

NEST research at: http://www.nestpensions.org.uk/schemeweb/NestWeb/public/whatIsNEST/contents/research-and-insights.html

1.2.3 Increasing the amount of savings

Chapter 4 updates the baseline indicators designed to monitor trends in workplace pension saving. This includes analysis of recent trends in the amount saved, employer contributions (levelling down), persistency of saving and the composition of household saving.

1.2.4 Understanding wider context

Chapter 5 updates the wider context in which the outcomes of the reforms are achieved. It considers the potential costs of the reforms for employers based on evidence from qualitative research with large employers and updates indicators monitoring trends in the pensions landscape.

1.2.5 Long-term impact of the reforms

Chapter 6 uses the latest modelled analysis to assess the impact of the Government's pension reforms, including automatic enrolment and the new single tier state pension, on private pension participation and income.

2 Delivery of the reforms

Summary

- Since the start of automatic enrolment, up to the end of October 2013, more than 1.9 million workers had been automatically enrolled across nearly 3,000 employers. Current NEST (National Employment Savings Trust) membership stands at over 600,000 individuals with around 1,800 employers.
- Awareness and understanding has been high among all employers four months from their staging date, the point at which employers receive a final letter reminding them about their duties. All employers staging between October 2012 and April 2013 and 99 per cent of those due to stage between May 2013 and October 2013, were aware of the reforms.
- Most employers understood their automatic enrolment duties, although levels of understanding have decreased over time. All employers staging between October 2012 and April 2013 said they understood how to discharge their duties, compared with 91 per cent of employers staging in January 2014.
- Across employers of all sizes and excluding those four months from their staging date, the levels of awareness and understanding measured in spring 2013 were high. Awareness was near universal among large employers and also very high (95 per cent) for medium size employers for whom staging begins from April 2014. Awareness among small and micro employers furthest from their staging dates was 74 per cent and 61 per cent respectively.
- Awareness of specific features of the employer duties also remains high across all employer sizes. The feature with the lowest level of understanding was the need to register with the appropriate Government body, i.e. The Pensions Regulator (the ‘regulator’). Awareness of this feature ranged from 87 per cent in large employers to 44 per cent in micro employers.
- Support for automatic enrolment remains highest among larger employers with 81 per of large and 80 per cent of medium employers agreeing that automatic enrolment is a good idea for workers. This compares with 68 per cent of small and 65 per cent of micro employers.
- Awareness of automatic enrolment measured in spring 2013 was also very high across intermediary groups, ranging from near universal awareness among financial advisers to 90 per cent among bookkeepers. Awareness of specific features of employer duties was higher among financial advisers than trustees and business advisers. As with employers, the least well known aspect of understanding was the need to register with the regulator.
- Most advisers, pensions administrators and trustees anticipated playing a role in automatic enrolment. Financial advisers were the most likely to be already helping clients compared with other intermediary groups.

2.1 Introduction

The baseline report described the programme of activity set up to deliver the reforms. This chapter describes what has happened to deliver the reforms since the baseline report, including the key activities by the Department for Work and Pensions (DWP), the regulator and NEST to ensure the reforms are delivered to planned timescales. Additionally, this chapter provides information on NEST's operations and performance since automatic enrolment began and information from the regulator on employer awareness, understanding and compliance with their duties as well as intermediary awareness and understanding.

2.2 Commencement of automatic enrolment

The implementation of automatic enrolment began as planned in October 2012 starting with the largest employers.[31] DWP estimates that there will be 11 million workers eligible for automatic enrolment between October 2012 and the end of staging in February 2018.[32]

2.2.1 Monthly registration data

The regulator publishes monthly information about the number of employers who have complied with their duties by completing registration and the number of eligible jobholders automatically enrolled. Since July 2012, up to the end of October 2013, nearly 3,000 employers had registered their compliance with the duties, with over 1.9 million workers automatically enrolled. The data also shows that over 6.5 million workers were not automatically enrolled because they were already active members of a qualifying workplace pension scheme or had the Defined Benefit (DB) or hybrid scheme transitional arrangements applied to them.[33] A further 2.8 million workers were not automatically enrolled because they were either not active members of a qualifying workplace pension scheme or did not at the time meet the criteria to be automatically enrolled or subject to DB or hybrid transitional arrangements (for example, workers with part-time contracts for more than one employer whose earnings within each employer do not meet the earnings trigger for automatic enrolment).[34]

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31 Employers will be staged in between October 2012 and February 2018 with the largest first. Employers can find out their staging date at: http://www.thepensionsregulator.gov.uk/employers/what-is-my-staging-date.aspx

32 DWP (2012). *Workplace Pensions Reform: Estimates of the number of employees automatically enrolled by May 2015*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222946/WPR_Staging_Profile_updated_250113.pdf

33 The transitional period for DB and hybrid pension schemes allows the employer to choose to delay automatic enrolment. It is only applicable to employers who provide a DB or hybrid pension scheme and can only be used in respect of eligible jobholders who meet certain conditions. The length of the transitional period is from 1 July 2012 until 30 September 2017. See: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-transitional-period-db-hybrid-v4.pdf

34 The Pensions Regulator (2013). *Automatic Enrolment: Monthly Registration report*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-monthly-registration-report-2013.pdf

Additionally, detailed analysis of registration data from the first six months of automatic enrolment is available in the regulator's Automatic Enrolment: Commentary and Analysis published in July 2013.[35]

2.3 NEST

NEST launched on a voluntary basis in 2011 and was fully ready for the onset of employer duties from September 2012. The NEST Corporation's Annual report 2012 to 2013 (published in July 2013) highlighted the Corporation's key milestones achieved during this period including[36]:

- preparing the scheme for the onset of employer duties from September 2012 to meet its statutory obligation to provide a pension scheme that enables employers to meet their employer duties;
- putting in place capacity to grow to meet the large increase in numbers of employers staging from 2014;
- delivering an online platform for employers to enrol members and for members to interact with the scheme;
- completing the first full year of managing investment funds in line with the Trustee Members' Statement of investment principles;
- running a consumer campaign and publishing NEST insight research.[37]

2.3.1 NEST membership

NEST has a Public Service Obligation (PSO) to accept all employers that want to use the scheme to fulfil either all or part of their employer duties. Current NEST membership stands at over 600,000 individuals with around 1,800 employers.[38]

During this period, the DWP issued a Call for Evidence to establish whether the annual contribution limit and transfer restrictions imposed on the scheme were acting as a barrier to employers accessing NEST. The findings were published in July 2013.[39] The Government concluded that these constraints were working as intended, keeping NEST focused on supporting automatic enrolment for its target market during roll-out of the reforms. However,

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35 The Pensions Regulator (2013). *Automatic enrolment: Commentary and Analysis*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2013.pdf

36 NEST (2013). *NEST Corporation Annual Report and accounts 2012-2013*. At: http://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-annual-report-accounts-2012-2013,PDF.pdf

37 NEST (2013). *NEST insight – Taking the temperature of automatic enrolment*. At: http://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/nest-insight-2013,PDF.pdf

38 Management information supplied by NEST at November 2013.

39 DWP (2013). *Supporting automatic enrolment – The Government response to the call for evidence on the impact of the annual contribution limit and the transfer restrictions on NEST*. At: https://www.gov.uk/government/consultations/supporting-automatic-enrolment-call-for-evidence-on-nest-constraints

the Government also recognised that it was important for employers to have certainty about the future when making decisions about which workplace pension scheme is right for their workers. The Government will, therefore, legislate as soon as possible to remove these constraints from 2017 when all existing employers have enrolled their workers and minimum contributions for automatic enrolment rise above two per cent.

2.4 Changes to the legislative framework

In March 2013 DWP issued a consultation on technical changes to automatic enrolment regulations aimed at improving the operation of automatic enrolment for employers and pension providers.[40] Key areas covered in the consultation included the definition of pay reference periods, contribution payment deadlines and content of opt-out notices. The Government published its response in October 2013 and announced changes to the existing legislation. These included allowing employers to use alternative definitions of pay reference periods for both assessing jobholder status and determining whether a scheme is a qualifying scheme and extending the automatic enrolment joining window from one month to six weeks.[41]

Chapter 5 describes in more detail the implementation challenges and costs faced by the first employers to go through automatic enrolment based on qualitative research with large employers.

2.5 Role of The Pensions Regulator

The role of the regulator is to maximise compliance with the employer duties set out in the legislation, using a risk-based approach to deter, prevent or address non-compliance. It also ensures adherence to safeguards protecting workers and their right to participate in workplace pension schemes.

The following section outlines the regulator's approach to communicating the new duties to employers as well as compliance and enforcement. Chapter 5 includes information about recent activity by the regulator in supporting the market to ensure good quality schemes for automatic enrolment.

2.5.1 Communicating reforms to employers

The regulator's communications campaign to raise employer awareness has continued throughout 2012 and 2013. In 2013 the focus has been on providing educational guidance through letters, meetings and events to targeted key audiences. These audiences have included employers, trustees, accountants, independent financial advisers, payroll and business software providers, and human resource professionals.

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40 DWP (2013). *Technical Changes to Automatic Enrolment – Public consultation on draft regulations and other proposed changes*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221419/ae-technical-changes-consultation.pdf

41 DWP (2013). *Technical Changes to Automatic Enrolment – Government response to the consultation on draft regulations and other proposed changes*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/249558/ae-technical-changes-consultation-government-response.pdf

The regulator has now written to over 40,000 employers including large employers and medium employers at 18 months ahead of their staging date. A 'nudge' email communication technique was introduced to provide timely messaging to employers of specific actions they should be taking leading up to their staging date. To support the nudge emails, a new employer planning tool was implemented on the regulator's website which provides employers with a tool that helps them to understand which activities they should be undertaking in preparing for staging.[42]

The delivery of a media campaign focused on employer and individual awareness has also been continued throughout 2012 and 2013.

In addition to the communication campaign, the regulator has held meetings with employers, run regional and industry-targeted employer educational seminars around the UK, and a series of webinars with key audiences.

Activity has also been increased to educate and raise awareness and understanding among intermediaries. A hub is now available on the regulator's website to support intermediaries and this is accompanied by targeted engagement with the industry.[43]

In April 2013 the regulator began publishing monthly registration statistics and in July published *Automatic Enrolment – Commentary and Analysis*. These will be regular sources of information for external communication of the progress being made in implementing the reforms.[44] [45]

2.5.2 Compliance and enforcement

The regulator's approach is to maximise compliance through employer education, enablement and engagement in order to promote a proactive compliance culture amongst employers. In addition to ongoing awareness raising and communication activities such as the provision of educational materials and supporting tools, the regulator seeks to identify and alleviate potential obstacles to compliance.

Despite the emphasis on supporting and eliciting compliance, the regulator will take proportionate enforcement action where it is appropriate to do so. The published compliance and enforcement policy sets out full details of the regulator's powers in relation to its statutory objective of maximising employer compliance with automatic enrolment.[46]

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42 The Pensions Regulator. *Online guidance for employers*. At: http://www.thepensionsregulator.gov.uk/employers.aspx

43 The Pensions Regulator. *Help your clients prepare for automatic enrolment*. At: http://www.thepensionsregulator.gov.uk/professionals/help-clients-prepare-for-auto-enrolment.aspx

44 The Pensions Regulator (2013). *Automatic enrolment: Commentary and Analysis*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2013.pdf

45 The Pensions Regulator (2013 – updated monthly). *Automatic enrolment monthly registration report*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-monthly-registration-report-2013.pdf

46 The Pensions Regulator. *Compliance and enforcement policy – For employers subject to automatic enrolment duties*. At: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-compliance-and-enforcement-policy.pdf

As of 31 March 2013, the regulator reported it had opened a total of 89 investigations into possible non-compliance by large employers. These investigations focused on employer readiness (for example, communicating with jobholders) in relation to their duties and helping employers to become compliant. In line with its automatic enrolment compliance and enforcement strategy, the regulator has engaged with these employers and through education and guidance the investigations have now closed.

2.6 Employer awareness, understanding and activity

In order to be able to comply with their duties, employers need to be aware of, and understand how to discharge, them. The regulator monitors employer awareness and understanding of automatic enrolment using tracker surveys.

A key stage at which to assess employer understanding of how to discharge their automatic enrolment duties is four months before their staging date. Just prior to this period, employers will have been sent a final letter reminding them about their duties, so this will act as a check for the regulator that employers have understood what is required of them. This is monitored via a monthly staging tracker survey.

2.6.1 Awareness and understanding among employers four months prior to staging

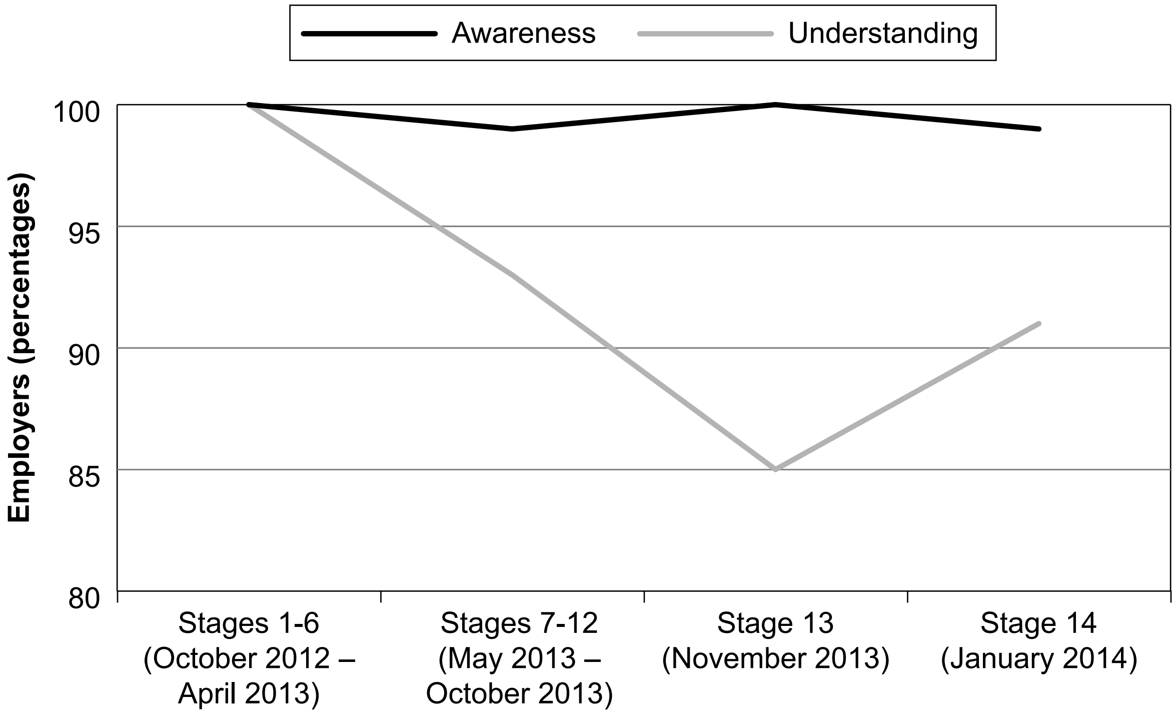
Levels of awareness and understanding among employers four months from their staging date have been high among all stages to date. The level of awareness and understanding shows appropriate progression towards these employers being able to prepare for automatic enrolment and comply with their duties.

Figure 2.1 shows that all employers staging between October 2012 and April 2013 and 99 per cent of those due to stage between May 2013 and October 2013, were aware of the reforms. Similarly, very high levels of employers staging in November 2013 and January 2014 were aware of their duties.

Most employers understood how to discharge their duties.[47] All employers staging between October 2012 and April 2013 said they understood how to discharge their duties. Between May 2013 and October 2013 understanding was 93 per cent on average, compared with 85 per cent in November 2013 and 91 per cent in January 2014.

47 The regulator classes employers as understanding how to discharge their duties if they know enough about their legal requirement to proceed to plan for, and take action towards, compliance. Specifically, understanding is defined as an employer knowing all of the three elements of the awareness definition plus knowing two additional features when prompted. Therefore, an employer is classed as having understanding if they know all of the following: employers will have to automatically enrol UK workers; employers will have to provide a pension scheme for automatic enrolment; employers will have to contribute to their employees' pensions; employers will have to register with the appropriate Government body; and employers will need to communicate to UK workers on an individual basis.

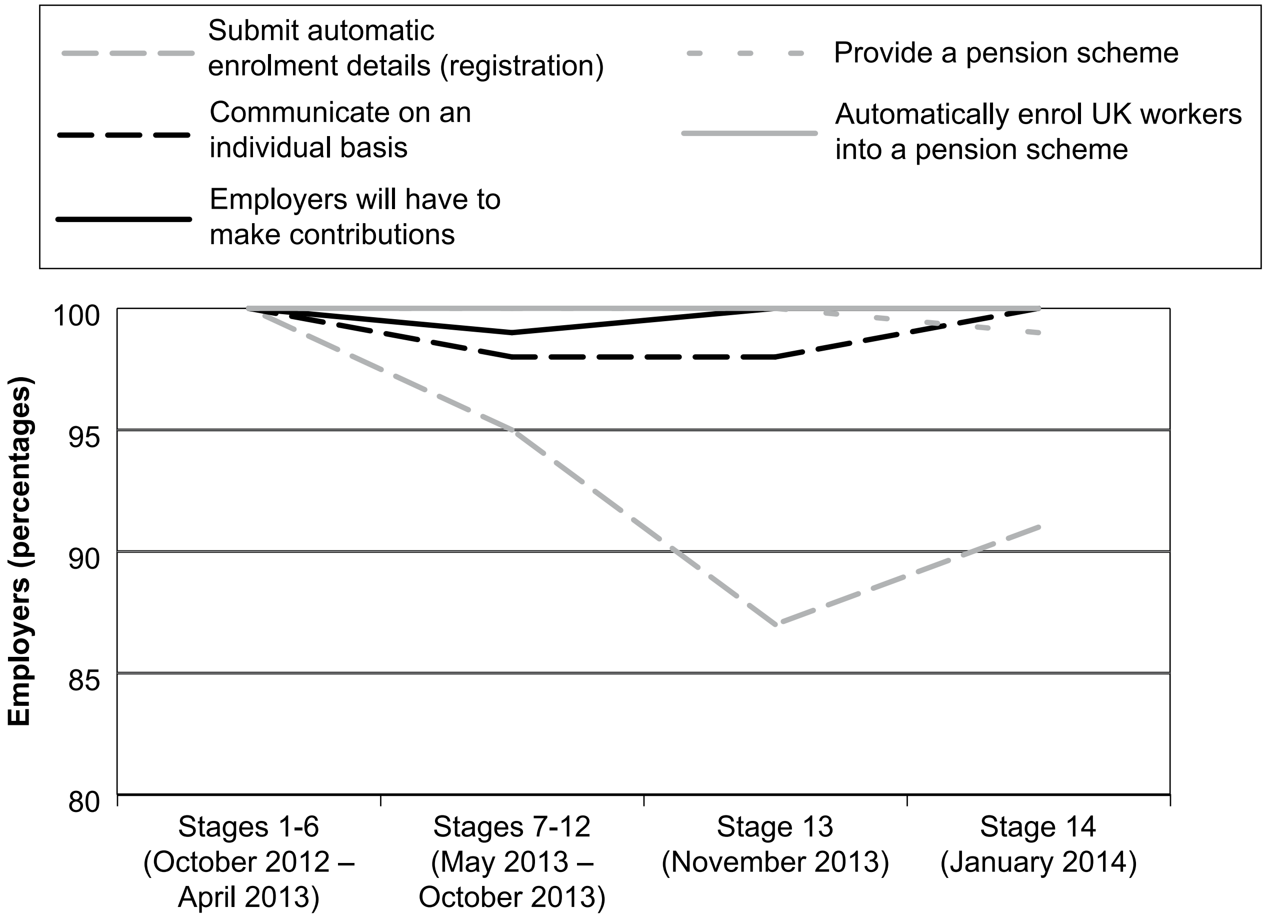
Figure 2.1 Employer awareness and understanding of automatic enrolment four months prior to staging, by staging date



Source: The Pensions Regulator, staging tracker survey.
Notes: Stages 1-6 – Base = 417; Stages 7-12 – Base = 366; Stage 13 – Base = 200; Stage 14 – Base = 169.

Figure 2.2 shows that awareness of four of the five specific features of automatic enrolment has been at or close to 100 per cent for employers at all stages. The element that is least well known by employers is the need to submit their automatic enrolment details (registration) to the appropriate Government body, i.e. the regulator. Awareness of this element has fallen over the last year, with all those staging between October 2012 and April 2013 being aware of the need to submit their automatic enrolment details (registration), compared with 87 per cent among those due to stage in November 2013 and 91 per cent among those due to stage in January 2014.

Figure 2.2 Employer awareness of the specific features of automatic enrolment four months prior to staging, by staging date



Source: The Pensions Regulator, staging tracker survey.
Notes: Stages 1-6 – Base = 417; Stages 7-12 – Base = 366; Stage 13 – Base = 200; Stage 14 – Base = 169.

2.6.2 Employer awareness and understanding across all employer sizes

In addition to the monthly staging tracker, the regulator continues to run its biannual tracker survey to monitor employer awareness and understanding of automatic enrolment across different employer sizes.[48] Any employers eligible for the monthly tracker are not included within the biannual tracker. The baseline report included the results from the first two tracker surveys covering spring 2011 and autumn 2011. There have been three more waves of the survey since the baseline report and the updated results follow.

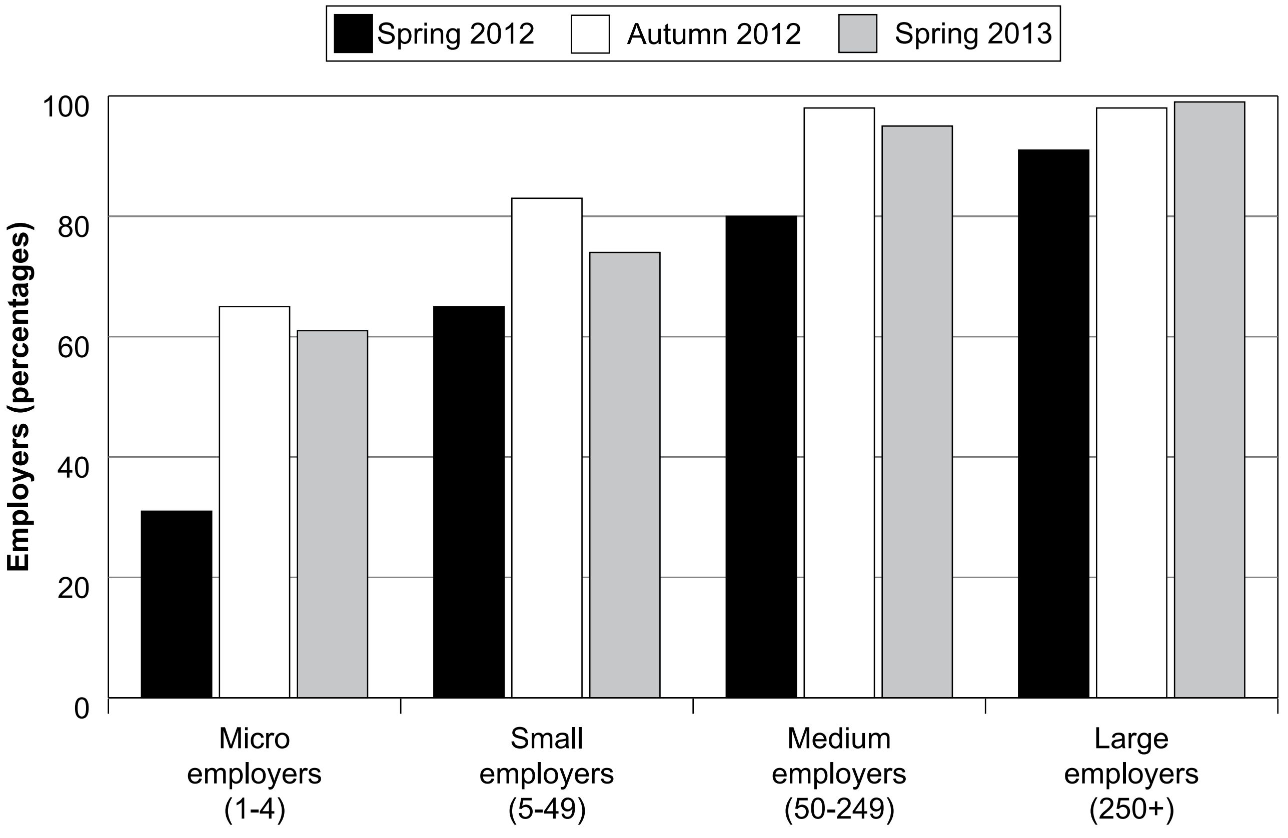
Based on the most recent tracker findings, the level of awareness and understanding among large employers is near universal. Awareness is also very high for medium size employers for whom staging begins from April 2014.

48 The Pensions Regulator (2013). *Employers' awareness, understanding and activity relating to workplace pension reforms – Spring 2013*. At: http://www.thepensionsregulator.gov.uk/docs/employer-awareness-workplace-pensions-report-spring-2013.pdf

Figure 2.3 shows the level of awareness by employer size. Overall, there has been a marked increase in awareness of the reforms across all employer groups between the spring 2012 to autumn 2012 trackers with small and micro employers showing the greatest increases (up 17 and 34 percentage points respectively). This may reflect the increased level of DWP and regulator campaign activity over this period. Awareness levels remained broadly consistent in the most recent spring 2013 tracker.

Looking at the results across employer size, awareness of the reforms ranged from 99 per cent amongst large employers to 61 per cent for micro employers, suggesting that most employers are now aware of the key features of the reforms. In the regulator's view, the levels of awareness shows appropriate progression towards employer readiness for the reforms.

Figure 2.3 Awareness of the workplace pension reforms, by employer size

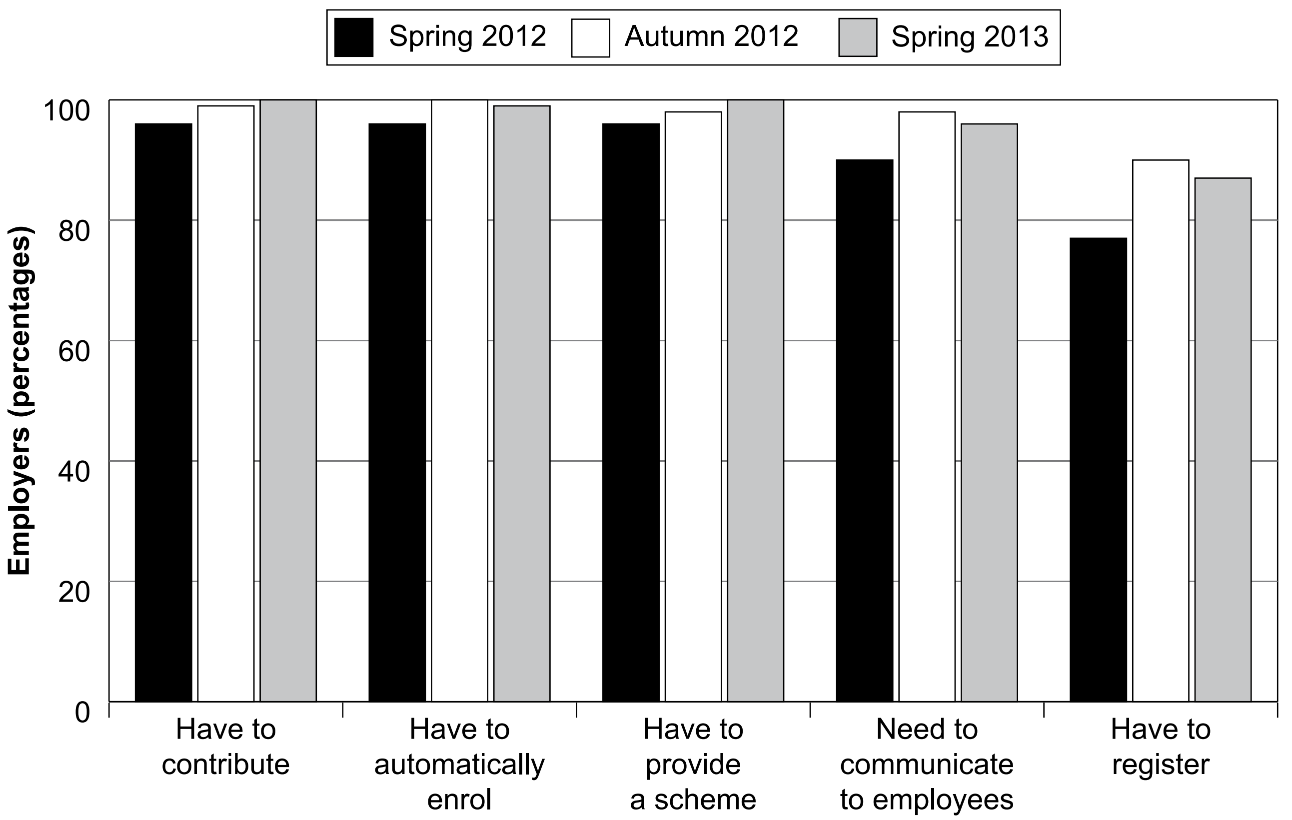


Source: The Pensions Regulator, biannual tracker survey, spring 2012, autumn 2012, spring 2013.
Notes:
Unweighted base sizes: spring 2012 – 714 employers; autumn 2012 – 767 employers; spring 2013 – 639 employers.
Large employer bandings: spring 2012 – 250+ employees; autumn 2012 – 250-5,999 employees; spring 2013 – 250-799 employees.

2.6.3 Employer awareness and understanding of specific features of automatic enrolment

Figure 2.4 shows that awareness levels of each of the specific features of the reforms remains high amongst large employers (250+ employees). There was near universal awareness among large employers that employers would have to provide a pension scheme for automatic enrolment (100 per cent), automatically enrol UK workers (99 per cent), contribute to their workers' pension (100 per cent) and need to communicate to UK workers on an individual basis (96 per cent). The feature with the lowest level of awareness was the need for employers to register with the appropriate Government body, i.e. the regulator, which stood at 87 per cent.

Figure 2.4 Awareness of the specific features of the workplace pension reforms among large employers (250+ employees)



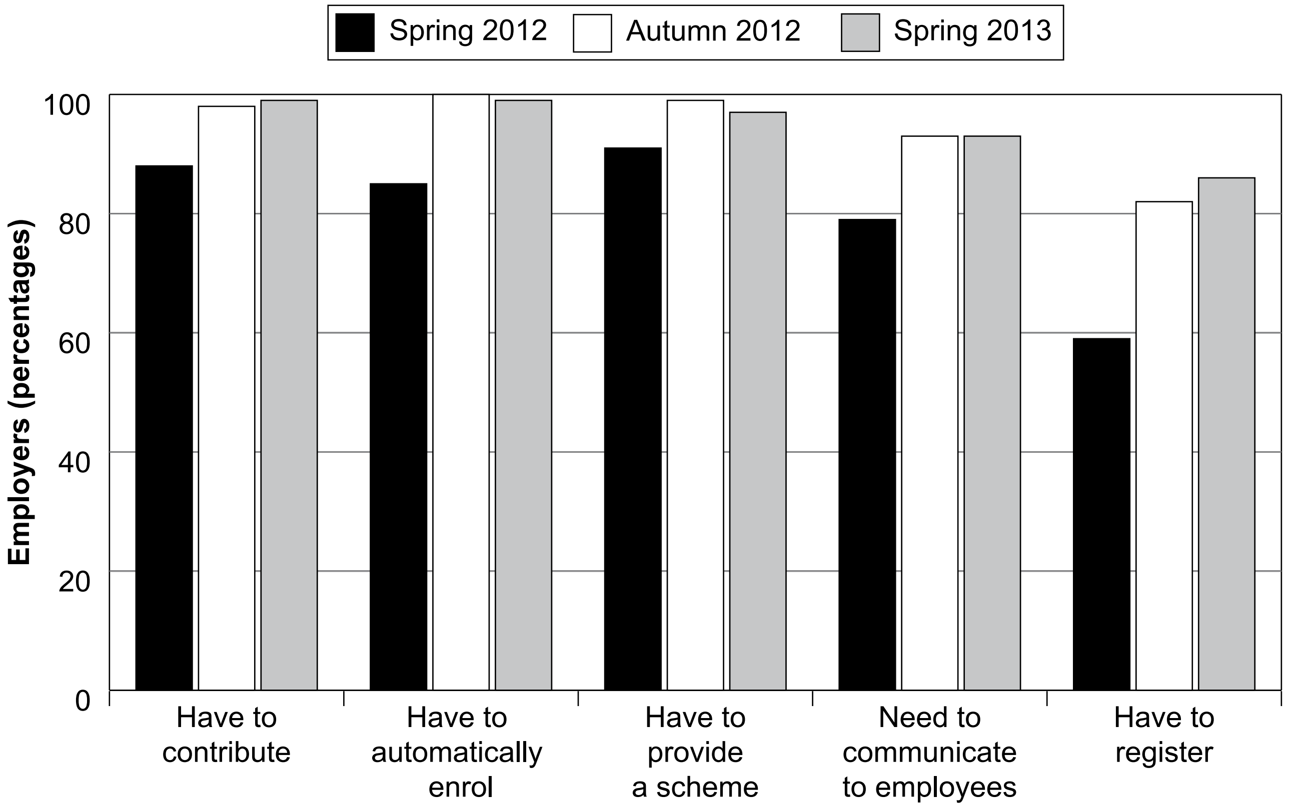
Source: The Pensions Regulator, biannual tracker survey, spring 2012, autumn 2012, spring 2013.
Notes:
Unweighted base sizes: spring 2012 – 160 employers; autumn 2012 – 250 employers; spring 2013 – 150 employers.
Large employer bandings: spring 2012 – 250+ employees; autumn 2012 – 250-5,999 employees; spring 2013 – 250-799 employees.
Questionnaire wording for 'Have to register' changed between autumn 2012 and spring 2013.

For medium size employers, staging dates begin from April 2014.[49] Figure 2.5 shows that awareness levels of each of the specific features of the reforms measured in spring 2013,

[49] Employers can choose to bring forward their staging date but must inform the regulator.

remained high amongst medium employers. There was near universal awareness among medium employers that employers would have to provide a pension scheme for automatic enrolment (97 per cent), automatically enrol UK workers (99 per cent) and contribute to their workers' pension (99 per cent). Awareness of the need to communicate to UK workers on an individual basis stood at 93 per cent. In common with large employers, the feature with lowest awareness was the need to register with the appropriate Government body, i.e. the regulator (86 per cent).

Figure 2.5 Awareness of the specific features of the workplace pension reforms among medium employers (50-249 employees)



Source: The Pensions Regulator, biannual tracker survey, spring 2012, autumn 2012, spring 2013.
Notes:
Unweighted base sizes: spring 2012 – 151 employers; autumn 2012 – 182 employers; spring 2013 – 170 employers.
Questionnaire wording for 'Have to register' changed between autumn 2012 and spring 2013.

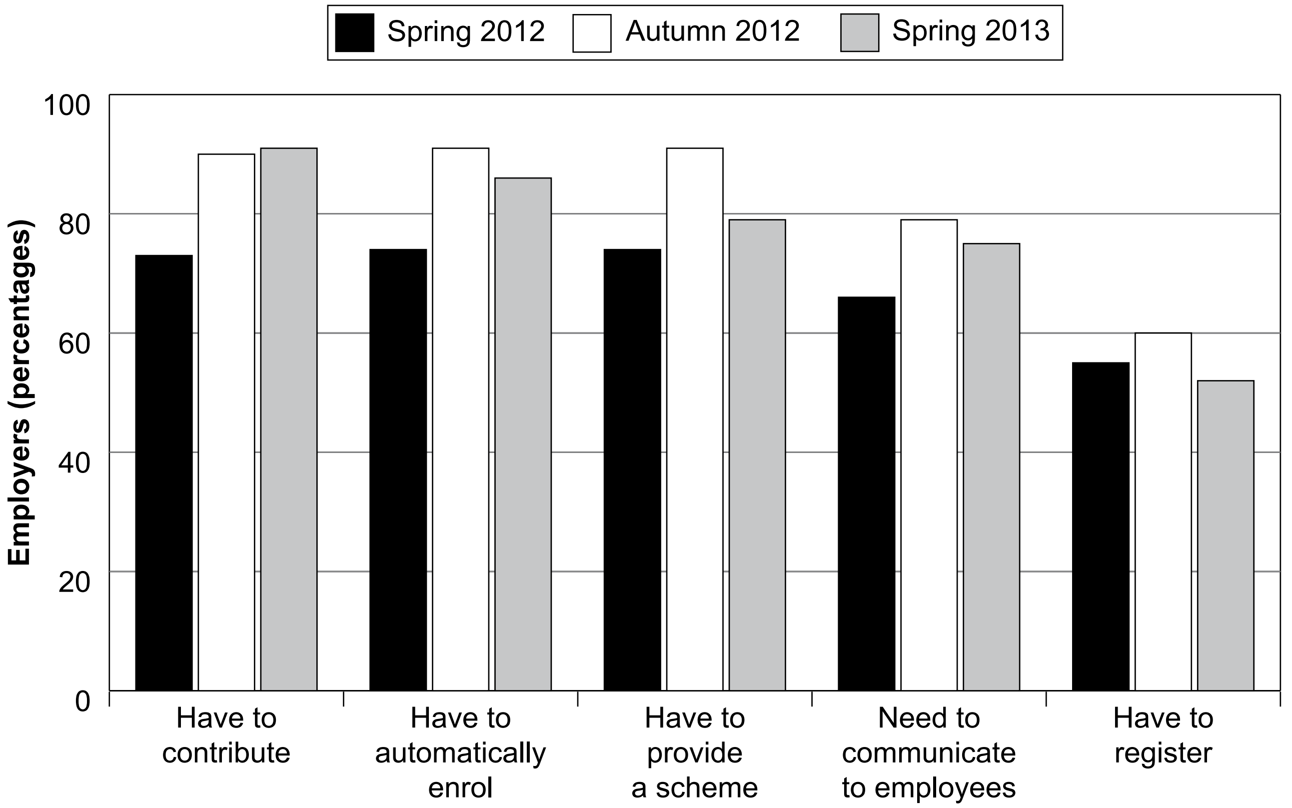
Small and micro employers are not due to be brought into the reforms until June 2015 at the earliest.[50] This is reflected in lower levels of awareness among these employer groups.

Figure 2.6 shows the level of awareness of each of the specific features of the reforms amongst small employers. Awareness of the need to contribute to workers' pensions stood at 91 per cent with 86 per cent aware that they would have to automatically enrol UK workers.

50 Employers of any size may choose to bring their staging date forward. They must notify the regulator to do this.

Awareness was lower of the need to provide a pension scheme for automatic enrolment (79 per cent) and communicate to UK workers on an individual basis (75 per cent). In common with other employer sizes, the feature with the lowest level of awareness was the need to register with the appropriate Government body, i.e. the regulator, which stood at just over half (52 per cent).

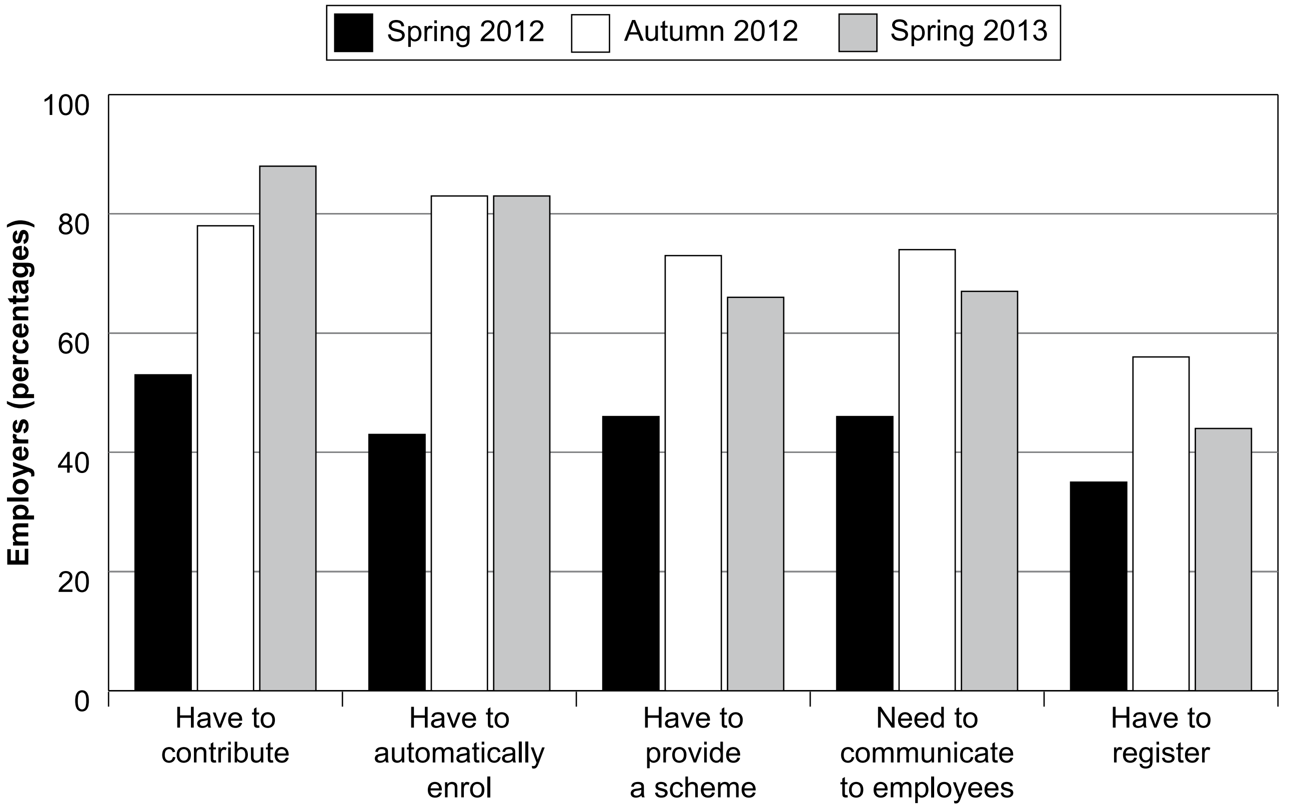
Figure 2.6 Awareness of the specific features of the workplace pension reforms among small employers (5-49 employees)



Source: The Pensions Regulator, biannual tracker survey, spring 2012, autumn 2012, spring 2013.
Notes:
Unweighted base sizes: spring 2012 – 168 employers; autumn 2012 – 185 employers; spring 2013 – 150 employers.
Questionnaire wording for 'Have to register' changed between autumn 2012 and spring 2013.

Figure 2.7 shows the level of awareness of each of the specific features of the reforms amongst micro employers who are furthest from their staging dates. While awareness levels among micro employers were the lowest of all employer sizes across each of the specific features, they followed a similar pattern, with having to register with the appropriate Government body, i.e. the regulator, the least well known feature at 44 per cent.

Figure 2.7 Awareness of the specific features of the workplace pension reforms among micro employers (1-4 employees)



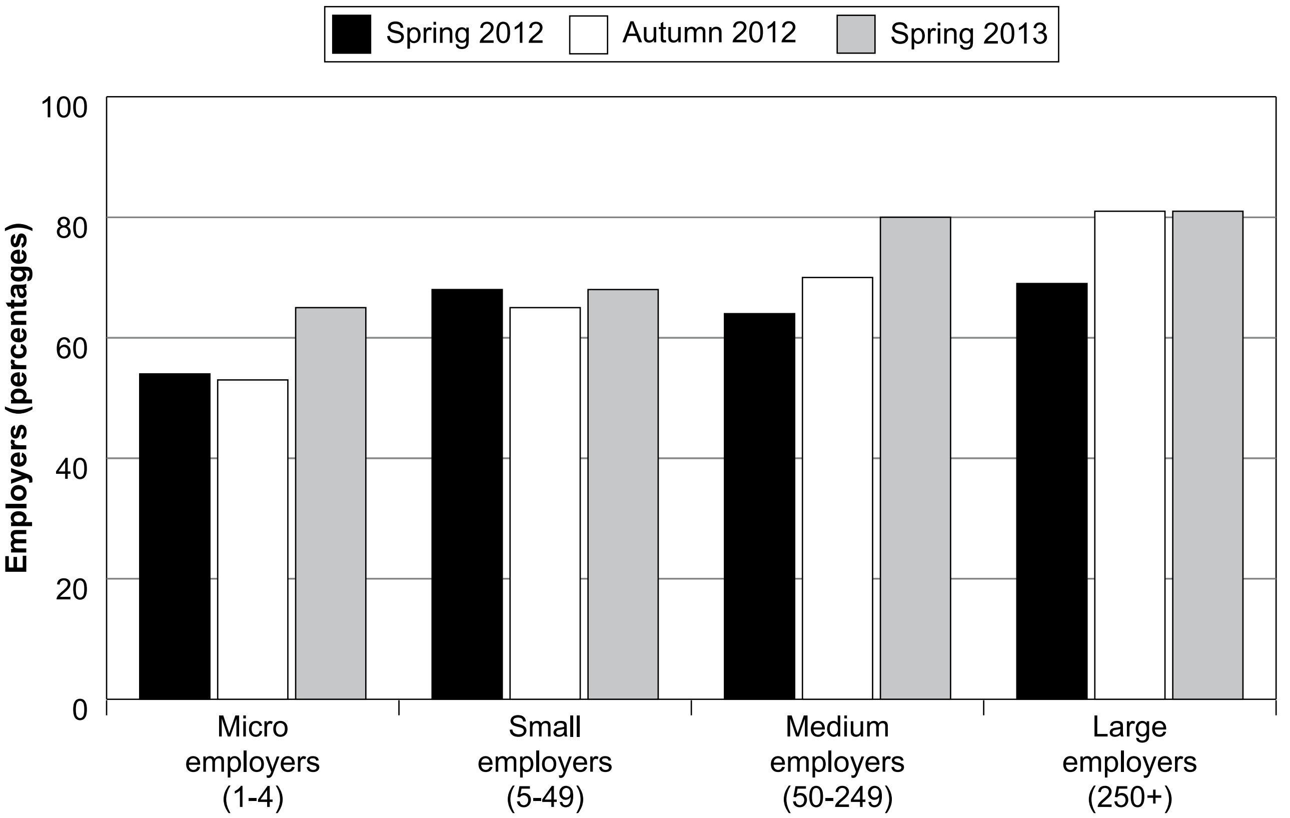
Source: The Pensions Regulator, biannual tracker survey, spring 2012, autumn 2012, spring 2013.
Notes:
Unweighted base sizes: spring 2012 – 148 employers; autumn 2012 – 150 employers; spring 2013 – 151 employers.
Questionnaire wording for 'Have to register' changed between autumn 2012 and spring 2013.

2.6.4 Employer attitudes to automatic enrolment

The regulator defines an employer's attitude as whether an employer supports the reforms or not by asking if they think the reforms are good or bad, or whether they are indifferent (i.e. have no view on whether reforms are good or bad). The regulator's view is that an employer's attitude to a specific law is likely to influence their willingness to comply and impact their ability and likelihood to comply.

Overall, 66 per cent of all employers agreed that the introduction of automatic enrolment is a good idea. Figure 2.8 shows the level of support for automatic enrolment by employer size. Support remains highest among larger employers, with eight in ten agreeing that automatic enrolment is a good idea for workers (81 per cent of large and 80 per cent of medium employers). There was less support for automatic enrolment among the smaller employer sizes, with two-thirds of small and micro employers (68 and 65 per cent respectively) agreeing that automatic enrolment was a good idea.

Figure 2.8 Level of support for automatic enrolment, by employer size



Source: The Pensions Regulator, biannual tracker survey, spring 2012, autumn 2012, spring 2013.
Notes:
Unweighted base sizes: spring 2012 – 714 employers; autumn 2012 – 767 employers; spring 2013 – 639 employers.
Large employer bandings: spring 2012 – 250+ employees; autumn 2012 – 250-5,999 employees; spring 2013 – 250-799 employees.

2.7 Intermediaries' awareness, understanding and activity

The regulator also monitors awareness, understanding and activity among industry intermediaries who advise and support employers with automatic enrolment. Section 2.7.1 describes the regulator's engagement activity with this audience over the past year.

As for employers, awareness and understanding is measured using a biannual tracker survey, the latest results of which are provided below. This information is included for the first time and will be updated in subsequent reports.

2.7.1 Communication with intermediaries

The regulator has been building up the level of direct engagement with major providers and advisers who offer automatic enrolment-related products and services (including pensions providers and administrators, payroll software providers and distributors, employee benefit consultants and independent financial advisers (IFAs)). This has entailed numerous face-to-face discussions to date, as well as providing supporting webinars and speaking at relevant events. The primary objective of this engagement is to help suppliers and advisers understand the legislation.

In addition, a key focus of the regulator's approach over the last year has been to work with the professional bodies and trade associations that represent intermediaries. In particular, it has been working closely with member organisations across the financial sector, including those representing the providers and advisers already referred to, as well as accountants and bookkeepers. These professional bodies and trade associations have been identified as being trusted sources of information for their members.

The regulator has been engaging directly with these organisations to identify opportunities to communicate to their members via their normal channels, and to encourage them to play an active role in ensuring their members have information about the reforms and understand the role intermediaries may play in supporting their employer clients.

2.7.2 Awareness and understanding of automatic enrolment

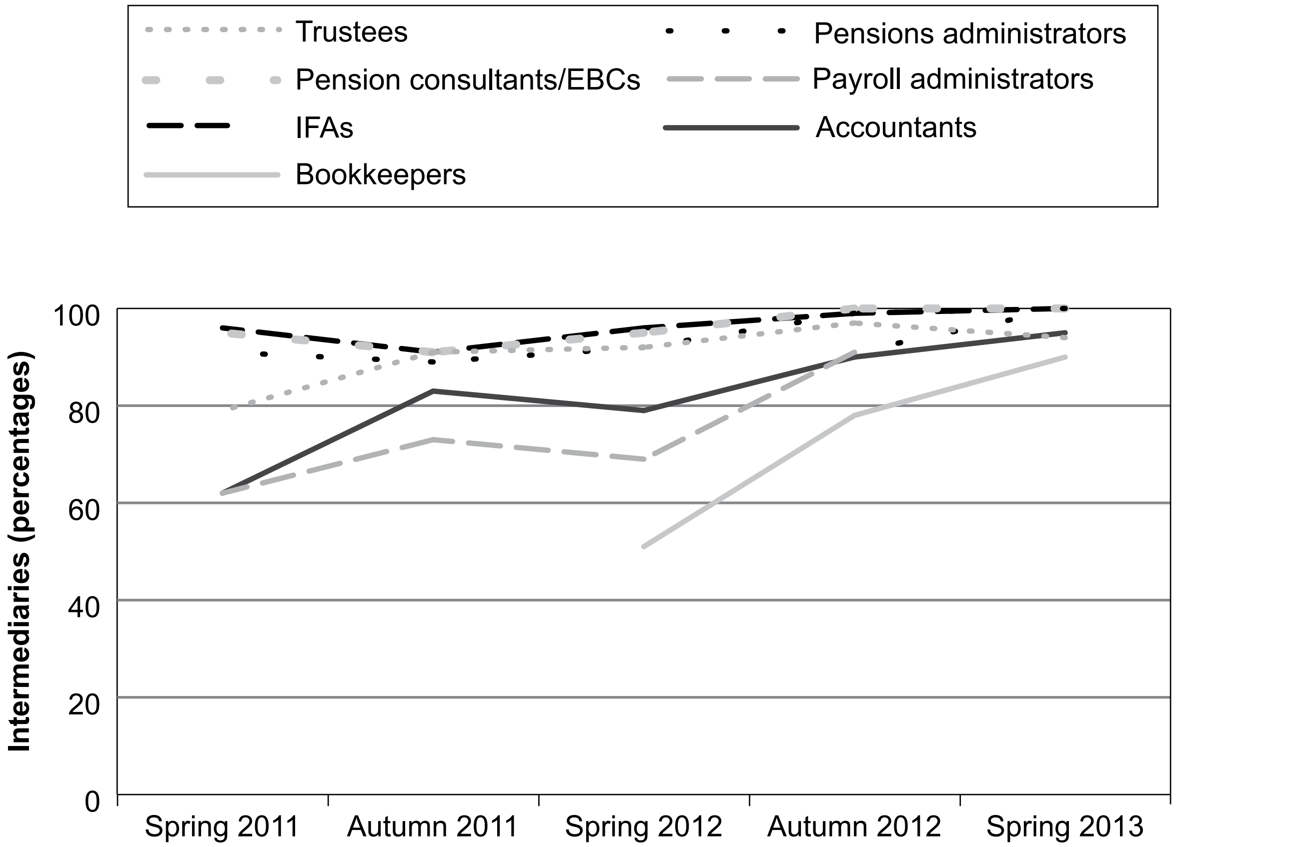
These findings are taken from the most recent report of the regulator's intermediaries' tracker survey.[51] This survey first took place in 2011 and has been conducted on a biannual basis since then, enabling the regulator to monitor trends in awareness and understanding. The following results show trends from the spring 2011 survey to the most recent spring 2013 survey.

As shown in Figure 2.9, levels of awareness remained high among all intermediary groups interviewed; financial advisers, business advisers and pension specialists (pension administrators and scheme trustees alike)[52]. Awareness was lowest among bookkeepers; although still at a high level (90 per cent) which is to be expected given their clients are most likely to be furthest away from their staging date.

51 The Pensions Regulator (2013). *Intermediaries' awareness, understanding and activity relating to workplace pension reforms – Spring 2013*. At: http://www.thepensionsregulator.gov.uk/docs/spring-2013-intermediary-final-report.pdf

52 For the purposes of the research, financial advisers includes IFAs, pensions consultants and EBCs (employee benefits consultants); business advisers includes payroll administrators/HR professionals and micro/small advisers (accountants and bookkeepers); pensions specialists include pensions administrators and trustees.

Figure 2.9 Awareness of automatic enrolment, by intermediary type

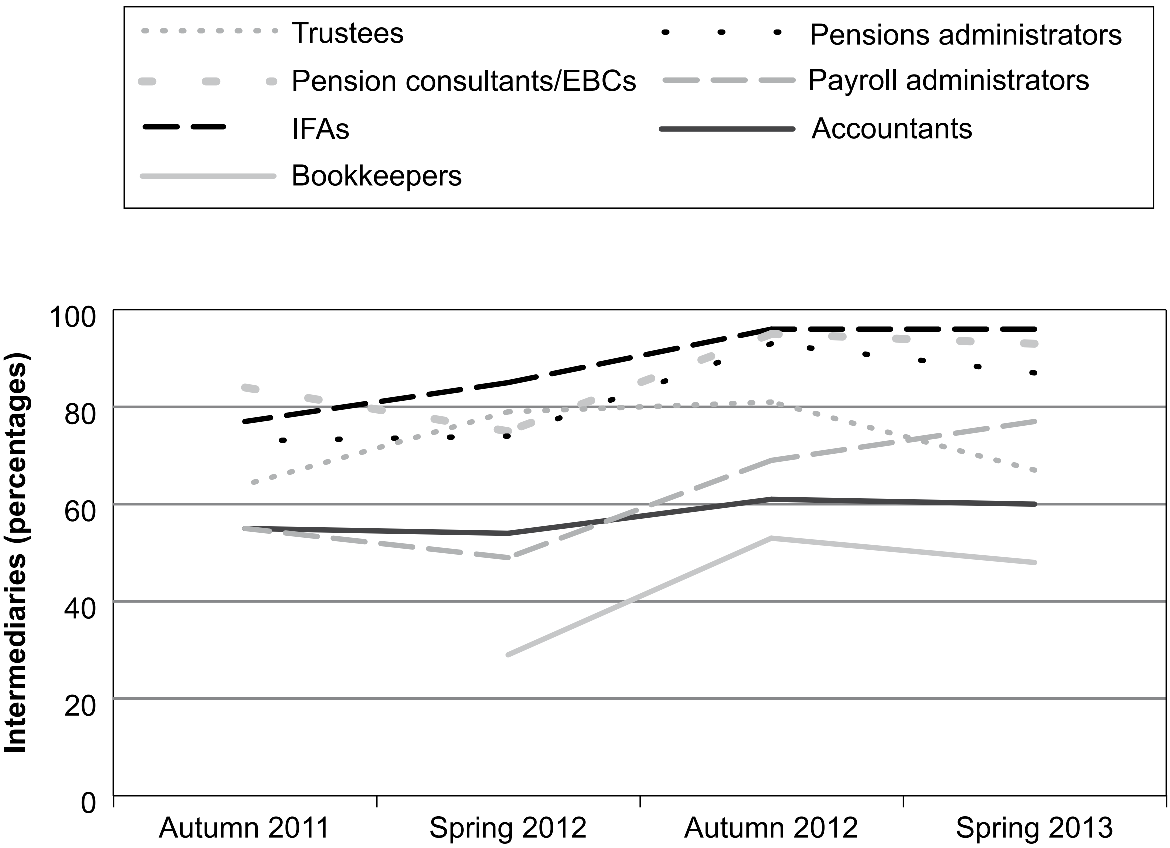


Source: The Pensions Regulator, intermediaries' tracking survey.
Unweighted base sizes: spring 2011 – 686; autumn 2011 – 557; spring 2012 – 625; autumn 2012 – 750; spring 2013 – 580.

Figure 2.10 shows that financial advisers continued to have high levels of understanding of the reforms with 96 per cent of IFAs and 93 per cent of pension consultants/EBCs demonstrating this in their survey responses. However, understanding levels were lower among payroll administrators (77 per cent), trustees (67 per cent), and lowest among small/micro business advisers (accountants – 60 per cent and bookkeepers – 48 per cent), both of whom are more likely to be dealing with employers furthest away from their staging dates.

The least well known aspect within this measure of understanding among all audiences continued to be the need for employers to submit their automatic enrolment details (registration) with the appropriate Government body, i.e. the regulator, as has been the case in previous survey waves for both intermediaries and employers.

Figure 2.10 Understanding of automatic enrolment, by intermediary type



Source: The Pensions Regulator, intermediaries' tracking survey.
Note: Questions not included in the spring 2011 survey.
Unweighted base sizes: autumn 2011 – 557; spring 2012 – 625; autumn 2012 – 750; spring 2013 – 580.

2.7.3 Intermediaries' knowledge of more detailed aspects of automatic enrolment

Intermediaries were also asked a range of questions to determine levels of knowledge relating to more detailed aspects of automatic enrolment which these groups are likely to deal with.

As Figure 2.10 showed, financial advisers largely had higher levels of understanding than trustees and business advisers. This was also the case for the more detailed aspects of automatic enrolment. A high, and in many cases, very high proportion of all types of advisers were aware of the need to identify workers who can opt into a pension scheme to which the employer makes an ongoing contribution, the detailed communication requirements to employees and the requirement to maintain records.

Amongst all groups, awareness was lowest on the types of earnings to be assessed, what a pay reference period is, the duty to enrol workers who opt in during the postponement period (if used), and the types of worker who are eligible for automatic enrolment.

Trustees and business advisers advising small and micro employers furthest from their staging dates also had relatively low awareness of the criteria used to assess whether a worker is eligible for automatic enrolment and of the need to identify 'entitled workers'.

2.7.4 Current and expected provision of assistance to clients

Most advisers, pension administrators and trustees anticipated playing a role in automatic enrolment. Financial advisers were much more likely to be already helping clients than other groups, with almost all pension consultants (91 per cent) saying that they had already helped their clients, an increase from 66 per cent in autumn 2012. Significantly more pension consultants/EBCs said they will have some involvement with automatic enrolment than in autumn 2012 (up 11 percentage points to 96 per cent). Most IFAs (98 per cent) were already helping or were planning to help their clients.

Payroll administrators were also more likely to be expecting to have some involvement in automatic enrolment than in autumn 2012, increasing 15 percentage points to 96 per cent.

A sizeable minority of pension consultants/EBCs (38 per cent), IFAs (23 per cent) and pension administrators (25 per cent) planned to help clients by offering a software system that can be used to administer automatic enrolment.

IFAs and pension consultants who planned to be engaged with automatic enrolment were very likely to report they would either act on behalf of their clients or provide technical advice (78 per cent of both groups gave one of these two responses) while a smaller proportion – around two fifths to a half – of business advisers (payroll administrators, accountants and bookkeepers) said this.

Among the activities already undertaken or planned by advisers, finding out clients' staging dates and explaining how the legislation applied to clients were prominent across all types. These also featured highly on the list of services that intermediaries planned to offer.

3 Increasing the number of savers

Summary

- Automatic enrolment aims to reverse the trend in falling workplace pension participation; once fully implemented, it aims to increase the number of individuals newly saving or saving more in a workplace pension by around eight million, within a range of six to nine million. In 2012, before the introduction of automatic enrolment, the number of eligible employees participating in a workplace pension was 10.9 million (55 per cent), falling from 12.3 million (65 per cent) in 2003. While public sector pension participation has remained consistently high at 4.9 million (88 per cent) between 2003 and 2012, private sector pension participation has fallen to 6.0 million (42 per cent) in 2012, down from 7.7 million (56 per cent) in 2003.
- The gap between male and female workplace pension participation in the private sector has narrowed slightly in 2012, to 43 per cent for males compared with 40 per cent for females. Across both the public and private sector, participation by women is higher (59 per cent) compared with men (52 per cent), owing to the greater proportion of women working in the public sector where participation is high.
- Looking at pension participation by age, in 2012 the 22 to 29 age group has the lowest levels of participation at 35 per cent compared with 54 per cent of the 30 to 39 age group. Participation is highest in the 40 to 49 and 50 to 64 age groups, both at 62 per cent.
- DWP research with large employers with staging dates between October 2012 and April 2013 showed an average opt out rate of nine per cent. The proportion of workers choosing to leave the scheme after the opt-out period had closed was typically around one fifth of the original opt-out rate. Within these employers it is estimated that overall participation in a workplace pension increased from 61 per cent to 83 per cent as a result of automatic enrolment.
- The most important factor influencing opt-out rates was contractual enrolment. Where this was already in place, opt-out rates were nearly double the average. Opt-out rates were also higher in the 50 and over age group compared with other age groups. The main reason given by individuals for opting out was the affordability of contributing to a pension set against other priorities. Other factors included life stage and career plans.
- Feeling towards automatic enrolment among individuals remains positive, with nearly three-quarters (73 per cent) surveyed saying it was a good thing. Just under two in ten (18 per cent) were neutral about automatic enrolment, while just seven per cent were negative about automatic enrolment.
- Awareness of the Government's automatic enrolment advertising campaign remains high at 82 per cent. Advertisement recognisers were substantially more aware of the changes than non-recognisers (76 per cent compared with 33 per cent). Half of potentially eligible recognisers (51 per cent) were also more likely to say they would stay in once enrolled, compared with 41 per cent of non-recognisers.

Continued

- The Department for Work and Pensions (DWP) is working with its delivery partners, the Money Advice Service (MAS) and the Pensions Advisory Service (TPAS), to provide information for individuals. The information is provided online, in keeping with the Government's digital-by-default approach, with telephony support also available. Between April and September 2013, there were more than 680,000 page views of these organisations' websites, the vast majority of which were to the landing page on the GOV.UK website.
- Research with large employers found that most were satisfied that their communications had been successful in informing workers about automatic enrolment. Volumes of queries from workers in response to the information provided were much lower than employers expected.

3.1 Introduction

This chapter updates the baseline indicators designed to monitor trends in the number of individuals saving in a workplace pension and presents early evidence on levels of opt out and the impact on workplace pension participation. The chapter also examines the impact of recent Government automatic enrolment communication campaigns aimed at raising awareness of the benefits of workplace pension saving and the extent to which individuals seeking information can access and understand it.

3.2 Trends in workplace pension participation

The baseline report highlighted the trend in falling workplace pension participation which automatic enrolment aims to reverse. The key data sources that will be used to monitor workplace pension participation are the Office for National Statistics (ONS) *Annual Survey of Hours and Earnings* (ASHE) and the DWP *Family Resources Survey* (FRS)[53]. The following analysis updates the baseline report but it is important to note that the latest available FRS

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53 When observing trends using ASHE the following points should be noted:

1. All analysis is based on eligible employees, and uprated using Average Weekly Earnings values. Gross annual earnings are derived using weekly pay, and no filter has been included for loss of pay in the pay period.

2. Previous years' data have been adjusted to account for the annual revisions to the earnings thresholds used to determine automatic enrolment eligibility and the State Pension age (SPA) for women.

3. ASHE data for 2002 contained 12 per cent of employees having a missing value for their employer size, which resulted in a bias in the results. Analysis has been smoothed to remove this bias.

4. Data up to 2008 is based on Standard Industrial Classification (SIC) 2003. From 2008 onwards, SIC 2007 is used, creating a slight break in the series (see Figure 3.3).

5. Changes to the Standard Occupational Classification in 2011 introduced new weights. The back series will not be reweighted so there will be a structural break in the series.

and ASHE results will not yet reflect the impact of automatic enrolment because the surveys were carried out before automatic enrolment began.[54] [55] However, as more individuals are enrolled during staging, these annual surveys should provide evidence of the shift in workplace pension participation brought about by the reforms.[56]

3.2.1 Number of savers

Between 2003 and 2012, there has been a decline in the number of eligible employees participating in a workplace pension from 12.3 million (65 per cent) to 10.9 million (55 per cent).[57] While public sector pension participation remains high at 4.9 million (88 per cent) in 2012, private sector pension participation has fallen from 7.7 million (56 per cent) in 2003 to 6.0 million (42 per cent) in 2012.[58]

3.2.2 Economic status

Figure 3.1 updates the trends in workplace pension participation by eligible employees compared with other economic status groups. Participation by eligible employees has continued to decline, falling from 59 per cent in 2010/11 to 57 per cent in 2011/12.

Participation has also fallen for the ineligible employees group from 19 per cent in 2010/11 to 17 per cent in 2011/12. There has also been a slight drop in participation levels among the self-employed, from 21 per cent in 2010/11 to 20 per cent in 2011/12.

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54 The 2012 ASHE survey results relate to information collected in the pay period which included 18 April 2012. Automatic enrolment began in October 2012.

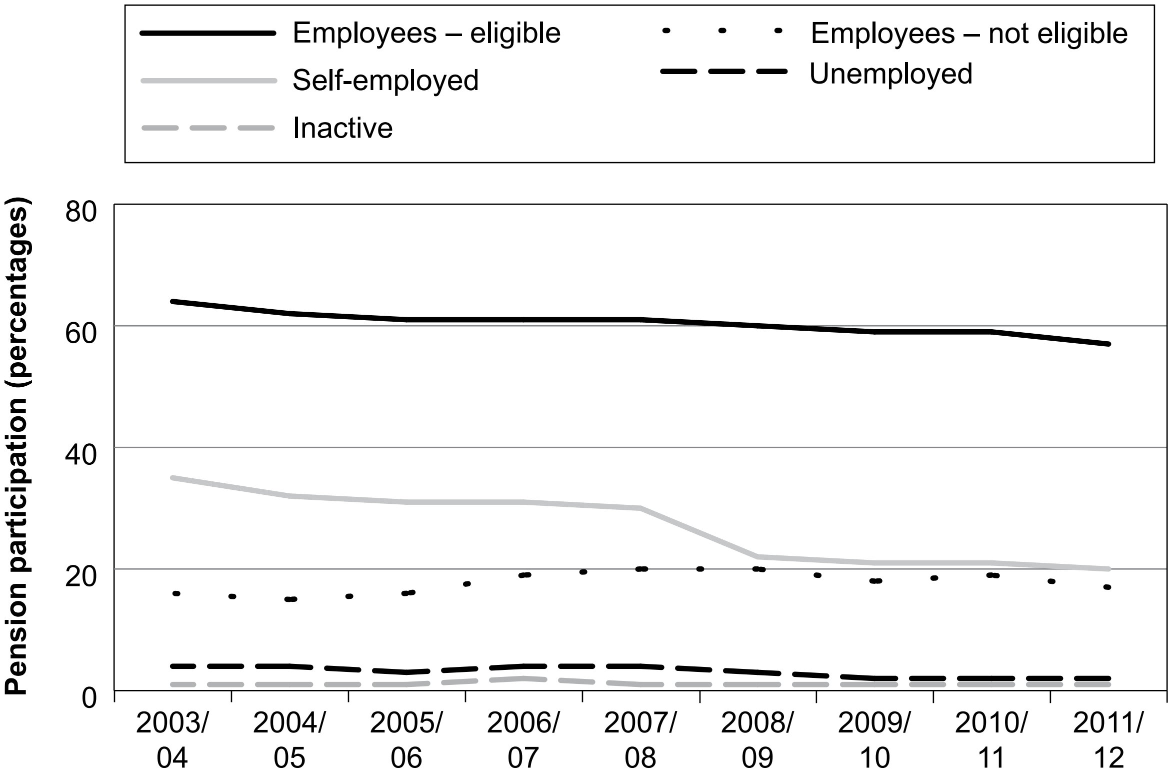
55 FRS data for 2011/12 was collected between April 2011 and March 2012.

56 The number of individuals automatically enrolled is updated on a monthly basis in the regulator's Monthly Registration Report.

57 An eligible employee (sometimes referred to as an eligible worker) is one who is not already in a qualifying pension arrangement, is aged 22 or over, is under SPA, earns more than £9,440 a year in 2013/14 terms and works or usually works in the UK. This threshold is reviewed annually and was increased from £8,105 in 2012/13 to £9,440 in 2013/14. The 2003 participation figures shown in the baseline report have been adjusted to reflect this change.

58 Participation figures are DWP estimates derived from the ONS ASHE covering Great Britain. Changes to the Standard Occupational Classification used in ASHE introduced new weights in 2011. The back series will not be reweighted so there will be a structural break in the series.

Figure 3.1 Participation in all pensions, by economic status

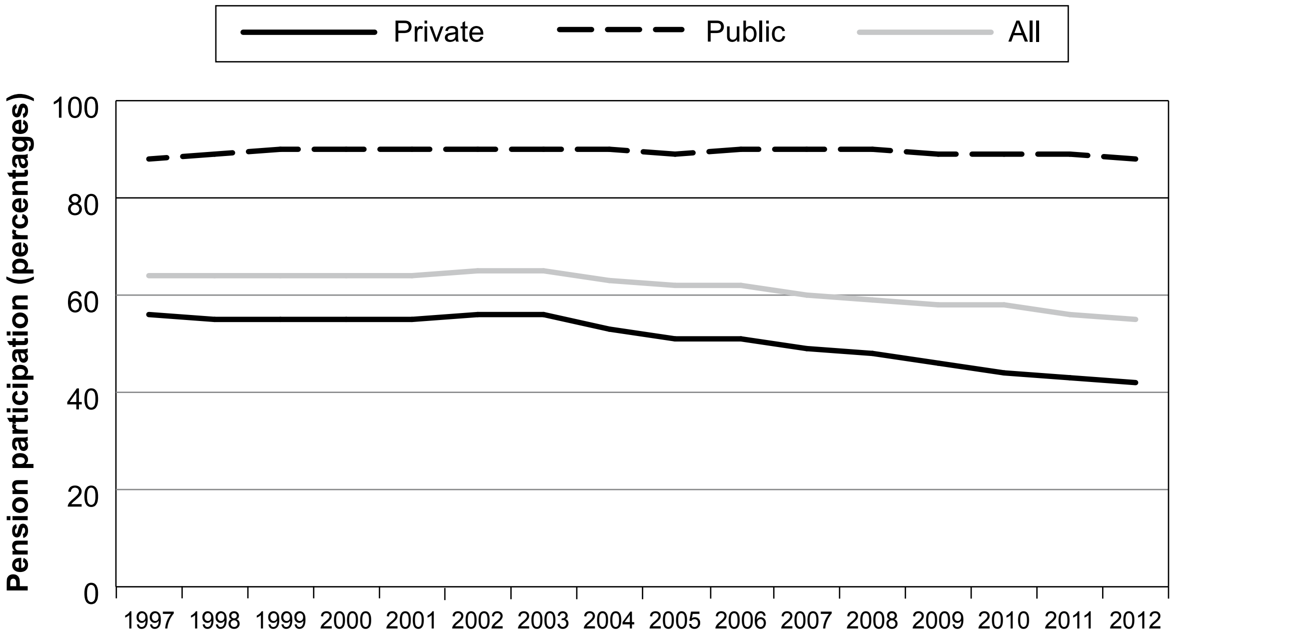


Source: Modelled analysis derived from the Family Resources Survey, UK, 2003/04 to 2011/12.
Notes:
FRS data for the years 2003/04 to 2008/09 are based on a modelled datasets. See Appendix B for further details.
Working age is defined as 16 to 70. Prior to 2006/07 pension questions in the FRS were only asked of individuals under SPA (females aged 60 and males aged 65).

3.2.3 Sector

Figure 3.2 shows recent trends in workplace pension participation for eligible employees by sector. Overall pension participation has continued to fall and is now at its lowest level (55 per cent) since 1997. This trend has been largely driven by the fall in participation in the private sector, which again fell slightly from 43 per cent in 2011 to 42 per cent in 2012, its lowest level since 1997. Participation in the public sector is at the same level as it was in 1997 (88 per cent).

Figure 3.2 Eligible employees participating in workplace pensions, by sector

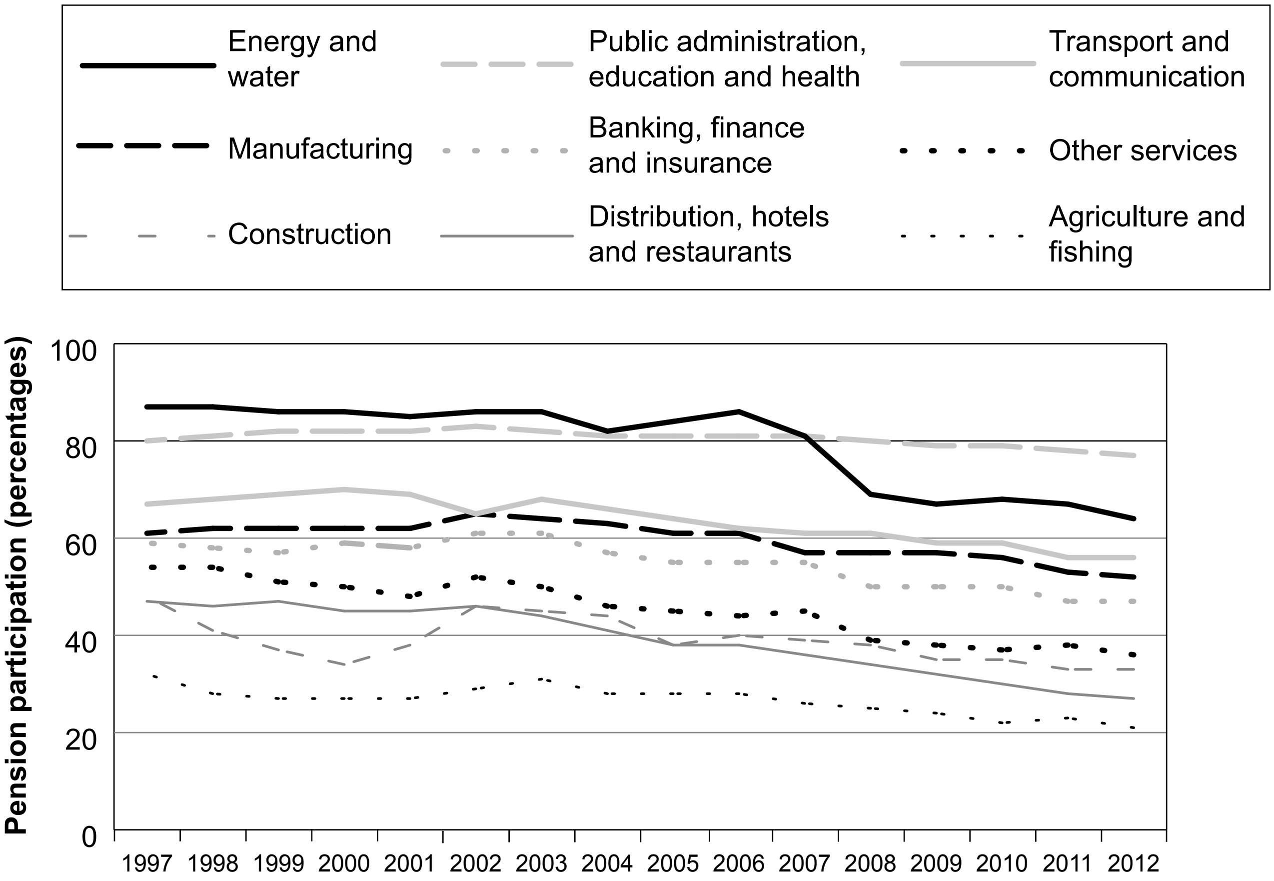


Source: DWP estimates derived from the ONS ASHE, GB only, 1997 to 2012.

3.2.4 Industry

Figure 3.3 shows pension participation by industry. While illustrating a broadly downward trend in participation across all industries over the last 15 years, the decrease has been more gradual over the past year; the main exception is the energy and water industry which has seen participation fall from 67 per cent to 64 per cent between 2011 and 2012. Participation remains highest at 77 per cent in public administration, education and health and lowest in agriculture and fishing at 21 per cent.

Figure 3.3 Eligible employees participating in workplace pensions, by industry

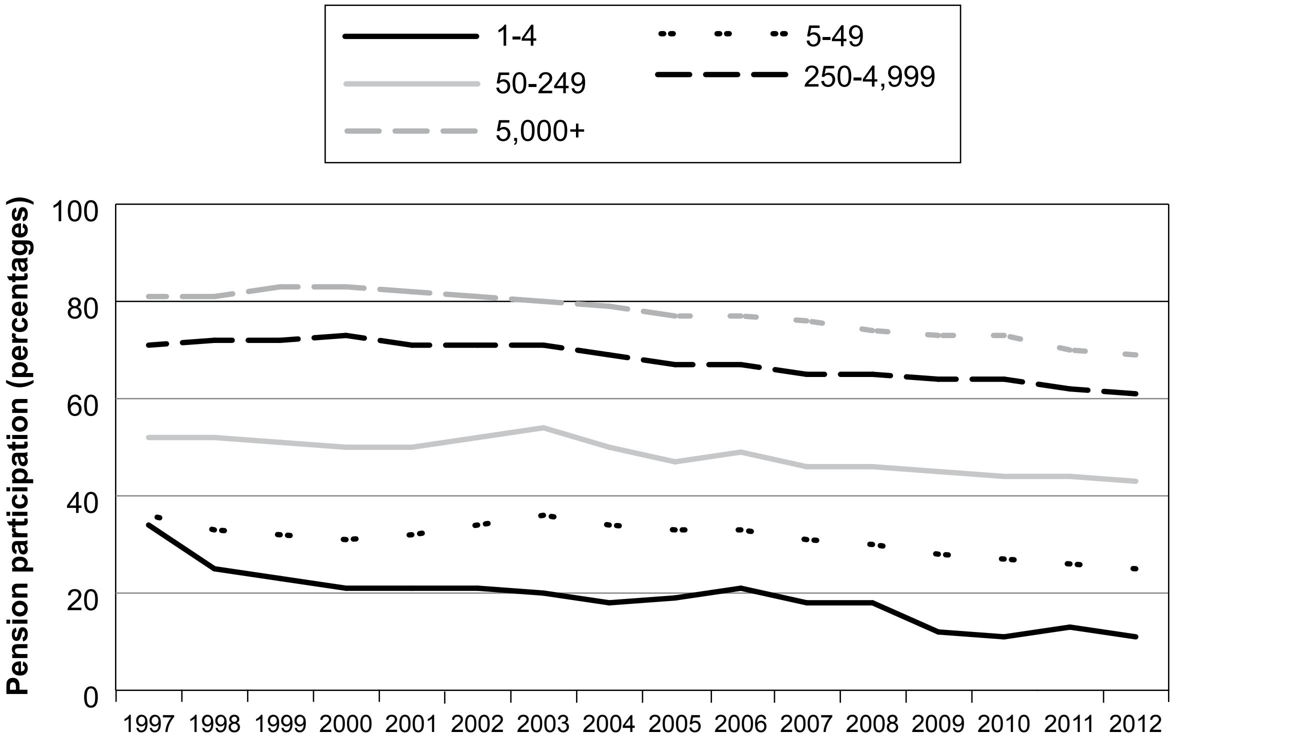


Source: DWP estimates derived from the ONS ASHE, GB only, 1997 to 2012.
Note: Data up to 2008 is based on SIC 2003. From 2008 onwards, SIC 2007 is used, creating a slight break in the series. Care should, therefore, be taken when interpreting the full-time series.

3.2.5 Employer size

Figure 3.4 shows that workplace pension participation is closely related to employer size with the highest levels observed in largest employers (69 per cent) and the lowest in micro employers (11 per cent). This variation is partly explained by the higher proportion of employees working for large public sector employers where participation rates are higher (see Figure 3.2).

Figure 3.4 Eligible employees participating in workplace pensions, by employer size



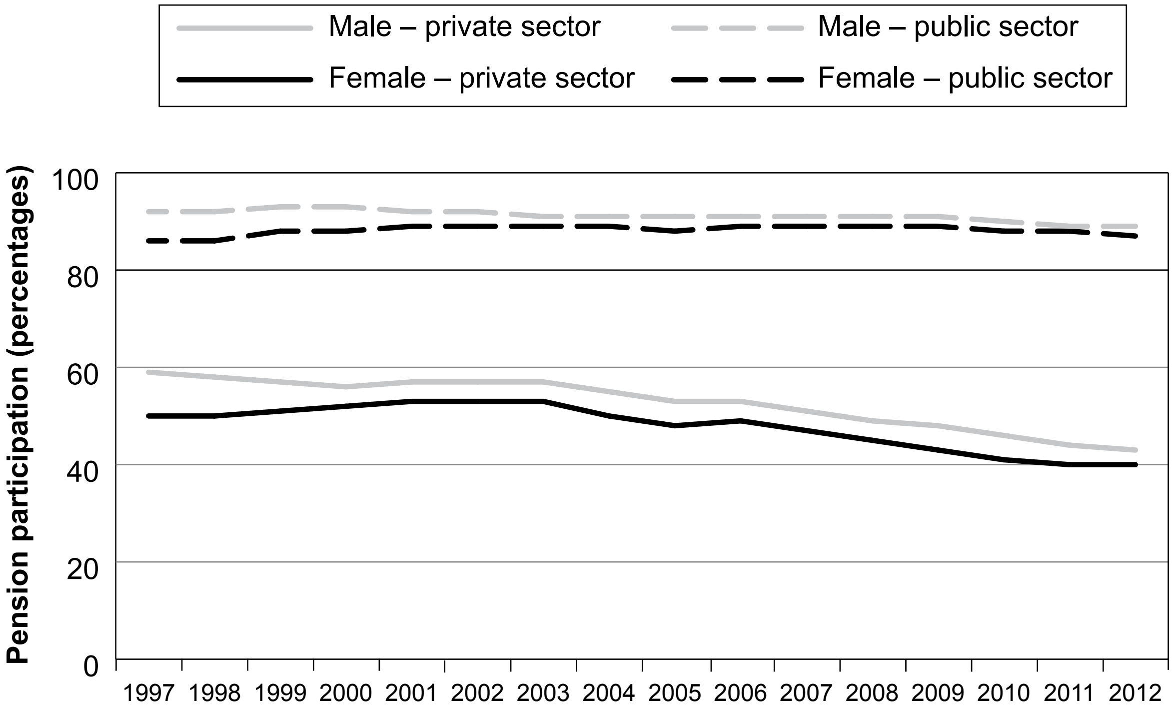
Source: DWP estimates derived from the ONS ASHE, GB, 1997 to 2012.

3.2.6 Gender

Figure 3.5 shows pension participation levels by sector and gender. While participation remains largely unchanged since 2011 the gap between male and female participation in the private sector has narrowed slightly to 43 per cent for males compared with 40 per cent for females. Across both sectors, however, participation by women is higher (59 per cent) compared with men (52 per cent) due to the greater proportion of women working in the public sector where participation is high.[59]

[59] DWP analysis of 2012 ASHE shows that 36 per cent of female employees work in the public sector compared with 19 per cent of males.

Figure 3.5 Eligible employees participating in workplace pensions, by sector and gender



Source: DWP estimates derived from the ONS ASHE, GB only, 1997 to 2012.

3.2.7 Disability

Pension participation of disabled eligible employees has remained stable at 62 per cent and is largely unchanged from its level in 2003/04 (63 per cent).[60 61] This compares with a larger fall in participation by non-disabled eligible employees whose participation levels slipped further from 58 per cent in 2010/11 to 55 per cent in 2011/12. The slightly higher level of participation by disabled eligible employees reflects the greater proportion of disabled people working in the public sector where participation is generally higher (see Section 3.2.3).

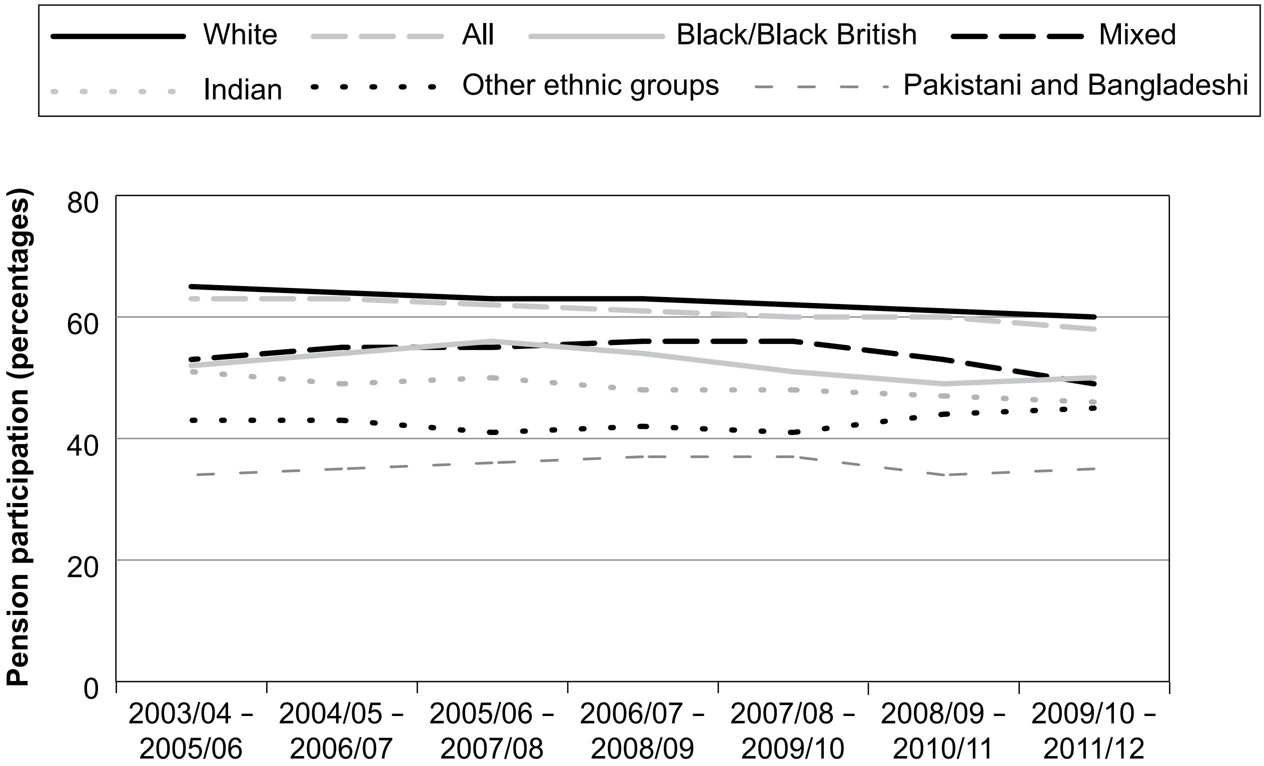
3.2.8 Ethnicity

Figure 3.6 shows trends in pension participation for different ethnic groups. The White ethnic group still has the highest participation rate of 60 per cent and remains above the average participation rate of 58 per cent across all groups. While participation rates in other groups remain broadly stable, the Mixed ethnic group has fallen from 53 per cent in 2008/09-2010/11 to 49 per cent in 2009/10-2011/12. The Pakistani and Bangladeshi group has increased slightly to 35 per cent but still has the lowest rate of participation of all ethnic groups.

60 Modelled analysis from the DWP FRS 2003/04 to 2011/12.

61 As defined in the Equality Act 2010 which replaced the Disability Discrimination Act 1995.

Figure 3.6 Eligible employees participating in workplace pensions, by ethnic group

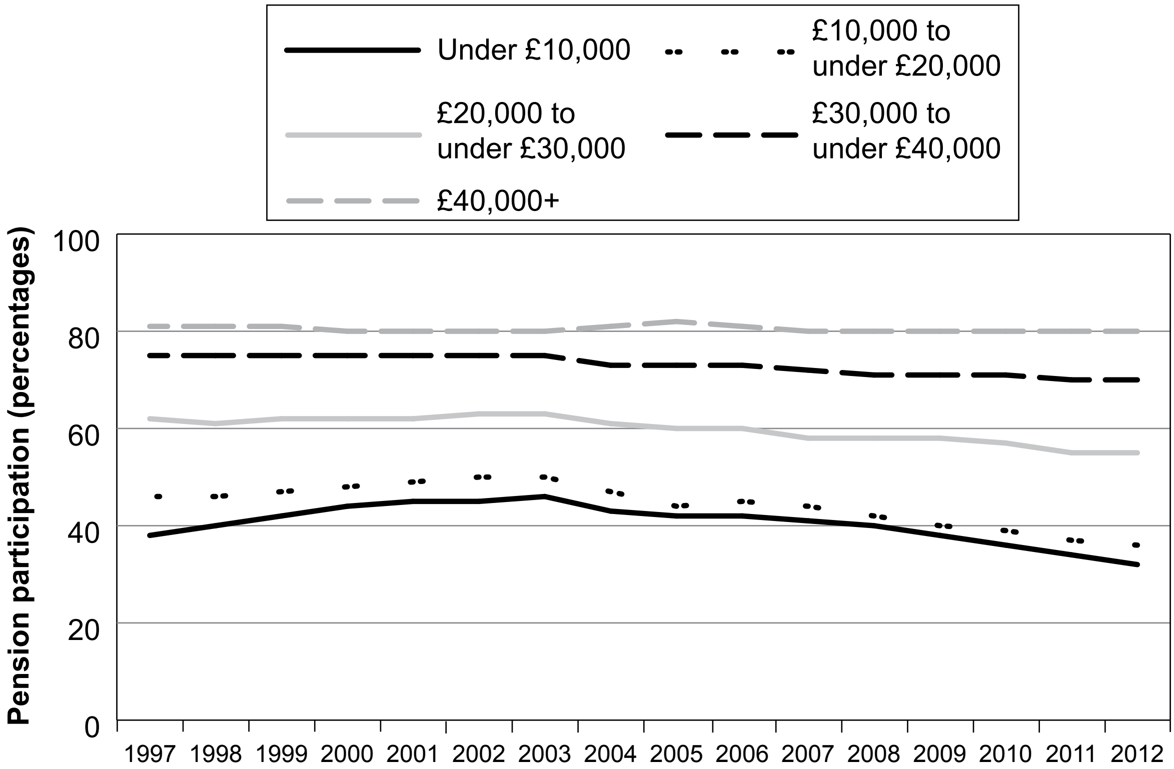


Source: Modelled analysis derived from the FRS, UK, 2003/04 to 2011/12.
Notes:
Ethnicity analysis uses a three-year rolling average in order to account for volatility in single year results which are caused by small sample sizes and clustering effects.
Other ethnic groups includes Chinese.

3.2.9 Earnings

Figure 3.7 shows the close relationship between pension participation and earnings. The highest earners (those earning over £40,000) have the highest participation levels, which has been stable at around 80 per cent since 1997. However, there has been a continued decline in participation in lower earnings groups. For those earning under £10,000, participation has fallen further over the past year from 34 per cent in 2011 to 32 per cent in 2012 and for those earning between £10,000 and £20,000, participation has fallen slightly from 37 per cent to 36 per cent in the same period.

Figure 3.7 Eligible employees participating in workplace pensions, by gross annual earnings

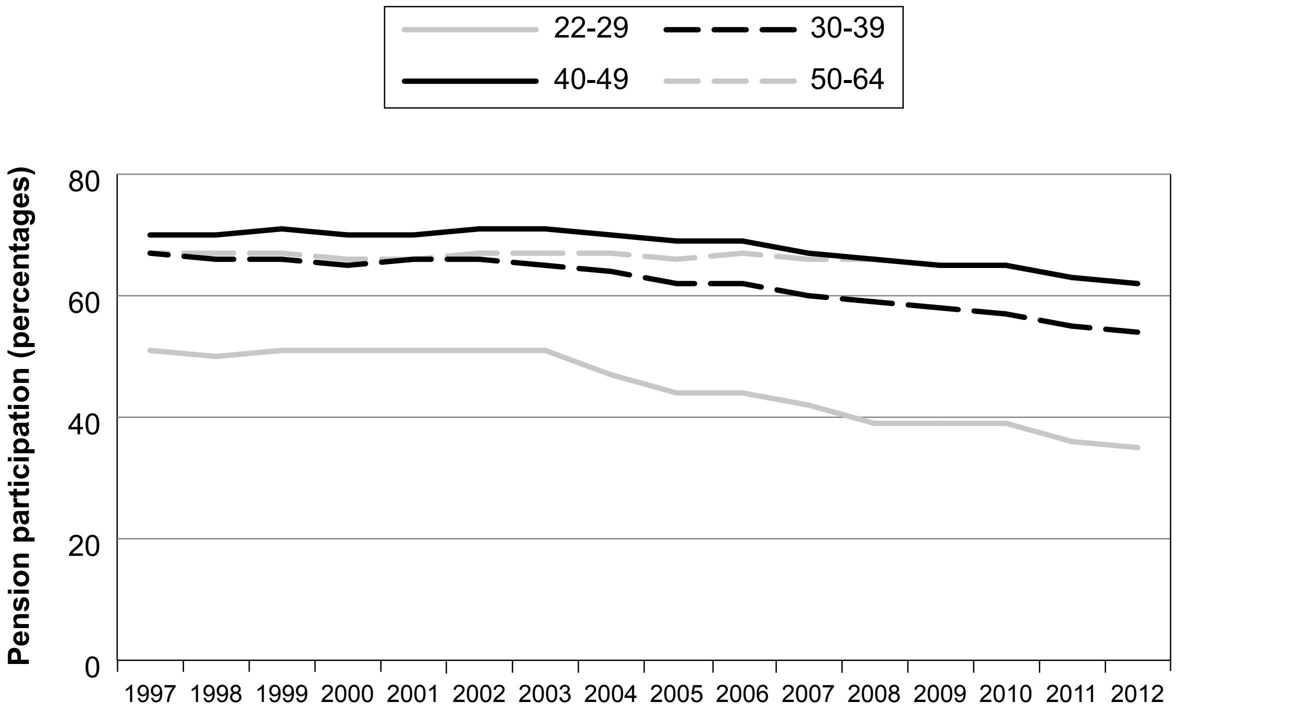


Source: DWP estimates derived from the ONS ASHE, GB, 1997 to 2012.
Note: Gross annual earnings are uprated using Average Weekly Earnings values.

3.2.10 Age

Figure 3.8 shows pension participation of eligible employees by age bands. Continuing the general trend, participation has fallen slightly in each of the age bands over the past year. In 2012, the 22 to 29 year old group continue to have the lowest levels of participation at 35 per cent compared with 54 per cent of 30 to 39 year olds. In the two older age bands (40 to 49 and 50 to 64) participation has remained relatively stable since 2011 at 62 per cent. However, participation in the 40 to 49 group has declined more steeply over the past ten years in comparison with the 50 to 64 year old group.

Figure 3.8 Eligible employees participating in workplace pensions, by age band

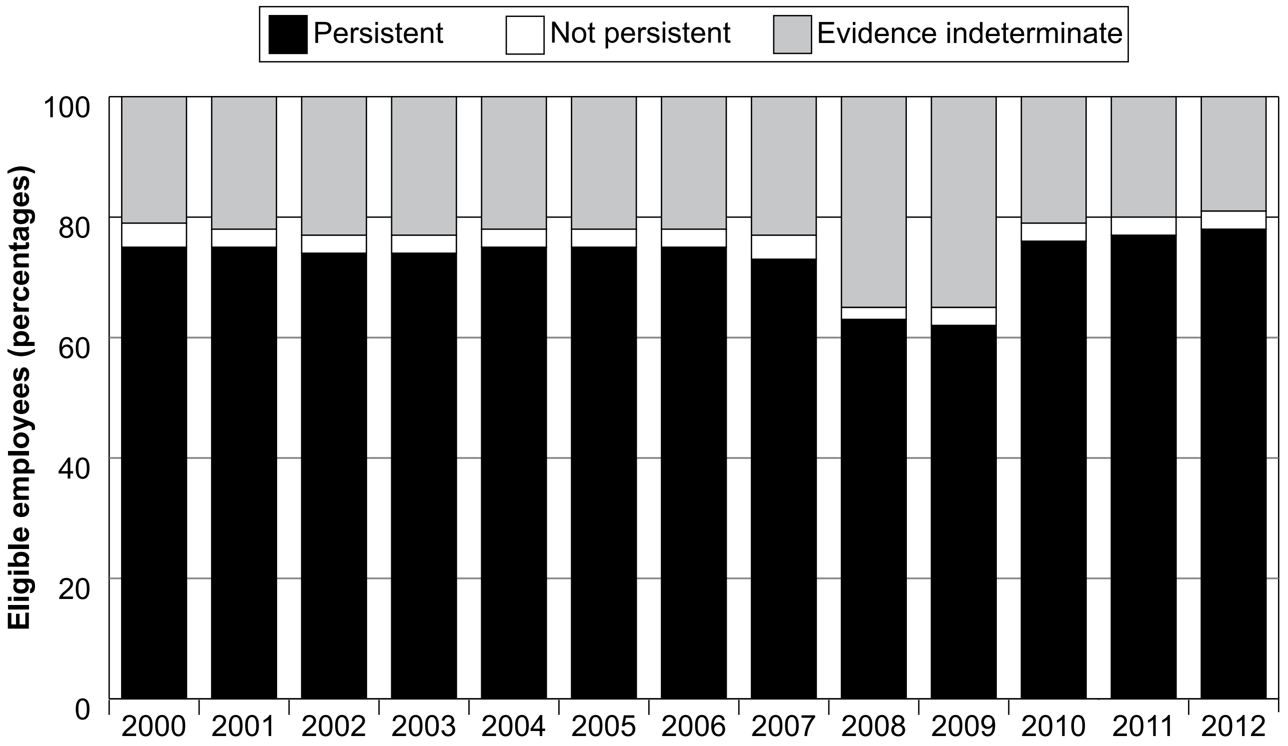


Source: DWP estimates derived from the ONS ASHE, GB, 1997 to 2012.

3.3 Persistency of saving

In this report, persistency of saving is defined as saving into a pension in three out of a period of four years. In Figure 3.9, the estimates shown are based on the number of years an eligible saver has been saving in a four-year period. For example, the 2012 estimate is based on the number of years saving between 2009 and 2012. The latest analysis shows little change from the baseline, with 78 per cent of eligible employees saving persistently. This has remained broadly consistent over the period shown (see the note in Figure 3.9 on 2008 and 2009). The proportion of eligible savers not saving persistently was three per cent in 2012, again broadly stable over the period. For the remaining 19 per cent there is an indeterminate amount of evidence to judge either way.

Figure 3.9 Persistency of eligible employees participating in workplace pensions



Source: DWP estimates derived from the ONS unweighted longitudinal ASHE, GB, 1997 to 2012.
Notes:
The fall in persistency in 2008 and 2009 is the effect of the ASHE sample cut in the 2007 and 2008 surveys, which resulted in employees moving into the evidence indeterminate group in the persistency measure due to a lack of data.
An eligible employee can disappear from the cohort either through stopping saving, leaving the labour market, staying with, or moving to, an employer who does not return the ASHE questionnaire.

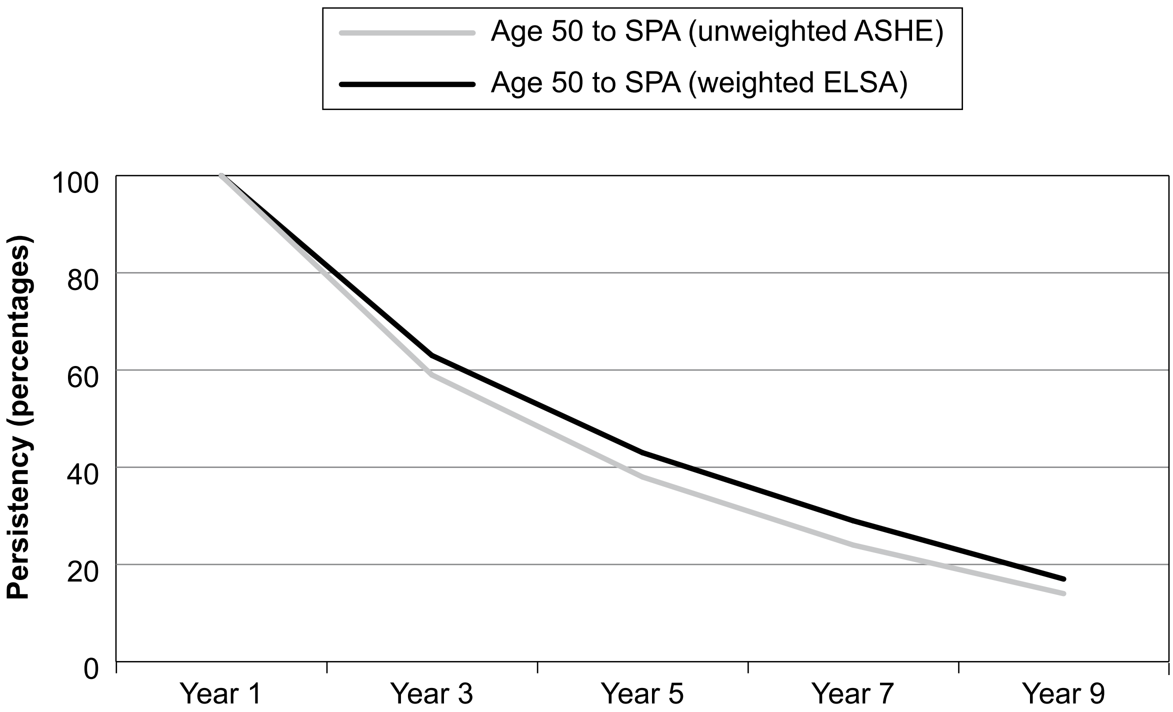
3.3.1 Survival analysis

Survival analysis takes a cohort of eligible savers in each year and charts the survival rate of their pension participation year on year. Compared with the persistency of saving measure, which requires four years of data and subsequently a three-year lag before effects can be measured, survival analysis enables an assessment of the effects of the reform more quickly with a lag of just one year. This will, therefore, be used to support the persistency of saving measure; as a measure of eligible savers can be gained after only one year.

The baseline report used unweighted ASHE data in a regression model to compare survival rates between the public and private sector, and by gender, over a ten-year period. In this report, the analysis introduces data from the English Longitudinal Study of Ageing (ELSA) which can be compared with ASHE when restricted to those aged 50 to SPA. In future reports ELSA will be a key data source because it contains more detailed social, economic and health information about respondents than ASHE. The ELSA data is also weighted which enables results to be more accurately generalised to the wider population of workers aged 50 to SPA (see Appendix B for further information on ELSA).

Figure 3.10 shows a strong relationship between unweighted ASHE data and weighted ELSA data when used to measure survival rates of those aged 50 to SPA. This reinforces the suitability and usefulness of ELSA in future analysis.

Figure 3.10 A comparison of survival analysis results for workers aged 50 to SPA from ASHE and ELSA (1997 to 2006)



Source: DWP analysis of ONS unweighted longitudinal ASHE, GB, 1997 to 2006 and ELSA (weighted).
Note: ELSA covers England only whereas ASHE covers the UK.

3.4 Pension participation and opt-out rates

Automatic enrolment aims to harness individuals' inertia in thinking about retirement and pension saving, while preserving individual responsibility for the decision about whether to save in a workplace pension by giving them the option to opt out. Opt-out rates are important in providing an early indication of whether automatic enrolment is effective in increasing participation.

The baseline report showed the results of previous research carried out in 2009 that indicated around 20 per cent of individuals would probably or definitely opt out of a workplace pension if enrolled, with the caveat that intended behaviour may not reflect actual behaviour. This caveat is important because individuals surveyed prior to the introduction of automatic enrolment would not have received information or communications about it, or been influenced by others who may have already been enrolled. More recently the Attitudes to Pensions Survey 2012 carried out shortly before automatic enrolment began, showed that seven in ten (70 per cent) eligible respondents thought they would 'definitely' or 'probably' stay in a pension scheme once enrolled, 15 per cent said they would 'definitely' or 'probably' opt out of the scheme, and 14 per cent said it would depend.[62]

DWP communications research carried out in July 2013 indicates that those who are not sure what they would do have typically stayed in once enrolled, whereas those intending to opt out have tended to follow through with their intentions.[63]

Opt-out and its impact on workplace pension participation will be monitored throughout the evaluation using a range of data sources including Management Information collected from employers and surveys of individuals (see Appendix B for more information).

3.4.1 Qualitative research with large employers

DWP commissioned research with 50 of the largest employers staging between October 2012 and April 2013 in order to understand the extent of opt out and its effect on workplace pension participation levels. Results were published by DWP in August 2013.[64]

Of the 1.9 million workers represented in the study, around six in ten (61 per cent) were already members of a pension scheme before automatic enrolment, and about a quarter (24 per cent) were automatically enrolled (around 460,000 workers). The remaining 15 per cent included: those not eligible for automatic enrolment; those on the payroll but not currently working; and others who could not be categorised for the research.

Across all the public and private sector employers in the study the average opt-out rate was 9 per cent.[65] Most individual employers had an opt-out rate ranging between 5 per cent and 15 per cent of the workers they had automatically enrolled. Across the 42 employers who provided detailed data, it is estimated that overall participation in a workplace pension increased from 61 per cent to 83 per cent (from around 1.2 million workers to 1.6 million workers).[66]

3.4.2 Factors influencing the level of opt out

The most important factor influencing the level of opt out was contractual enrolment.[67] Where this was already in place, many of those automatically enrolled had opted out of workplace pension saving in the past and so were twice as likely to opt out again.

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62 DWP (2012). *Attitudes to Pensions: The 2012 survey*. At: https://www.gov.uk/government/publications/attitudes-to-pensions-the-2012-survey-rr813

63 DWP (2013). *Pensions portfolio: communications tracking research – Findings from the July 2013 survey*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251435/pensions-communications-research-july-2013.pdf

64 DWP (2013). *Automatic enrolment opt out rates: findings from research with large employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-opt-out-rates-findings-from-research-with-large-employers

65 This is calculated by dividing the total number of workers opting out by the total number automatically enrolled.

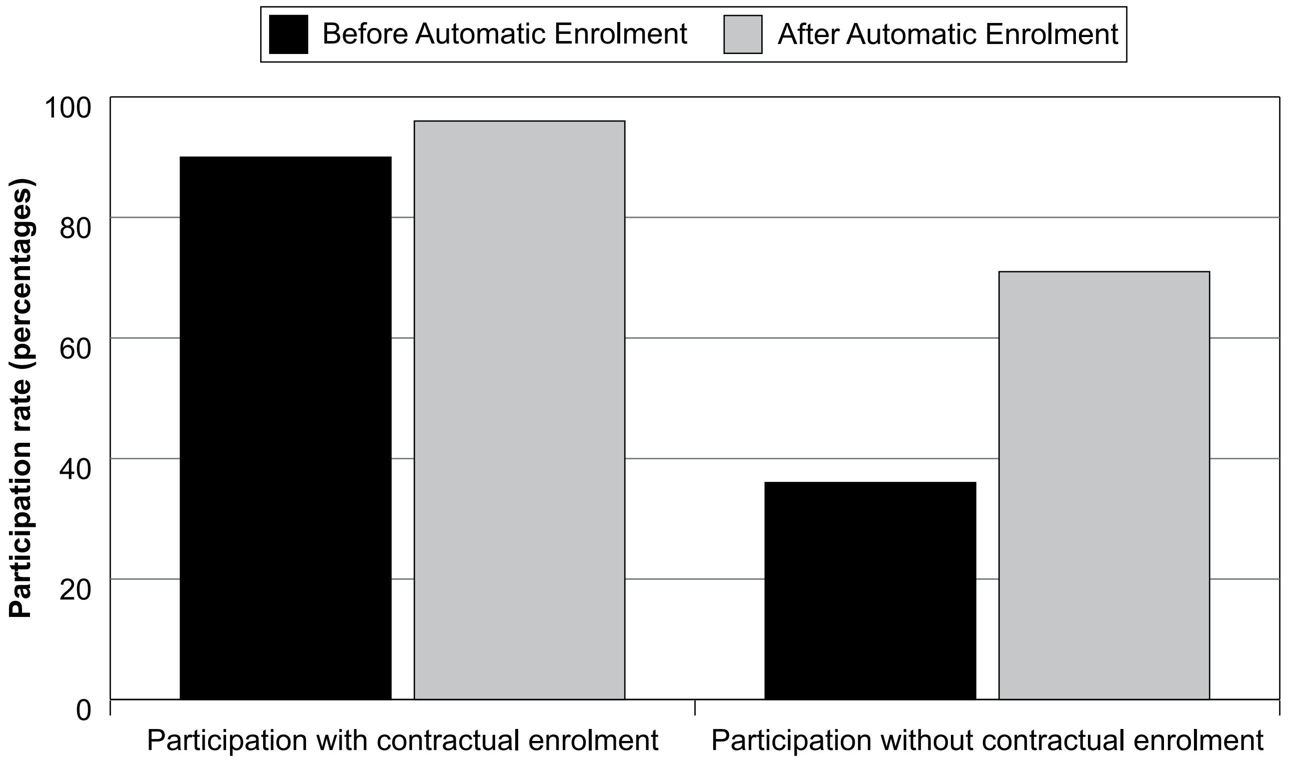
66 The remaining 17 per cent includes workers not automatically enrolled because they were not eligible, or those who were enrolled but opted out.

67 Contractual enrolment is where employers enrol workers into a workplace pension scheme via the terms of the worker's employment contract, including the authority to deduct pension contributions from the worker's salary. A worker put into a pension scheme by contractual enrolment does not have the right to opt out as defined under the Pensions Act 2008. At: http://www.thepensionsregulator.gov.uk/docs/contractual-vs-automatic-enrolment.pdf

In 23 of the 42 employers providing detailed data, contractual enrolment had already been in place; this was typically in the public sector or the largest private sector organisations such as banks. Here, because participation rates were already 90 per cent on average, only 7 per cent of workers were automatically enrolled. The average opt-out rate among this small group was 16 per cent, with large variation across these employers. Despite the higher level of opt out, it is estimated that overall participation increased from 90 per cent to 96 per cent.

In the 19 employers where a workplace pension scheme was in place but workers had previously been required to actively join, 38 per cent were automatically enrolled and existing participation levels were relatively low at 36 per cent. For these employers the average opt-out rate was 8 per cent. It is estimated that pension participation in these employers increased, as a result, from 36 per cent to 71 per cent. Figure 3.11 illustrates the change in participation levels for employers with and without contractual enrolment.

Figure 3.11 Participation levels with and without contractual enrolment



Source: *Automatic Enrolment – Qualitative research with large employers* (DWP, 2013).
Notes:
Based on management information collected from 42 large employers between October 2012 and April 2013.
Employers in the sample represent around 1.9 million workers of whom 460,000 were automatically enrolled for the first time.

3.4.3 Ceasing active membership

Limited data was collected from a small number of employers about the proportion of workers choosing to cease active membership of the pension scheme after the opt-out period had closed. This mostly happened in the second or third month after being enrolled. Typically, the proportion of workers choosing to cease active membership after the opt-out period closed was around one-fifth of the original opt-out rate. For example, where opt-out was eight per cent, this increased to around ten per cent by the end of the third month.

3.4.4 Characteristics of workers opting out

Opt-out rates were higher among those aged 50 and over than for other age groups. From the six employers that were able to provide data by age group this indicated that opt-out rates were highest among the 50 and over age group, who were between 1.25 times and twice as likely as other age groups to opt out. In one typical example, the under 30s opt-out rate was eight per cent, compared with nine per cent of 30 to 49 year olds and 15 per cent of those aged 50 and over.

The opt-out rate also appeared to be slightly higher in a small number of employers where employee contributions were introduced above the minimum of one per cent.[68] Other factors such as gender, salary, full-time or part-time status and level of employer contributions did not appear to have an impact on opt-out.

3.4.5 Reasons for opting out

As part of the research, both employers and a small number of workers were asked about the reasons for opting out.[69] The main reason given was financial constraints, particularly the affordability of contributing to a pension set against other priorities. Interestingly, some of those who had opted out did not rule out saving in the future when it might be more affordable.

Other reasons revolved around life stage and career plans, for example proximity to expected retirement and plans to change job in the near future. For older workers, some felt that retirement was too close to consider a long-term saving plan or they already had sufficient provision in place. For younger workers, retirement felt too remote to consider and that they could not yet afford it.

Lack of trust and understanding in pensions or preference for other forms of saving were also mentioned and one employer mentioned workers opting out on religious grounds.

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68 Until September 2017, the minimum employer contribution is set at one per cent of the salary of each worker as part of a total minimum contribution of two per cent. From October 2017 employers will be required to contribute a minimum of two per cent as part of a total minimum contribution of five per cent. The minimum employer contribution will rise to three per cent in October 2018, and will be supplemented by the jobholder’s own contribution and one per cent in tax relief. Overall contributions will then total at least eight per cent.

69 DWP (2013). *Automatic enrolment: Qualitative research with large employers.* At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851
DWP will also publish further findings from research with workers who have opted out in early 2014.

Other DWP communications research carried out with individuals who have opted out or intend to opt out found that just over a third (34 per cent) said they preferred their current pension or would prefer to arrange a pension themselves and 29 per cent said they could not afford to pay into a pension. Just under a fifth (18 per cent) said they did not trust the Government or pension providers to deliver it.[70]

3.5 Understanding the benefits of saving

To assist the delivery of the reforms the DWP has been running advertising campaigns to raise awareness and understanding of automatic enrolment among individuals.

In September 2012 the ‘I’m in’ campaign was launched and has run in three bursts so far, from September to November 2012, January to March 2013 and most recently May to July 2013. These follow an earlier campaign which ran from January to March 2012. The current campaign has run across multiple channels, including television and video on-demand, radio, press and online advertising. In addition, the latest burst featured out-of-home advertising for the first time, including outdoor advertisements at bus stops, train and tram stations, and on the sides of buses.

As well as direct advertising, DWP has also run advertising partnerships with various organisations. These partnership activities have targeted particular segments of the population that are typically less likely to have workplace pensions. The DWP is monitoring the impact of these campaigns, including individuals’ attitudes and behaviours regarding workplace pensions, via a regular tracking survey. The most recent survey carried out in June and July 2013 showed that overall campaign recognition remained high at 82 per cent. Awareness was linked both to advertisement recognition and to staging dates. Advertisement recognisers were substantially more aware of the changes than non-recognisers (76 per cent compared with 33 per cent). Those closer to being enrolled were also typically more aware than those further away from their scheduled staging date.[71]

Campaign recognition also had an effect on stated intentions about likelihood to stay in a pension once enrolled. Half of potentially eligible recognisers (51 per cent) were more likely to say they would stay in once enrolled, compared with 41 per cent of non-recognisers.

3.5.1 Attitudes to automatic enrolment

Results from the survey show that feeling towards automatic enrolment remains positive, with nearly three-quarters (73 per cent) saying it was a good thing. Just under two in ten (18 per cent) were neutral about automatic enrolment, while just seven per cent were negative about it.

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70 DWP (2013). *Pensions portfolio: communications tracking research – Findings from the July 2013 survey*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251435/pensions-communications-research-july-2013.pdf

71 Based on a face-to-face in-home omnibus survey of British adults aged 18 and over. Fieldwork took place from 28 June to 11 July 2013. A sub-sample of 2,301 adults of working age (men aged 22-64 and women aged 22-59) was used and data were weighted to represent the national population profile. The survey contained various questions used to map respondents to an existing DWP segmentation based on their attitudes to saving and retirement.

3.5.2 Recognising benefits of saving in a workplace pension

When people were asked unprompted what they thought the benefits of workplace pensions were, the highest single mention was the employer contribution (29 per cent). A variety of other benefits were also mentioned, particularly around helping people to save more or helping them to shape their retirement.

Those who were aware of automatic enrolment and those who thought that the employer contribution was a benefit of workplace pensions were more likely to intend to stay in a pension or have stayed in once enrolled (67 per cent in each case compared with 60 per cent overall).

However, not all were convinced that saving into a workplace pension would increase the amount of money they had at retirement. While half (50 per cent) agreed it would increase, two-fifths (40 per cent) were neutral on this, and a further eight per cent disagreed.

3.5.3 The social norms of workplace pension saving

The research also suggested that there was a link between stated or intended behaviour and perceptions of what others ‘like me’ do. Four in ten (41 per cent) thought that saving into a workplace pension was ‘the normal thing to do’ for those in employment. Just over a third (36 per cent) thought people like them or most others in their workplace (34 per cent) saved into a workplace pension. However, only 15 per cent believed that most people did this.

3.6 Provision of information

DWP research shows information has a key role to play in influencing whether individuals accept or reject automatic enrolment. Those who want information need to be able to find clear explanations of what is happening to them and why, using language they can understand.

The DWP is working with its delivery partners, MAS and TPAS, to provide accessible and effective information for individuals while the regulator is responsible for providing guidance for employers. The information is provided online, in keeping with the Government’s digital-by-default approach, with telephony support also available. In the DWP’s case, all digital content is hosted on the GOV.UK site in line with Government communications strategy. The evaluation will monitor the volume and type of enquiries received from individuals by the DWP, MAS and TPAS.

3.6.1 Communications by employers to workers

Research with large employers[72] starting automatic enrolment between October 2012 and April 2013 found that most were satisfied that their communications had been successful in informing workers about automatic enrolment without confusing them by providing too much detail. In terms of quantifiable outcomes of campaigns, volumes of queries in response to the information provided were much lower than employers expected. Some employers also attributed lower than expected opt-out levels to their communication campaigns and to the Government’s campaign.

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72 DWP (2013). *Automatic Enrolment: Qualitative research with large employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

Some employers found complying with all the communication requirements of automatic enrolment to be a significant challenge in terms of resources and cost. A particular challenge mentioned was the complexity around timing and content of messages to diverse groups of workers across a workforce.

DWP developed letter templates and supporting materials to help minimise the administrative burden on employers in having to give statutory information to their workers. They have been designed to address the questions that are frequently asked by people being told about pensions and automatic enrolment for the first time and are available on the regulator's website.

3.6.2 Enquiries from individuals about automatic enrolment

Individuals seeking information from DWP, MAS and TPAS were most likely to access this online. In the six months between April and September 2013, Government websites providing information about automatic enrolment (excluding the regulator) had received more than 680,000 total page views, the vast majority of which were to the landing page on GOV.UK.[73]

Just over 1,100 telephone enquiries were received from individuals across the DWP, TPAS and MAS within this period, more than half of which were received by TPAS. TPAS's role in the delivery partnership is to handle any complex pension enquiries, which may explain the high proportion of calls they have received. In addition to telephone enquiries a small number of written enquiries were also received.[74]

The relatively small volume of Government information service users to date is perhaps a further indication that individuals generally did not feel the need to seek any further information beyond the communications they received from their employers at enrolment.

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73 This figure is not representative of the number of unique users to the websites, as each user is likely to have viewed several pages across the GOV.UK, MAS and TPAS websites.

74 Source: Data supplied to DWP by its partners for the period between April and the end of September 2013.

4 Increasing the amount of savings

Summary

- Once fully implemented, automatic enrolment aims to increase the amount that is being saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion. In 2012, before the introduction of automatic enrolment, the total amount saved was £72.9 billion, of which £37.1 billion was saved in private sector workplace pensions and £35.8 billion was saved in public sector workplace pensions.
- Across both sectors, contributions by employees accounted for just over a quarter (27 per cent) of saving while employer contributions accounted for just under two-thirds (65 per cent).
- Employers may choose to reduce contributions or outcomes for existing pension scheme members, known as 'levelling down'. In each year from 2010 to 2012, around six per cent of eligible savers experienced some form of levelling down.
- Private pension wealth is the largest component of household wealth. Analysis of the 2008/10 Wealth and Assets Survey shows that private pension wealth (excluding state pensions) accounts for around 60 per cent of the total stock of net wealth of eligible employees. Net property wealth (including main and other properties) accounts for around 30 per cent, while net financial wealth accounts for about ten per cent of the total.
- The median total net wealth of all eligible employees in 2008/10 was £101,000. Looking at the three components, net property wealth for all eligible employees had the highest median value of £40,500. Median private pension wealth was lower at £34,200, with median net financial wealth considerably lower at £2,200. Up to 25 per cent of eligible employees had no private pension wealth at all.
- Looking at private pension wealth, half of eligible employees had Defined Benefit (DB) pension wealth and 40 per cent had Defined Contribution (DC) pension wealth. Mean DB pension wealth was £107,700, much higher than the equivalent for DC pensions which is £14,600.

4.1 Introduction

This chapter updates the baseline indicators designed to monitor trends in workplace pension saving. As in Chapter 3, it is important to note that the latest available results will not yet reflect the impact of automatic enrolment because the surveys were carried out before automatic enrolment began. However, as more individuals are enrolled during the staging period the information sources in this chapter will provide evidence of any shift in workplace pension saving brought about by the reforms.[75]

[75] Once fully phased in by October 2018 the minimum contribution into a workplace pension will be eight per cent, of which at least three per cent will come from the employer, one per cent will be provided by the Government in the form of tax relief and the remainder will be supplemented by the jobholder's own contribution. The reforms aim to increase the amount being saved into workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion. This consists of £5 billion in employee contributions, £4 billion in employer contributions and £2 billion in Government contribution in the form of tax relief.

4.2 Trends in pension saving

The baseline report used the ONS Annual Survey of Hours and Earnings (ASHE) to show trends in the amount being saved in workplace pensions by eligible jobholders by sector. It should be noted that previous years' data have been adjusted to account for revisions to the earnings thresholds and SPA for women. See Appendix B for further information about ASHE.

Table 4.1 updates the baseline report with 2012 ASHE data. There has been little change in the annual amount saved since 2011 with the total amount saved across both sectors standing at £72.9 billion in 2012. This is split roughly half and half between the public and private sector. While the amount saved in the private sector has fallen over the period shown, from £40.6 billion in 2007 to £37.1 billion in 2012, the trend has been stable since 2010.

Across both sectors contributions by employees accounted for just over a quarter (27 per cent) of saving with employer contributions accounting for just under two-thirds (65 per cent). The remaining eight per cent consisted of tax relief.

Table 4.1 Total pension saving of eligible savers into workplace pensions per year, by employer and employee contributions and sector

£

Year	2007	2008	2009	2010	2011	2012
Public sector						
Total saved (£ billions)	**32.9**	**34.3**	**35.2**	**37.6**	**35.2**	**35.8**
Employee contributions	8.4	9.0	8.8	9.6	9.0	9.8
Employer contributions	22.1	22.8	24.0	25.4	23.6	23.0
Tax relief	2.4	2.5	2.4	2.7	2.7	3.0
Per eligible saver (£s)	*6,710*	*6,979*	*6,911*	*7,084*	*7,009*	*7,327*
Private sector						
Total saved (£ billions)	**40.6**	**40.9**	**38.0**	**37.3**	**37.0**	**37.1**
Employee contributions	10.1	10.6	10.1	9.9	9.6	9.8
Employer contributions	27.2	26.9	24.9	24.3	24.2	24.1
Tax relief	3.2	3.4	3.0	3.1	3.2	3.2
Per eligible saver (£s)	*5,715*	*5,955*	*5,977*	*6,189*	*6,210*	*6,204*
All employees						
Total saved (£ billions)	**73.5**	**75.1**	**73.3**	**75.0**	**72.2**	**72.9**
Employee contributions	18.5	19.6	18.9	19.6	18.6	19.6
Employer contributions	49.3	49.7	48.9	49.6	47.7	47.1
Tax relief	5.6	5.8	5.6	5.8	5.8	6.2
Per eligible saver (£s)	*6,121*	*6,373*	*6,401*	*6,608*	*6,576*	*6,709*

Source: DWP estimates derived from the ONS ASHE, GB, 2007 to 2012.

Notes: Figures for years prior to 2012 have been adjusted for the following:

1. Changing of the earnings thresholds.
2. Use of different uprating methodology for previous thresholds.
3. Uses of new flag to identify new SPA for women.

4.3 Employer contributions and levelling down

In order to manage the costs of automatic enrolment, employers may choose to reduce contributions or outcomes for existing pension scheme members. This is known as 'levelling down' (see Box 4.1). The evaluation aims to monitor the extent to which this happens as result of automatic enrolment, however, it is important to note that levelling down has been taking place before the introduction of automatic enrolment.

4.3.1 Employer responses to the costs of automatic enrolment

In the baseline report employer research from 2011 was used to indicate how employers might respond to the challenge of meeting the costs of automatic enrolment.[76]

Since the introduction of automatic enrolment in October 2012, the Department for Work and Pensions (DWP) has conducted qualitative research with large employers that has provided the first evidence of employers' actual response to these costs. According to this study, the majority of large employers set their contributions at the minimum level required for automatically enrolled workers (i.e. initially one per cent employee contribution matched by one per cent employer contribution).[77] The main reason for this was to minimise costs. In some cases, employers offered to match higher contribution levels subject to the employee also contributing a higher amount themselves.

It was very rare for employers to reduce contribution levels in existing schemes for new members, though in some instances existing schemes were offered to non-members for a limited period, after which they would be enrolled into a different scheme with lower contributions. Where this occurred, workers were written to several times in advance to give them the opportunity to join the more generous existing scheme.

4.3.2 Levelling down strategies

Box 4.1 shows the nine different levelling down strategies that will be monitored throughout the evaluation.[78] In analysing the data, eligible employees who are existing members of a workplace pension can be placed in one of six 'destinations' as described in Box 4.2.

76 DWP (2012). *Employers' Pension Provision Survey 2011*. At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2011rr802

77 DWP (2013). *Automatic Enrolment: Qualitative research with large employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

78 The ONS ASHE will be used to measure strategies 'a' to 'e', ONS OPSS will be used to measure strategies 'f' and 'g' and the DWP Employers' Pension Provision survey will be used to measure 'h' and 'i'.

Box 4.1 Strategies employers could use to level down contributions

a) Lower employer contributions for a qualifying scheme for existing members as well as new members.

b) Change definition of pensionable pay to adjust the amount of contribution paid.

c) Lower employer contributions by paying contributions as a lump sum, rather than as a proportion of earnings.

d) Increase employee contributions to offset reduction in employer contributions.

e) Freeze the level of pensionable pay for employees.

f) DB schemes could be changed from final salary to career average or hybrid schemes, or to a DC scheme.

g) Accrual rates of DB schemes could be lowered.

h) Operate a different scheme for new scheme joiners with lower employer contributions.

i) Operate a different scheme to certain employees with different contribution rates. For example, higher contributions restricted to management grades.

Box 4.2 Employee destinations for ASHE analysis of levelling down

No levelling down: These employees show no evidence of levelling down of employer contributions.

Levelling down: These employees show evidence that levelling down has taken place.

Evidence indeterminate: There is not enough evidence available to make a judgement about whether levelling down has occurred or not.

Pension saving stopped: Employees in this group must be saving in a workplace pension in Year 1 and must not be saving in a workplace pension in Year 2.

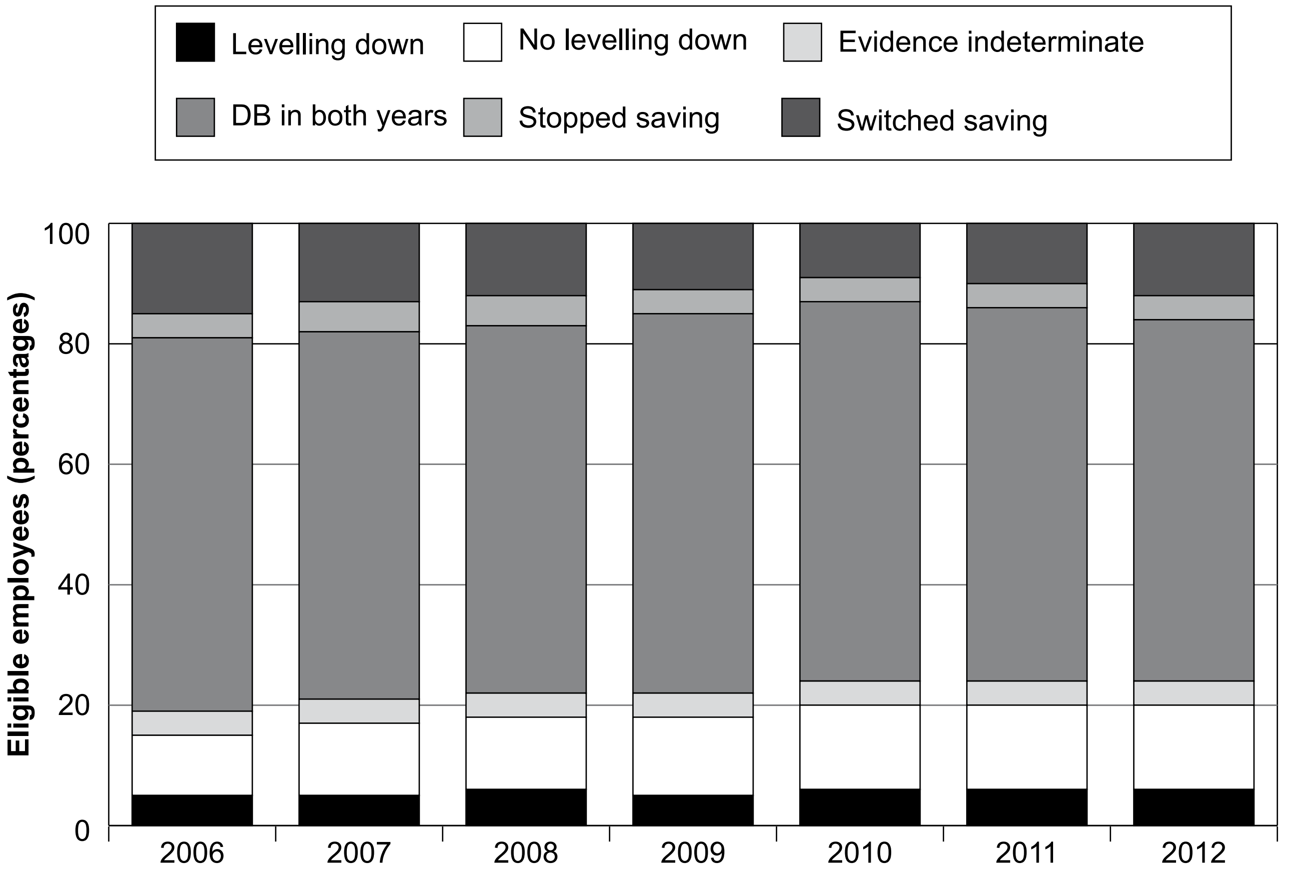
Pension type switched: Employees in this group must be saving in a workplace pension in Year 1 and saving in a different type of workplace pension in Year 2.

DB schemes in both years. This includes public sector DB schemes.

4.3.3 Levelling down for all eligible savers

Figure 4.1 shows a consistent level of levelling down over the period 2006 to 2012; this level has been unchanged at six per cent since 2010. The main change since the baseline has been a small drop in the proportion of eligible savers with DB schemes in both years from 62 per cent in 2011 to 60 per cent in 2012. This is observed as an increase in the proportion of those who have switched saving from ten per cent to 12 per cent in the same period.

Figure 4.1 Levelling down eligible savers employer contributions to a workplace pension

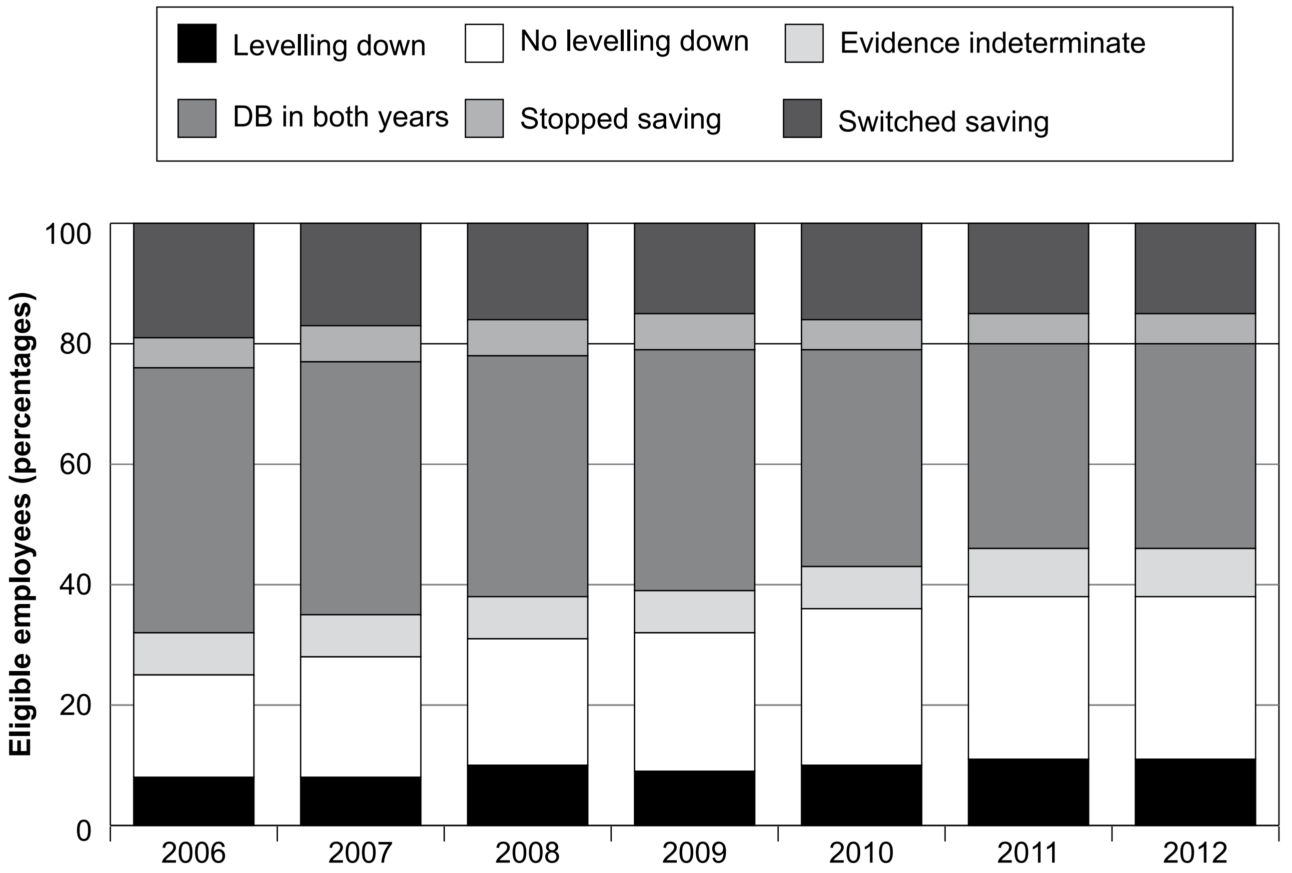


Source: DWP analysis of ONS unweighted longitudinal ASHE, GB, 2006-12.
Note: Each year shown represents the difference between that year and the previous year. For example, 2012 shows the differences between 2011 and 2012.

4.3.4 Levelling down by sector

Analysis of levelling down in the private sector in Figure 4.2 shows similarly little change between 2011 and 2012. However, there has been a marginal increase in levelling down from 11 per cent to 12 per cent. The decline in the proportion of eligible savers in DB schemes in both years has stabilised at 34 per cent in 2011 and 2012.

Figure 4.2 Levelling down eligible savers employer contributions in the private sector

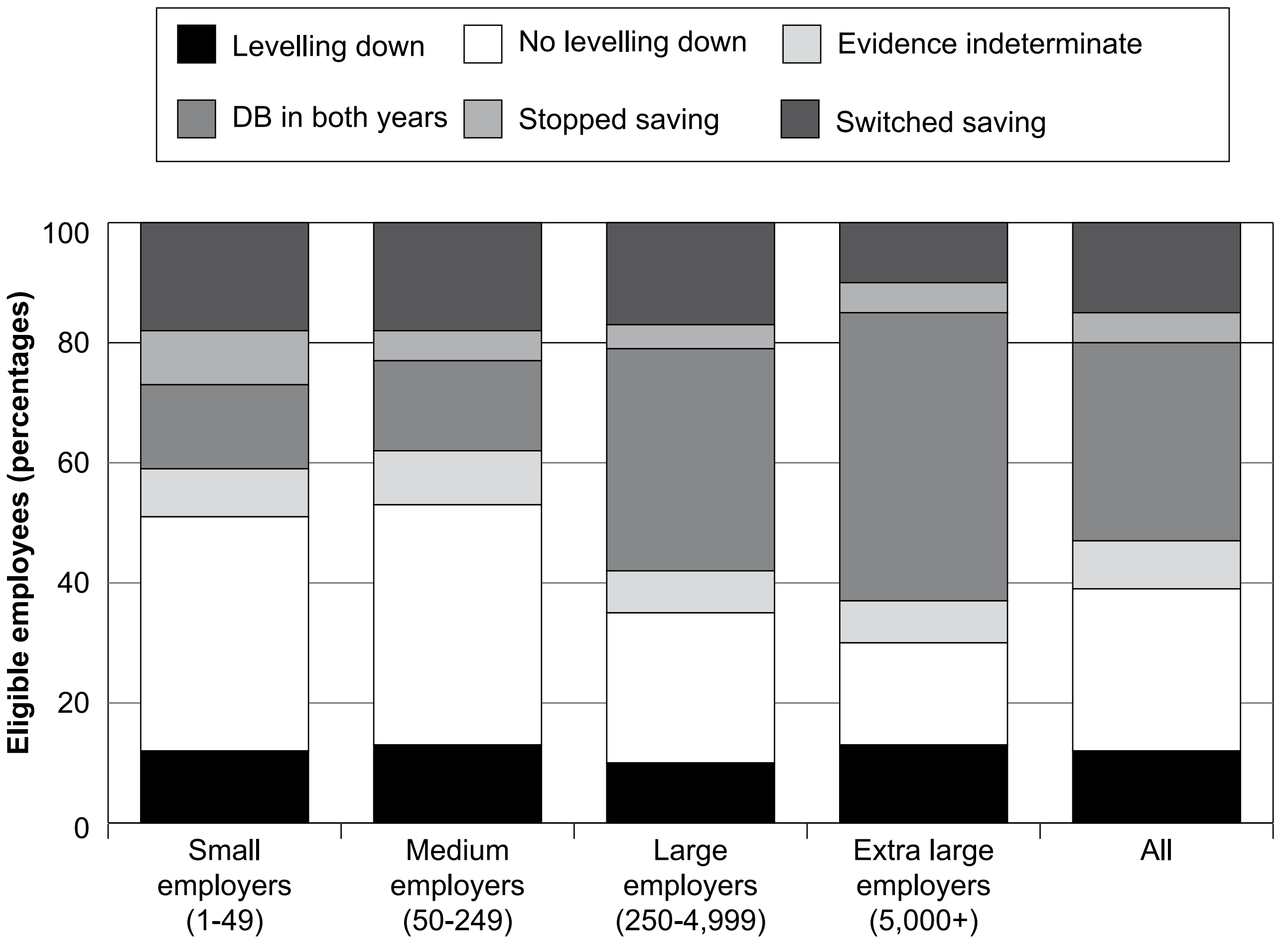


Source: DWP analysis of ONS unweighted longitudinal ASHE, GB, 2006-12.
Note: Each year shown represents the difference between that year and the previous year. For example, 2012 shows the differences between 2011 and 2012.

4.3.5 Levelling down by employer size

Figure 4.3 shows levelling down is broadly consistent across all employer sizes between 2011 and 2012, ranging from ten per cent in large employers to 13 per cent in the extra large employers. Overall, the average level of levelling down is 12 per cent across all employer sizes. The key difference by employer size is observed in the proportion of those in DB schemes in both years. This is much higher in large employers (37 per cent for large and 48 per cent for extra large) than in small and medium employers (14 per cent and 15 per cent respectively).

Figure 4.3 Levelling down eligible savers employer contributions in the private sector, by employer size



Source: DWP analysis of ONS unweighted longitudinal ASHE, GB, 2011-12.

4.3.6 Levelling down by industry

As in the baseline report, the industry sector with the highest prevalence of levelling down by industry between 2011 and 2012 is in distribution, retail and hotels with 17 per cent, closely followed by banking, finance and insurance with 16 per cent. The lowest prevalence is in public administration, education and health with three per cent; this sector also has the highest prevalence of DB schemes in both years (65 per cent).

4.3.7 Retirement benefits of DB schemes

Table 4.2 shows the different options for calculating retirement benefits of DB schemes. In the private sector a final salary scheme could potentially be levelled down to a career average, hybrid or DC scheme. The sharpest decline has been in Best year's earnings which has fallen by half since 2011 to 0.4 million members.

Table 4.2 Number of active members of private sector DB schemes, by pensionable earnings used for calculating benefits

					Millions
	2008	**2009**	**2010**	**2011**	**2012**
Earnings in period or point in time up to 12 months before retirement	0.7	0.7	0.6	0.5	0.6
Best year's earnings in last X years	0.9	0.8	0.7	0.8	0.4
Average year's earnings in last X years	0.4	0.3	0.3	0.2	0.2
Average of best Y years' earnings in last Z years	0.9	0.9	0.9	0.8	0.7
Average earnings over whole career revalued in line with prices[3]	0.3	0.5	0.5	0.5	0.3
Average earnings over whole career revalued in line with earnings[3]	0.0	0.0	0.0	0.0	0.0

Source: ONS Occupational Pension Schemes Survey (OPSS) Table 10, UK, 2008 to 2012.
Notes:
1. Data excludes schemes with fewer than 12 members.
2. Members may appear in more than one category.
3. The last two categories listed are career average schemes.

4.3.8 Membership by accrual rate of DB schemes

Table 4.3 shows the trend in the number of active members in private sector DB schemes by different accrual rates. While the number of members in schemes with accrual rates of 50ths or better and 60ths have not changed, there has been a sharp decline in schemes with 80ths plus 3/80ths lump sums from 0.5 million to 0.1 million, and between 60ths and 80ths from 0.3 million to 0.1 million.

Table 4.3 Number of active members of private sector DB occupational pension schemes, by accrual rate

				Millions
	2009	**2010**	**2011**	**2012**
50ths or better	0.1	0.1	0.1	0.1
Between 50ths and 60ths	0.1	0.1	..	..
60ths plus an additional lump sum	0.2	0.1	0.0	0.0
60ths	1.1	0.9	0.7	0.7
80ths plus 3/80ths lump sum	0.4	0.3	0.5	0.1
Between 60ths and 80ths	0.2	0.2	0.3	0.1
80ths	0.1	0.2	..	..
Less generous than 80ths	0.0	0.0	0.0	..

Source: ONS OPSS Table 9, UK, 2009 to 2012.
Notes:
1. .. indicates cells that have been suppressed to protect confidentiality.
2. Excludes schemes with fewer than 12 members.
3. Excludes non-response.

4.4 Household wealth

The evaluation will look at the distribution of household wealth. While it will not be possible to directly attribute changes in the distribution of household wealth to automatic enrolment due to other factors which may have large impacts on wealth, for example housing wealth, monitoring the distribution of wealth will enable us to better understand the context in which automatic enrolment is being introduced.

The baseline report used the first wave (2006/08) of the ONS longitudinal Wealth and Assets Survey (WAS) to show the distribution of the total stock of household wealth for all eligible employees. The following analysis updates the baseline with information from the second wave of the survey carried out in 2008/10.[79] While this wave was carried out before the introduction of automatic enrolment, over time WAS will be a key source of information for monitoring trends in private pension saving and the distribution of wealth.

4.4.1 Net wealth

Total net wealth from the WAS, as defined for this report, is economic wealth, that is the value of accumulated assets minus the value of accumulated liabilities. Total net wealth is defined as the sum of three components, namely property wealth (net), financial wealth (net) and private pension wealth. While net wealth is a ‘stock’ concept it can produce flows of incomes, either now or in the future, as is the case of private pension wealth. Private pension wealth in WAS refers to all workplace pension saving (including workplace pension saving in both public and private sectors) in addition to non-workplace private pension saving. It excludes accrued rights to state pensions and pensions in payment.

In 2008/10 the total stock of wealth for all eligible employees was around £3.8 trillion. Pension wealth is the largest contributor and accounts for £2.3 trillion, around 60 per cent of the total. Net property wealth (including main and other properties) accounts for £1.1 trillion, around 30 per cent, while net financial wealth accounts for £0.4 trillion, around ten per cent of the total.

Table 4.4 shows that the median total net wealth of all eligible employees was £101,000. The 25th and 75th percentile values show considerable spread in net wealth, ranging from £36,300 to £244,000. When looking at the three key components of wealth, net property wealth for all eligible employees has the highest median value of £40,500. Median private pension wealth was lower at £34,200 with median net financial wealth considerably lower at £2,200.

The 25th percentile value for eligible employees’ private pension wealth is zero which means that up to 25 per cent of eligible employees have no private pension wealth at all. Over time, with millions of low to median earners being automatically enrolled into a private workplace pension for the first time, this will be a key indicator of the impact of the reforms.

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[79] The baseline report showed results from the first wave of WAS carried out in 2006/08. Since publication of the baseline, Wave 1 (2006/08) WAS data was revised due to: longitudinal editing of Wave 1 (2006/08) data which was possible based on data given at Wave 2 (2008/10); and improvement of the imputation methodology as additional information gathered at Wave 2, allowed a more informed imputation to be made. Further improvements will be made to Wave 1 and 2 data based on the Wave 3 data (2010/12) and also on the improved method for estimating private pension wealth. It will then be possible to show an analysis of trends in household wealth based on all three WAS waves.

Table 4.4 Net wealth for all eligible employees[1 2]

						£
	Mean	**10th percentile**	**25th percentile (1st quartile)**	**50th percentile (Median)**	**75th percentile (3rd quartile)**	**90th percentile**
Private pension wealth[3]	122,800	0	0	34,200	131,100	338,100
Financial wealth (net)[4 5]	18,200	-6,800	-400	2,200	15,200	48,400
Property wealth (net)[5]	61,800	0	9,000	40,500	80,000	141,700
Main property wealth (net)	52,500	0	5,500	37,500	72,700	125,000
Other property wealth (net)	9,300	0	0	0	0	13,700
Total wealth (net)	202,700	3,000	36,300	101,000	244,000	492,800

Source: DWP estimates derived from the ONS WAS, GB, 2008/10.

Notes:

1. An eligible employee is one who is not already in a qualifying pension arrangement, is aged 22 or over, is under SPA, earns more than a specific threshold relevant to the survey year and works or ordinarily works in the UK.
2. These figures are for all eligible employees, including those with no savings.
3. Private pension wealth excludes accrued rights to state pensions and pensions in payment.
4. Financial wealth excludes children's assets and trusts.
5. Some financial wealth and property tend to be held jointly by members of the same household. Such wealth has, therefore, been split equally among the number of adults in the household.
6. The mean and other summary estimates are expressed to the nearest £100.

4.4.2 Private pension wealth

Table 4.5 shows almost three-quarters (75 per cent) of eligible employees had some level of private pension wealth (that is all pension wealth excluding accrued rights to state pensions and pensions in payment). Median private pension wealth for all eligible employees still accumulating in 2008/10 was £34,200.[80]

Looking in detail at private pension wealth (excluding those expected from a former spouse or partner), households can have both DB and DC types of pension wealth. In 2008/10, 50 per cent of eligible employees had occupational DB pension wealth and 40 per cent had DC pension wealth (including personal DC pensions). Mean DB pension wealth was £107,700, much higher than the equivalent for DC pensions which is £14,600. Likewise, the mean current DB pension wealth was £83,700 for eligible employees and was much higher than that for current DC pensions of £5,100. The difference between DB and DC pension wealth occurs because DB pensions have been around for longer than their DC equivalents.

80 Increases in private pension wealth since the baseline report (from WAS Wave 1 2006/08) are due to the improvements in survey methodology in Wave 2 (2008/10) noted above. This is mainly driven by the increase in DB wealth as a result of a change to the financial assumptions underpinning calculations for DB wealth. See Chapter 5: Annex on Pension Wealth Methodology, 2008/10, at: http://www.ons.gov.uk/ons/dcp171776_272041.pdf

Table 4.5 Private pension wealth for all eligible employees[1 2 3]

£

	%	Mean[6]	10th percentile	25th percentile (1st quartile)	50th percentile (Median)	75th percentile (3rd quartile)	90th percentile
DB pension wealth, of which:	50	107,700	0	0	0	111,100	317,900
Current occupational DB pensions	42	83,700	0	0	0	83,300	264,800
Retained rights in DB pensions	14	24,000	0	0	0	0	23,500
DC pension wealth, of which[4]:	40	14,600	0	0	0	9,200	39,000
Current occupational DC pensions	18	5,100	0	0	0	0	9,000
Retained rights in DC pensions	13	3,800	0	0	0	0	2,700
Personal pensions	16	5,400	0	0	0	0	10,500
AVCs	2	400	0	0	0	0	0
Total private pension wealth (excluding pensions in payment)[5]	75	122,800	0	0	34,200	131,100	338,100

Source: DWP estimates derived from the ONS WAS, GB, 2008/10.

Notes:

1. An eligible employee is one who is not already in a qualifying pension arrangement, is aged 22 or over, is under SPA, earns more than a specific threshold relevant to the survey year and works or ordinarily works in the UK.
2. These figures are for all eligible employees, including those with no pension saving.
3. The pension wealth values at the lower end of the distribution are mostly zeroes.
4. DC pension wealth also includes remaining value of pension funds for drawdown; results are not shown separately due to small sample size.
5. An individual may appear in more than one category as individuals may have more than one type of pension.
6. The mean and other summary estimates are expressed to the nearest £100.

4.4.3 Financial wealth

Net financial wealth for all eligible employees has been calculated by deducting any financial liabilities from financial assets. Table 4.6 shows the mean value of net financial wealth was £18,200 and the median value of their net financial wealth was £2,200.

Table 4.6 Net financial wealth for all eligible employees[1 2]

	%	Mean[7]	10th percentile	25th percentile (1st quartile)	50th percentile (Median)	75th percentile (3rd quartile)	90th percentile
							£
Financial assets[3 4]	96	21,300	0	500	3,600	16,600	50,100
Financial laibilities[5]	50	3,100	0	0	0	3,100	9,900
Net individual financial wealth	99[6]	18,200	-6,800	-400	2,200	15,200	48,400

Source: DWP estimates derived from the ONS WAS, GB, 2008/10.
Notes:
1. An eligible employee is one who is not already in a qualifying pension arrangement, is aged 22 or over, is under SPA, earns more than a specific threshold relevant to the survey year and works or ordinarily works in the UK.
2. These net financial wealth estimates are for all eligible employees, including those with no or negative financial wealth.
3. Financial assets include current accounts (excluding overdrawn accounts), savings accounts, ISAs, National Savings certificates and bonds, shares, insurance products, fixed term bonds, Personal Equity Plans, employee shares and share options, unit/investment trusts and bonds/gilts.
4. Joint accounts were split equally among the number of adults in the household to calculate individual financial wealth.
5. Financial liabilities comprise overdrawn current accounts, non-mortgage borrowing and arrears on household bills. Non-mortgage borrowing comprises credit or store cards that are not settled in full each month, overdrafts and all forms of fixed-term loans. Arrears are defined as falling behind with household bills, mortgages or non-mortgage borrowing repayments.
6. The 99 per cent estimate of ‘net individual financial wealth ‘ refers to the 71 per cent of individuals with net assets and 28 per cent with net liabilities.
7. The mean and other summary estimates are expressed to the nearest £100.

4.4.4 Property wealth

The distinction between main residence and other property is important as individuals may not be willing or able to extract wealth from their current home (to support future retirement income) but additional properties may be indicative of second homes or buy-to-let properties. Table 4.7 shows 82 per cent of eligible employees have net property wealth, the majority of which are the main property. When disaggregating the property wealth into main and other, 79 per cent had main net property wealth and 13 per cent had other net property wealth. The median net value of property wealth, when including both main and other property, was £40,500.

Table 4.7 Net property wealth for all eligible employees[1 2 3]

							£
	%	Mean[7]	10th percentile	25th percentile (1st quartile)	50th percentile (Median)	75th percentile (3rd quartile)	90th percentile
Main net property wealth[4 5]	79	52,500	0	5,500	37,500	72,700	125,000
Other net property wealth[4 5]	13	9,300	0	0	0	0	13,700
Total net property wealth	82[6]	61,800	0	9,000	40,500	80,000	141,700

Source: DWP estimates derived from the ONS WAS, GB, 2008/10.
Notes:
1. An eligible employee is one who is not already in a qualifying pension arrangement, is aged 22 or over, is under SPA, earns more than a specific threshold relevant to the survey year and works or ordinarily works in the UK.
2. These figures are for all eligible employees, including those with no property wealth.
3. Respondents tend to over report the value of their property in the surveys. The point of reference is likely to be asking prices which they have seen advertised rather than 'sold prices', which reflect true market value.
4. Net property wealth is calculated as the sum of the values for the main residence plus any other property, minus the value of mortgage liabilities and equity release.
5. Property wealth held at household level were split equally among the number of adults in the household to calculate individual property wealth.
6. The 82 per cent with total net property wealth is smaller than the sum of proportions with main and other property wealth as some individuals own both types of property and are counted twice.
7. The mean and other summary estimates are expressed to the nearest £100.

5 Understanding the wider context

Summary

- Qualitative research with large employers who were among the first to begin automatic enrolment found the implementation costs (not including employer contributions) to be in six or seven figures. Costs varied according to a number of factors including use of external organisations to support implementation and the size and profile of the population being enrolled.
- While implementation costs were rarely unforeseen, the cost of developing payroll systems often escalated beyond employers' expectations. Other key costs identified by employers were for external legal advice and running communication campaigns.
- The key implementation challenges identified by large employers were: establishing effective data systems; categorising and assessing workers and communicating the changes to workers.
- Lessons for other employers were to: start preparing as early as possible with a focus on data cleansing; keep messages simple and not over-burden workers with information; and learn from other employers.
- In deciding on which scheme to use for automatic enrolment, most large employers considered extending their existing provision to the new population who were to be automatically enrolled. The majority stayed with their current provider and many simply used one of their existing schemes for automatic enrolment. However, some decided to switch to the new low-cost schemes or providers entering the market to supplement existing provision, especially those with large numbers of low-paid workers to enrol.
- In order to manage contribution costs, the majority of large employers set their contribution at the minimum level required. In some cases employers offered matched contributions or offered more than the minimum employer contribution, particularly those with contractual enrolment in place.
- In the wider pensions landscape, there has been a continuing, declining trend in all types of schemes prior to the introduction of automatic enrolment. There has also been a decline in the number of non-employer-sponsored pension schemes.
- The Government is consulting on measures to tackle pension charges to protect employees in workplace Defined Contribution (DC) pension schemes. Latest research shows the average Annual Management Charge (AMC) for trust-based schemes in 2013 was 0.75 per cent. For contract-based schemes the average charge was 0.84 per cent. These levels were largely unchanged from 2011.

5.1 Introduction

This chapter updates the wider context in which the outcomes of the reforms are achieved. It considers the impact on employers, the pensions industry and landscape, as well as the wider economic impacts and any potential unintended consequences of the reforms.

5.2 Impact on employers

Minimising the burden of automatic enrolment on employers will be a key factor in its success. The evaluation strategy set out the areas across which the impact on employers will be assessed:

- administrative costs;
- contribution costs;
- pension scheme choice;
- views and attitudes on the level of burden.

In order to assess the early impact on employers and to identify lessons for other employers yet to stage, the Department for Work and Pensions (DWP) commissioned qualitative research with 50 large employers whose automatic enrolment start dates occurred between October 2012 and April 2013. The research provided early detailed evidence of the impact on employers in the four areas listed above. It is important to note that these findings are based on large employers who will have different characteristics to smaller employers who have yet to start automatic enrolment. While it is not possible to generalise findings to the whole employer population, the research did identify some issues that would be relevant to all employers.

5.2.1 Administrative costs for employers

As a general rule, when asked to give an approximate figure for the total financial cost of implementing automatic enrolment (not including employer contributions), employers estimated this to be in six or seven figures. The cost varied according to a number of factors including use of external organisations to support implementation and the size and profile of the population being enrolled.

Where implementation was predominantly delivered by internal teams, the employer was less likely to have measured the financial costs and absorbed costs into existing staff time. Where employers relied more heavily on external support, for example a payroll provider, it was easier for them to quantify the costs involved. However, even these employers could only describe in very general terms the cost of implementation.

The general feeling among employers was that while costs were sometimes large, they were rarely unforeseen and so they had been able to budget accordingly. As large employers with experience of large-scale ad hoc projects they also tended to budget cautiously. The main exception to this rule was the cost of developing payroll systems, which did often escalate beyond employers' expectations.

A small number of the earliest employers to stage objected that they had borne the financial cost of developing products that could now be sold on to other employers. This objection applied particularly to payroll providers.

Nearly all employers in the research incurred costs for legal advice, which in some cases were very high, and all also incurred costs for communication campaigns. A small number reported that consultations with workers or unions were their largest cost.

5.2.2 Ongoing costs

Virtually all employers expected that the ongoing administration would require relatively little work, compared with the substantial efforts involved in planning and implementing automatic enrolment. As large employers, most felt that they had the expertise and resources to cope in the future. The main exception to this occurred in those employers with large transient workforces or large numbers of workers with fluctuating earnings, for example in retail, hospitality and employment agencies. These employers felt that the ongoing assessment and processing of these workers would still be a substantial challenge.

5.2.3 Contribution costs for employers

Contribution costs were a key factor for employers, particularly affecting employers who were automatically enrolling a large proportion of their workforce. For this reason, the majority had decided to set their contributions at the minimum level required (i.e. initially a one per cent contribution by the worker matched by one per cent by the employer). This approach was also adopted by employers with contractual enrolment who were using NEST (National Employment Savings Trust) or other low-cost providers to supplement existing provision.

In some cases, employers offered to match higher contribution levels subject to the worker also contributing a higher amount themselves. A minority of employers did offer more than the minimum employer contribution by default, especially those with contractual enrolment in place. This was more prevalent in the financial services and public sector, in line with the norms around pension saving in these sectors.

Contribution costs were also a factor in the use of postponement. For those with large numbers of workers to enrol, the cost of ongoing employer contributions was sometimes substantial enough for them to want to defer taking on that cost for as long as possible. Another common reason was to avoid enrolling workers who might not stay with that employer for long, particularly affecting employers with a high proportion of short-term or transient workers.

A minority of employers explicitly made the argument that enrolling workers at the minimum contribution would help to ease them into pension saving gradually, thereby discouraging opt-out.

5.2.4 Pension scheme choice

Nearly all employers in the research had pension provision already in place for at least some of their workers. The starting point for many of these employers was to look at their existing provision and assess the viability of extending this to the new population who were to be automatically enrolled.

For some, the decision depended on the different worker populations within their organisation: for example, some employers previously only provided a pension for a minority of office-based staff and now had to provide for a much larger manual workforce. In these cases, the employer would normally decide on a solution that would be relatively quick and inexpensive to administer. While they typically asked their existing provider for a quote, many of them also considered some of the new providers entering the market such as NEST, Now Pensions or the People’s Pension.

The majority of employers in the research stayed with their current provider, and many simply used one of their existing schemes for automatic enrolment. This was often the case where existing participation was already high due to contractual enrolment.

Several employers used automatic enrolment as an opportunity to review the suitability of their existing scheme for their workforce more broadly. This occasionally resulted in them setting up a new scheme, albeit with the same provider. Very few decided to switch to a new provider.

Those employers who were seeking to automatically enrol large volumes of low-paid workers usually considered NEST, a key consideration being its perceived ability to transfer members from one employer to another relatively easily. Some were of the view that the combination of low contributions and high turnover of large volumes of workers meant that they were not an attractive proposition to many mainstream providers and that NEST or another low-cost provider was the only realistic choice. A small number of employers used NEST as supplementary provision for specific sections of their workforce, for example, those already drawing a company pension.

Those that chose NEST offered positive feedback, saying it provided a suitable product for its automatically enrolled workers and was well set up to handle large volumes of employees.

Those rejecting NEST mostly remained with their existing provider, while one or two used other new schemes in the market. The principal criticism of NEST was its perceived inflexibility in adapting its systems and procedures to fit with those of employers.

5.2.5 Employer views and attitudes on the level of burden

The research with large employers describes in detail the challenges and issues they faced in planning for and implementing automatic enrolment. While large employers were able to anticipate and plan for the changes, many found it difficult to anticipate the full range of issues that would arise and the significant degree of administrative burden and cost that it would entail. For some, automatic enrolment was perceived less as a pensions issue and more of an administrative challenge involving complex data and payroll processing.

The vast majority of large employers in the research had started preparations for automatic enrolment at least a year in advance and in some cases up to two years. They typically approached automatic enrolment as they would for any significant and systematic change including: developing a strategy signed off at board level; setting up an internal project team tasked with translating the strategy into an implementation plan; and nominating one person to oversee implementation. For large employers this was commonly the most senior person responsible for pensions.

Commonly several departments were involved including pensions, human resources (HR), payroll, information technology (IT), marketing and communications. In addition to the guidance provided by the regulator and DWP, employers also used external advisers including employee benefits consultants (EBCs) and legal advisers.

Three of the key challenges identified were:

1 **establishing effective data systems**. Many employers’ existing data systems and processes were not equipped to cope with the requirements of automatic enrolment and so new systems and procedures needed to be developed, either in-house or with an external provider both of which were resource intensive;

2 **categorising and assessing workers**. This was particularly the case for employers with large transient workforces or workers with fluctuating earnings patterns. This often meant having to deal with numerous exceptions and anomalies.

3 **communicating changes to workers**. Addressing the various rules and exceptions for the timing and customisation of messages to individual worker categories and distributing correspondence.

5.2.6 Lessons for smaller employers

While many employers were aware that the size of their organisation inferred certain advantages and disadvantages in preparing for and implementing these reforms, they were able to identify learning of potential value to smaller employers beginning to plan for automatic enrolment and to help overcome some of the challenges outlined above. For example, some employers stated explicitly that it would be easy for any employer, of any size, to underestimate the number and variety of challenges that one would need to get involved. The key lessons can be broadly summarised as:

Box 5.1 Five key messages for employers implementing automatic enrolment

1 Begin preparations far in advance of the staging date

Every employer interviewed reported that preparations had taken longer than they originally anticipated. Some found that even when they had chosen to use postponement at the outset, they had to work longer hours than they anticipated, to stay on schedule.

2 Include employee data cleansing in preparing for automatic enrolment

Running reports to identify eligible workers can become a burden if the data required is incomplete or not up-to-date. Employers report that tackling this task early made their lives much easier in the last few weeks before staging.

3 Avoid overburdening employees with information

The pensions directors interviewed for the research generally had highly specialised pensions knowledge. Those who tested communications about automatic enrolment with colleagues often found that it was necessary to simplify their language even further than they expected. Some employers also felt that it was preferable to keep the number of communications they sent to workers to a minimum, to try and avoid burdening them with more information than they were willing to read.

4 Keep the approach simple

Many employers found that they had underestimated the number and complexity of the tasks associated with implementation. They, therefore, recommended adopting a simple approach wherever possible: for example, streamlining databases, and keeping the number of communications to employees at a minimum.

5 Take opportunities to learn from other employers

Even the employers included in this research, among the first to implement automatic enrolment, found that other employers were willing to discuss their experiences and interpretations of the regulator's guidance with them, and that they could learn from this shared knowledge. Some employers mentioned that industry conferences had been a useful resource, as well as informal contact with their counterparts at other employers.

5.3 Pensions landscape

The baseline report set out a number of key sources to monitor trends in private and occupational pension scheme provision. The following analysis updates the baseline where more recent data is available. It is important to note that many of these sources measure the landscape before the introduction of automatic enrolment. We will continue to monitor the trends in the pensions landscape throughout the implementation of automatic enrolment. However, as noted in the baseline, it may not be possible to directly attribute changes to the workplace pension reforms because it is not possible to formulate a robust industry level counterfactual (a view of the landscape in which the reforms did not happen).

5.3.1 Employer sponsored schemes

The baseline report used three sources to illustrate trends in the number of private sector occupational Defined Benefit (DB) and DC schemes and their status: the Office for National Statistics (ONS) Occupational Pension Schemes Survey (OPSS), the regulator’s Purple Book and DC Trust publications. Table 5.1 updates the baseline with data for 2012. While a direct comparison between the sources is not possible due to differences the way in which schemes are counted, all sources confirm a general decline in all types of open schemes.

Data from the first six months of automatic enrolment published by the regulator showed the range of scheme types being used for automatic enrolment by predominantly large employers.[81] The majority (79 per cent) enrolled eligible workers into existing DB pension schemes. This represented around a third (33 per cent) of those enrolled. While only 16 per cent of employers used DC schemes, this accounted for over half (51 per cent) of enrolled workers. The regulator will continue to monitor pension scheme types used for automatic enrolment.

81 The Pensions Regulator (2013). *Automatic enrolment: Commentary and Analysis*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2013.pdf

Table 5.1 Number of private sector occupational DB and DC schemes, by status, 2007 to 2012

Number

					OPSS						DC Trust
Year	**Open DB**	**Closed DB**	**Frozen DB**	**Winding up DB**	**Open DC**	**Closed DC**	**Frozen DC**	**Winding up DC**	**Total**	**Purple Book DB**	**DC**
2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	57,010	7,500	n/a
2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	54,110	7,300	n/a
2009	2,180	4,690	1,740	1,690	22,500	11,630	2,260	1,420	48,110	7,200	48,820
2010	1,480	4,000	3,320	770	19,900	8,850	5,040	480	43,850	7,000	44,420
2011	2,930	2,830	2,820	960	19,480	9,520	4,080	1,080	43,690	6,920	41,890
2012	2,690	3,320	3,600	1,150	19,640	8,070	4,660	600	43,730	6,760	38,690

Sources: Occupational Pension Schemes Survey (OPSS), the regulator/
Pension Protection Fund (PPF) Purple Book and information from the regulator's DC Trust publication.

Notes:

1. OPSS data as at 6 April 2012.
2. The regulator/PPF data as at 1 January 2012, excludes hybrid schemes.
3. Since the baseline report, DC Trust figures are calculated on different time periods. The table has been updated to reflect this but comparative figures for 2007 and 2008 are not available.
4. Figures for scheme numbers based on OPSS have always been weaker than other OPSS estimates as the survey is designed primarily to measure membership numbers. A review in 2011 improved the methodology for weighting estimates of scheme numbers, but the problem of sampling variability was not solved by the new methodology – the sample size remains smaller than that required to produce reliable estimates for scheme numbers.
5. OPSS figures only count DB and DC schemes with one section and will, therefore, not be representative of counts of all benefit types. Therefore caution should be exercised in comparing counts with other sources shown.
6. Totals may not sum to the nearest 10 due to rounding.

5.3.2 Non-employer sponsored schemes

In addition, or as an alternative, to workplace pension saving, individuals may also be members of non-employer sponsored schemes in the form of personal or stakeholder pensions. Table 5.2 shows the trend in the number of active non-employer-sponsored pension schemes and average contributions made into those schemes, including any employer contributions. As with employer-sponsored schemes the number of non-employer schemes has declined steadily over time, however, average contribution levels are similar to those seen in 2007/08.

Table 5.2 Number of non-employer sponsored pension schemes being contributed into and the average contribution, 2007/08 to 2011/12

	Personal pension		Stakeholder pension		All	
	Number (000s)	Average contribution (£s)	Number (000s)	Average contribution (£s)	Number (000s)	Average contribution (£s)
2007/08	5,940	£1,758	870	£2,241	6,810	£1,819
2008/09	5,590	£1,678	890	£1,933	6,480	£1,713
2009/10	5,310	£1,565	850	£1,953	6,160	£1,619
2010/11	4,870	£1,542	740	£2,162	5,610	£1,624
2011/12	4,680	£1,812	730	£2,233	5,420	£1,869

Source: HMRC Tables PEN2.1 and 2.2.[82]

Notes:

1. Includes employer and individual contributions, tax relief paid to pension schemes and minimum contributions received by members who have contracted out of the state second pension.
2. Number of members for contracted-out plans may include members with zero earnings who will not receive minimum contributions.
3. Average contributions are derived by DWP and calculated by dividing total amount of contributions by number of members.
4. Numbers may not sum due to rounding.

5.3.3 Principles for good quality employer-sponsored workplace DC schemes

The baseline report set out the regulator's principles for ensuring the provision of good employer-sponsored workplace DC schemes. During 2012 and 2013 the regulator has continued to develop and deliver its strategy for raising standards in DC schemes and improving outcomes for members. This is particularly important to support the success of the automatic enrolment programme as many employers will use DC schemes to meet their new duties. The regulator supports trustees, providers, advisers and employers in the management, provision and selection of quality schemes.

[82] HMRC PEN2 tables at: http://www.hmrc.gov.uk/statistics/pension-stats.htm

In order to deliver good member outcomes the regulator expects workplace DC schemes to adopt six principles in their design, set up and ongoing operation. These are set out in Box 5.2.

Box 5.2 Six principles for DC schemes

1 Essential characteristics: Schemes are designed to be durable, fair and deliver good outcomes for members.

2 Establishing governance: A comprehensive scheme governance framework is established at set-up, with clear accountabilities and responsibilities agreed and made transparent.

3 People: Those who are accountable for scheme decisions and activity understand their duties and are fit and proper to carry them out.

4 Ongoing governance and monitoring: Schemes benefit from effective governance and monitoring through their full lifecycle.

5 Administration: Schemes are well administered with timely, accurate and comprehensive processes and records.

6 Communication to members: Communication to members is designed and delivered to ensure members are able to make informed decisions about their retirement savings.

Tracking awareness and understanding of the six DC principles is a corporate key performance indicator (KPI) for the regulator. Baseline measures were established in 2012/13 for four key audiences associated with DC schemes. The targets relate to the regulator's interventions to improve engagement with the six principles. The four audiences are:

- large employers – 2012/13 result: 39 per cent aware of the six DC principles; 2013/14 target: 60 per cent;
- large trust-based schemes – 2012/13 result: 90 per cent aware of the principles; 2013/14 target: 95 per cent;
- large employee benefit consultants – 2012/13: result 92 per cent understand the principles; 2013/14 target: 100 per cent; and
- scheme providers – 2012/13 result: 100 per cent understand the principles and 78 per cent have incorporated the principles in their schemes being used for automatic enrolment; 2013/14 target: 100 per cent for both measures.

The regulator aims to improve awareness and understanding through educational activity. Examples include the recently published strategy for regulating DC schemes and the draft DC code of practice. It will also be publishing DC regulatory guidance and its DC compliance and enforcement policy in 2013.[83]

The six principles outlined in Box 5.2 are underpinned by 31 detailed quality features. The regulator expects to see these quality features present in all DC schemes. Schemes will want to demonstrate that they are able to meet all the quality features. Research will be

83 The Pensions Regulator. *Strategy for regulating defined contribution pension schemes*. At: http://www.thepensionsregulator.gov.uk/docs/dc-strategy-2013.pdf and *Draft code of practice number 13: Governance and administration of occupational defined contribution trust-based pension schemes*. At: http://www.thepensionsregulator.gov.uk/docs/draft-code-13-governance-administration-dc.pdf

conducted by the regulator early in 2014 to measure the presence of scheme features in relation to the code of practice and regulatory guidance for DC schemes and track progression towards the 2018 target.

The regulator has continued to liaise with the DWP, HM Treasury, the Financial Conduct Authority and Prudential Regulation Authority to improve the quality of DC schemes. In 2012 and 2013, this included contributing to the cross-Government open market option review group aimed at helping scheme members to achieve a good outcome at retirement.

The regulator also contributed to the OFT's (Office of Fair Trading) DC workplace pensions market study published in September 2013 (see Section 5.4). The report examines transparency of charges, the role of small and medium employers and market dynamics.[84]

5.3.4 Defined Ambition pension schemes

In addition to the regulator's activity to ensure good quality DC schemes, the Government published *Reinvigorating workplace pensions* in November 2012 to explore the options for new types of Defined Ambition (DA) pension schemes which share risk between employers and workers.[85] DA pensions would seek to give greater certainty for members than a DC pension, about the final value of their pension pot and less cost volatility for employers than a DB pension.

In November 2013 the Government published a consultation, *Reshaping workplace pensions for future generations*, containing proposals that in the future, the regulation of workplace pension schemes should make sure that the sponsoring employer or scheme provider deliver any promise or guarantee.[86]

5.4 Charge structures

The evaluation will aim to understand the impact of automatic enrolment on pension scheme charge structures and levels. The majority of people being automatically enrolled are likely to join a default DC pension scheme. It is, therefore, important to ensure that these schemes deliver the best possible value for money. Also, people must be confident that as much of the money they save as possible goes towards boosting their retirement income. In November 2013 the Government published *Better workplace pensions: a consultation on charging*, seeking views on a range of measures to tackle pension charges to protect employees in workplace DC pension schemes.[87] This follows a recent report by the OFT on the DC pension market which looked at whether the market was working well for consumers.[88]

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84 OFT (2013). *Defined contribution workplace pension market study*. At: http://www.oft.gov.uk/OFTwork/markets-work/pensions/#.Ujq9l6x2uvd

85 DWP (2012). *Reinvigorating workplace pensions*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214603/reinvigorating-workplace-pensions.pdf

86 DWP (2013). *Reshaping workplace pensions for future generations*. At: https://www.gov.uk/government/consultations/reshaping-workplace-pensions-for-future-generations

87 DWP (2013). *Better workplace pensions: a consultation on charging*. At: https://www.gov.uk/government/consultations/better-workplace-pensions-a-consultation-on-charging

88 Op. cit.

5.4.1 Pension Landscape and Charges Survey results

The baseline report showed AMC levels for trust-based and contract-based schemes using the DWP's Pension Landscape and Charges Survey last carried out in 2011. The latest results are from research carried out during spring 2013.[89] Overall there has been little change in the average AMC levels recorded in the 2011 survey. Charge levels in trust-based pension schemes increased slightly from 0.71 per cent in 2011 to 0.75 in 2013. In contrast, charge levels in contract-based schemes have fallen slightly from 0.95 per cent in 2011 to 0.84 per cent in 2013.

Table 5.3 Average AMCs in trust- and contract-based schemes in 2013

Type of scheme	Average AMC (%)
Trust-based schemes	0.75
Contract-based schemes	0.84

Source: DWP Pension Landscape and Charges Survey 2013.
Notes:
1. Based on 593 interviews with trust-based schemes with 6+ members that pay an employer contribution and 717 interviews with contract-based schemes with 6+ members that pay an employer contribution.
2. Small schemes of 1-5 members were excluded due to the low incidence of contributory pensions at this time.
3. Due to changes in methods for determining the level of awareness of charges among employers in the 2013 survey, over 800 employers were able to report the level of AMC paid by members, compared to around 300 in 2011.

5.5 Wider impacts of the reforms

While it is too early to capture any wider macroeconomic impacts of the reforms on other policy areas, the baseline report listed areas which may potentially be affected by the reforms and vice versa. Future reports will aim to capture these impacts using the range of data sources listed in Appendix B in addition to other relevant information sources as they become available.

89 DWP (2013). *Charges in defined contribution pension schemes*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/258652/charges-in-defined-contribution-pension-schemes.pdf.

6 Long-term impacts of the reforms

Summary

- In the long term automatic enrolment is expected to halve the number of people retiring with no private pension at all from 27 per cent to 12 per cent in 2050.
- Automatic enrolment is predicted to reduce the number of people facing inadequate retirement incomes. It largely removes the problem of people not saving whilst in work, which is currently a common reason for people facing retirement incomes which are unlikely to be sufficient to allow them to maintain their standards of living in retirement.
- Modelling shows that without automatic enrolment the median private pension income is expected to fall from around £3,900 a year in 2020 to around £2,200 a year in 2050. However, automatic enrolment reverses the falling trend; by 2050 the expected median private pension income with automatic enrolment is expected to be around £3,600.
- This improvement is largely concentrated on low to median earners who are expected to see a higher proportional increase in their private pension income due to automatic enrolment than higher earners. While such long-term projections are subject to substantial uncertainty the reforms will potentially have a sizeable effect on private pension incomes in the long term.

6.1 Introduction

The baseline report used modelled analysis to estimate the long-term impact of the workplace pension reforms. In order to do this it established two versions of the pension landscape; one with automatic enrolment and one without, known as the counterfactual. Since the baseline report the Government has announced a new flat-rate state pension which will work alongside the workplace pension reforms to provide a firm foundation for retirement and promote saving.

The Department for Work and Pensions (DWP) published a *Framework for the analysis of future pension incomes* in September 2013 which used new modelled analysis similar to that used in the baseline report, to assess the combined impact of the Government’s pension reforms on retirement income. Using this analysis it has been possible to reassess the potential impact on the number of individuals participating in workplace pensions and future private pension income.[90] Future evaluation reports will monitor the actual impact of the reforms on workplace pension participation and saving against the baseline measures set out in Chapters 3 and 4.

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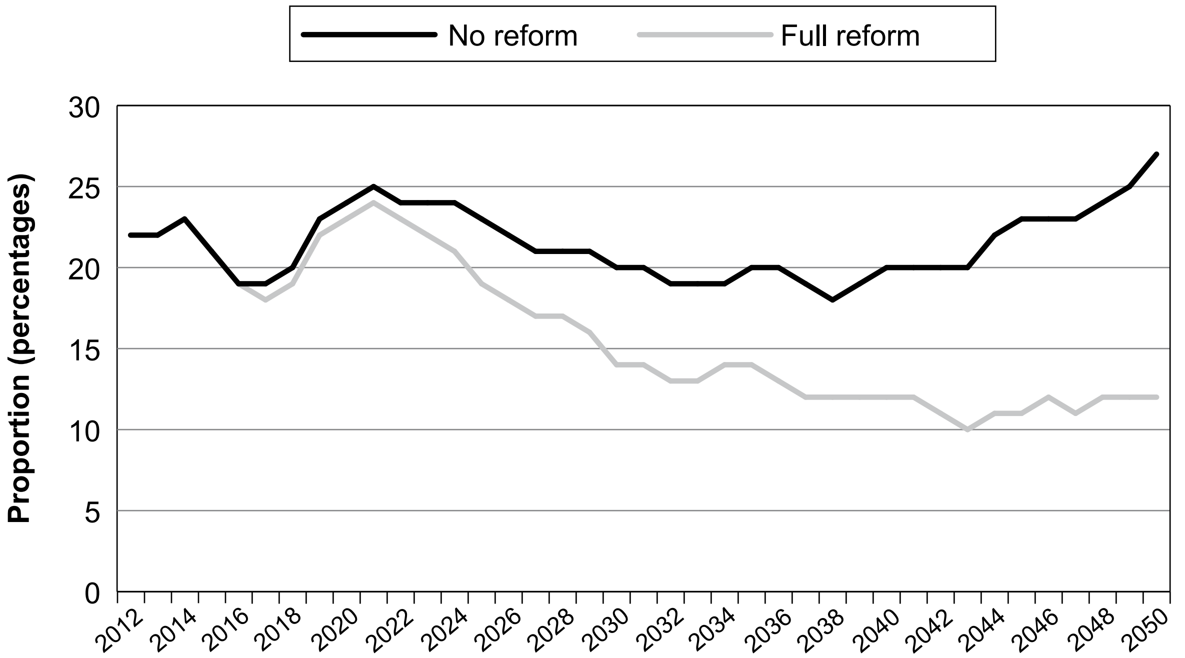
[90] Analysis comes from, or is consistent with the *Framework for Analysis of Future Pension Incomes*, DWP (2013). At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/238978/framework-analysis-future-pension-incomes.pdf

6.2 Impact on participation

Once fully implemented by 2018, automatic enrolment aims to transform the culture of saving, increasing the number of individuals newly saving or saving more in a workplace pension by around eight million, within a range of six to nine million.[91] The new modelled analysis shows that in the longer-term automatic enrolment is also expected to halve the number of people retiring with no private pension at all from 27 per cent to 12 per cent in 2050, as illustrated in Figure 6.1.[92]

Figure 6.1 Proportion of people reaching State Pension age (SPA) with no private pension income with and without automatic enrolment



Source: DWP estimates derived from the Pensim2 model.
Notes: During the period between 2010 and 2020 women's SPA is being equalised with men's. This results in uneven numbers of men and women in each year. In the period 2016 to 2022 we expect more women, relative to men, to be reaching SPA. As women are more likely then their male counterparts to not have a private pension, this increases the trend in the graph during this period.

Automatic enrolment is also predicted to significantly reduce the numbers of people facing inadequate retirement incomes, broadly eliminating the problem of people not saving for a pension whilst in work. Inadequate incomes, in this sense, are where an individual's retirement income is lower that their income prior to retirement to such a degree that they are

91 DWP (2012). *Workplace Pension Reforms: digest of key analysis – July 2012*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223031/wpr_digest_0712.pdf

92 Progress against these aims will be monitored using national survey data including the ONS Annual Survey of Hours and Earnings and the ONS Wealth and Assets Survey (see Chapters 3 and 4).

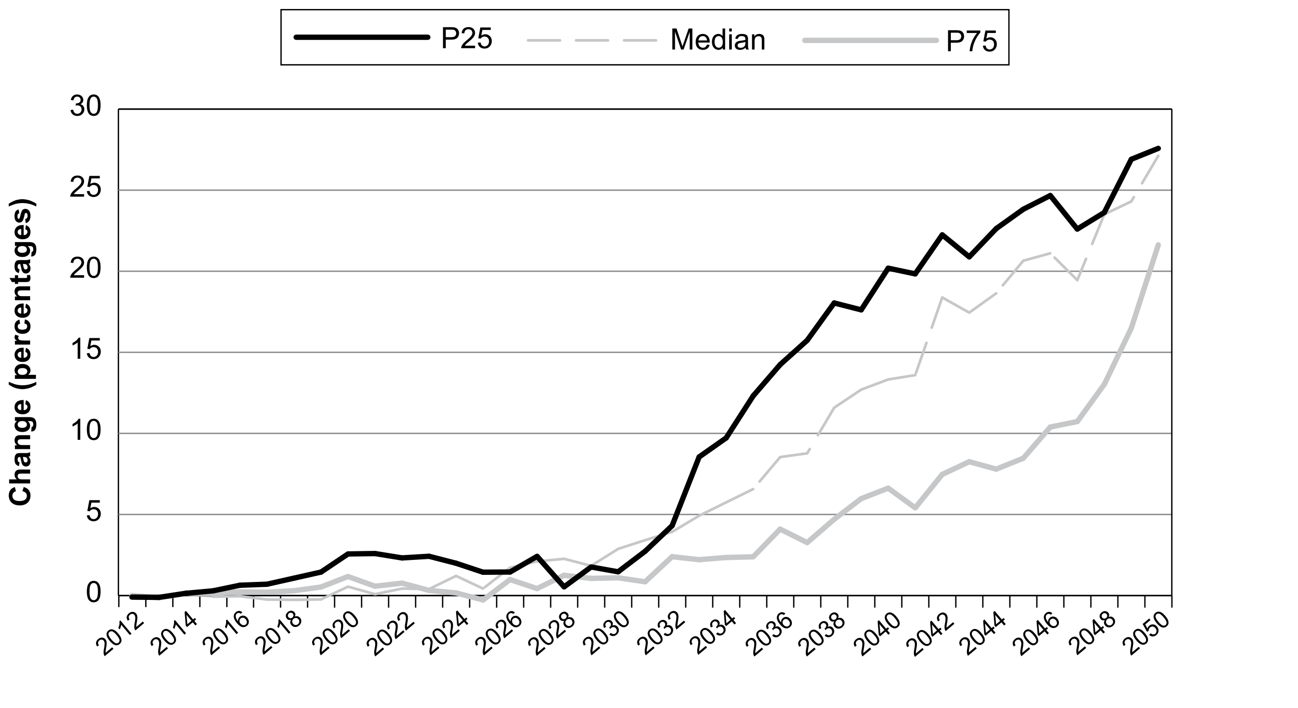
unlikely to be able to maintain their standards of living.[93] Of those remaining on inadequate retirement incomes after automatic enrolment, just five per cent (falling from over 32 per cent) will be in work for more than 35 years but saving for less than 20 years.

6.3 Impact on private pension income

Automatic enrolment is also expected to reverse the trend of falling private pension income over time. Without automatic enrolment the median private pension income is expected to fall from around £3,900 a year in 2020 to around £2,200 a year in 2050 (in constant earnings terms). However, automatic enrolment reverses the falling trend; by 2050 median private pension income is expected to be around £3,600.[94]

Improvements in private pension incomes are largely concentrated on those with low and median incomes who are expected to see larger proportional increases due to automatic enrolment than those on higher incomes. This is illustrated in Figure 6.2 which shows the proportional change in private pension income from 2012 for people with income at the 25th percentile (P25), 50th percentile (median) and 75th percentile (P75).

Figure 6.2 Proportional change in private pension income in the first year of retirement due to automatic enrolment, by income level



Source: DWP estimates derived from the Pensim2 model.
Notes:
Data used are based on five-year moving averages.
Excludes individuals with zero private pension income.

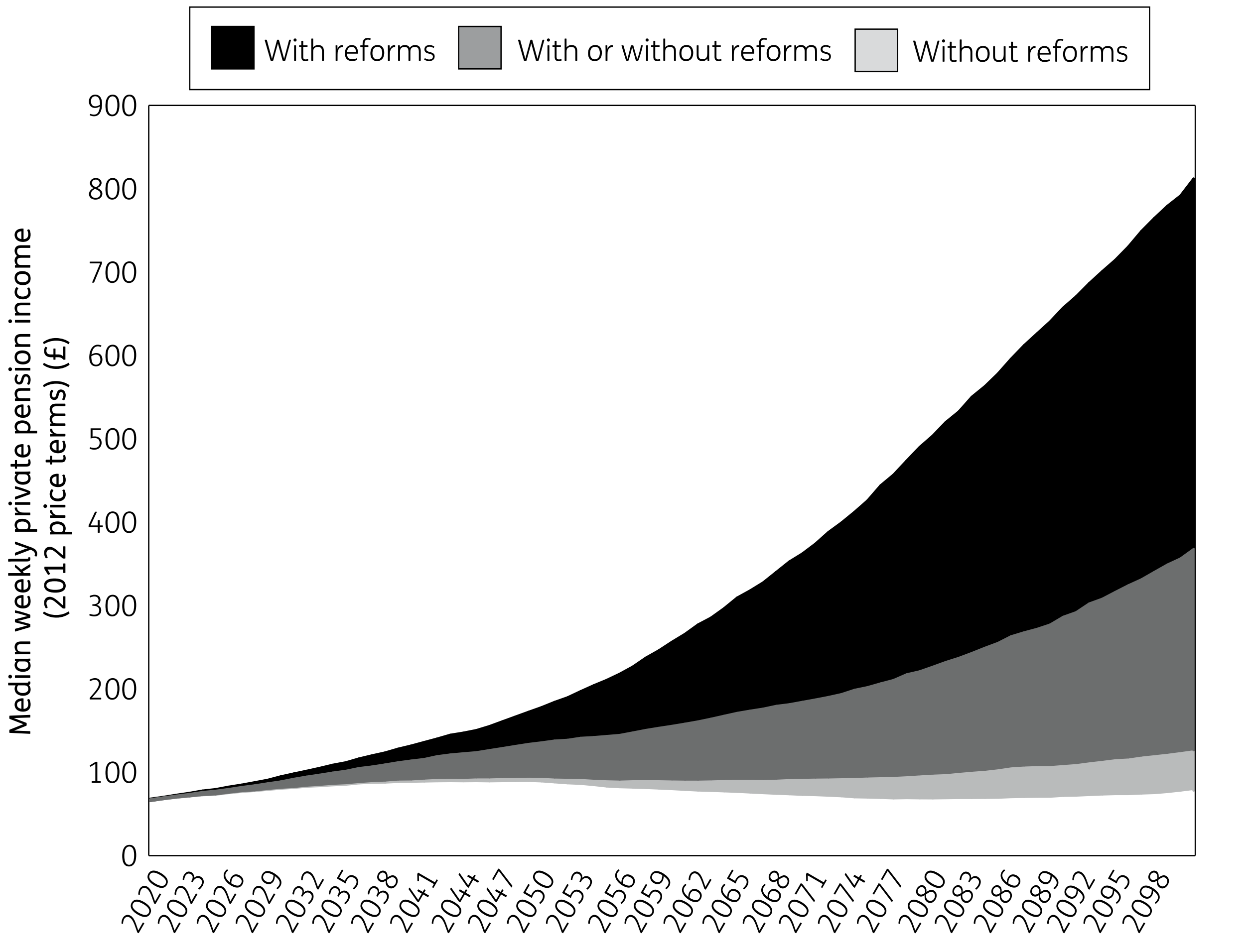
[93] For detailed analysis of retirement income adequacy see *Framework for Analysis of Future Pension Incomes*, DWP (2013). At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/238978/framework-analysis-future-pension-incomes.pdf

[94] This distribution includes individuals with no private pension income.

Any long-term projections are subject to substantial uncertainty. The baseline report looked at the sensitivity of median private pension incomes to a combination of high and low assumptions, such as pension participation rates and fund growth. Figure 6.3 (reproduced from the baseline) illustrates the significant degree of uncertainty in pension incomes both with and without the reforms. However, it is clear that the reforms will potentially have a sizeable effect on private pension incomes in the long-term.

We will gather more evidence about the impacts of automatic enrolment and continue to analyse what this means for individuals and the sensitivities around this. Future reports will update the modelled analysis when new information is available that may affect the underlying assumptions. For example, the modelling will be updated with a revised opt-out rate once there is enough evidence to do so.

Figure 6.3 Median weekly private pension income in 2012 price terms, under extreme combinations of high and low scenarios



Source: DWP estimates derived from the Pensim2 model, 2020–2100. This figure has been reproduced from the baseline evaluation report (p.74).

Appendix A
Evaluation questions

EQ1: Were the Workplace Pension Reforms delivered to the planned timescales?
EQ1.1. Was NEST (National Employment Savings Trust) introduced with the capacity to fulfil its Public Service Obligation by the end of staging within planned timescales?
EQ1.2. Was the Employer Compliance Regime function of The Pensions Regulator introduced for the onset of employer duty, with the capacity to regulate employers through implementation and steady state?
EQ1.3. Was the Workplace Pension Reforms communication strategy delivered to the planned timescales?
EQ2: Does NEST accept all employers who choose the scheme, while offering low costs to members and remaining financially viable?
EQ2.1. Does NEST accept all employers who choose the scheme to meet their employer duties?
EQ2.2. Is the membership sufficient to secure the long term financial stability of NEST?
EQ3: Do employers know about, understand and comply with their employer duties?
EQ3.1. To what extent are employers aware of their duties and know how to discharge them?
EQ3.2. How many employees are treated in a 'compliant way' by their employer?
EQ3.3. To what extent do employers have arrangements with a qualifying scheme?
EQ3.4. To what extent is employer behaviour influenced by their attitudes, awareness and levels of understanding of the reforms?
EQ3.5. To what extent are employers aware of the enforcement powers available to deal with non-compliance and the approach The Pensions Regulator intends to take?
EQ3.6. To what extent do detection and enforcement activities result in non-compliant employers becoming compliant and do they support a broader culture of compliance?
EQ4: To what extent do the Workplace Pension Reforms increase the number of individuals saving in workplace pensions?
EQ4.1. To what extent are individuals saving persistently in a workplace pension?
EQ4.2. How many individuals that were automatically enrolled have opted out of a qualifying scheme?
EQ4.3. How many individuals that were automatically enrolled have voluntarily ceased saving in a qualifying scheme?
EQ4.4. Why do individuals opt out or voluntarily cease saving in a qualifying scheme?
EQ4.5. How many individuals who are not eligible for automatic enrolment have opted in?
EQ4.6. To what extent are individuals accepting of the need to save in a workplace pension?
EQ4.7. To what extent do individuals recognise the benefits of saving into a work place pension?
EQ4.8. To what extent can individuals access the information on automatic enrolment and workplace pension saving?
EQ4.9 To what extent can individuals understand information they are given on automatic enrolment and workplace pension saving?

EQ5: To what extent do the Workplace Pension Reforms increase the amount being saved in workplace pensions?
EQ5.1. Have employers who were contributing above the minimum for existing members prior to the introduction of the reforms reduced contributions?
EQ5.2. How much more are individuals contributing to total household savings?
EQ6: To what extent is delivery of the Workplace Pension Reforms achieved with a minimal burden on employers?
EQ6.1. What are the contribution costs for employers, of complying with their duty?
EQ6.2. What are the administrative costs for employers, of complying with their duty?
EQ6.3. How do employers respond to the costs incurred as a result of the employer duty?
EQ6.4. How do employers make decisions around which qualifying scheme to enrol members and how much to contribute?
EQ6.5. What are the views and attitudes of employers to the level of burden resulting from the reforms?
EQ7: How has the pensions industry reacted to the Workplace Pension Reforms?
EQ7.1. How has the pensions landscape changed since the reforms?
EQ7.2. What changes have there been to prevailing charge structures and levels since the reforms?
EQ7.3. What burdens have providers faced following the announcement of the reforms?
EQ7.4. To what extent do providers follow The Pensions Regulator’s guidance on the reforms?
EQ8. What are the wider economic impacts of the Workplace Pension Reforms?
EQ8.1. Does the current policy present any barriers to saving?
EQ8.2. What are the costs to the Exchequer of employers’ responses?
EQ8.3. What are the unintended consequences of the reforms?

Appendix B Sources of information

The evaluation reports will draw on existing information sources as far as possible. If no suitable data source exists, the Department for Work and Pensions (DWP) or the regulator will consider commissioning relevant discrete quantitative and/or qualitative research with individuals, employers and industry. This will be reviewed on a case-by-case basis to ensure value for money for the taxpayer.[95]

Sections B.1 and B.2 summarise the main surveys, administrative data sets, models, including new sources such as management information reports which will be used to measure recent trends and/or provide an indicative baseline to monitor the effects of the reforms in this report and in future evaluation reports.[96] The data summaries highlight any issues and include which aspects of the evaluation questions will be monitored using these information sources. This information is summarised in Table B.1. This is based on our understanding of the information available, at the point of publication and may be subject to change.

B.1 Surveys and administrative data

***DWP Attitudes to Pensions (AtP)*, 2006, 2009, 2012 onwards, GB**: information on individuals attitudes, knowledge and behaviour in relation to pensions and saving for retirement. In future reports the AtP will provide supplementary information on the extent to which the communications and information campaign delivered the changes in attitudes to support the reforms and used indicatively to estimate opt out, understand reasons why individuals choose to not save or voluntarily cease saving during staging.

***DWP Communication Tracker*, Ongoing – 2011 onwards, UK**: information on the effect of communication activity and intended behaviours as a result of the reforms. The communication tracker has been used to assess the level of acceptance amongst individuals on the need to save, the benefits of savings and whether individuals can find information on the reforms if they want it in advance of the communication and information campaign (see Chapter 3). Future reports will assess the extent to which the campaign has delivered the changes in attitudes necessary to support the reforms and used indicatively to understand reasons why individuals choose not to save or voluntarily cease saving during staging.[97]

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95 The commissioning of discrete research is subject to receiving departmental funding. The availability of information on non-DWP and regulator surveys will be subject to retaining required questions.

96 When monitoring opt-out levels using national surveys such as the Annual Survey of Hours and Earnings (ASHE), due to the staged implementation approach only a small proportion of individuals will have been automatically enrolled in the early years of staging. It will, therefore, be difficult to robustly identify individuals who have been automatically enrolled because they may be unaware of this. Research will, therefore, not be fully representative of all individuals and will only be used indicatively to understand reasons why individuals choose to not save or voluntarily cease saving during staging.

97 Reports published on GOV.UK at: https://www.gov.uk/government/collections/communications-and-customer-insight-research

***DWP Employer Pension Provision Survey (EPP)*, Biennial – 2007 onwards on a consistent basis, GB**: information on the nature of pension provision in the private sector, extent of employee membership, employee and employer contribution rates, reasons for non-provision, planned changes and employers attitudes and likely reactions to the reforms.

The EPP 2011 survey report was used indicatively in the baseline report to: explore employers' views on the level of burden associated with different aspects of the reform; understand the nature of the trade-offs and the key drivers which determine employer behaviour; understand how employers envisage they will respond to the additional costs and the factors considered, such as use of easements (waiting periods, certification). Employer response to these costs will affect costs to the exchequer (see Chapter 5).

Future reports will monitor these areas of evaluation, as well as model opt out at the employer level. DWP will also derive modelled estimates to provide supplementary information on the number of individuals who choose to opt in, levelling down of employer contributions and changes in the pension landscape (such as sector analysis to determine the type of pensions that are sold to employers).[98]

***DWP Family Resources Survey (FRS)*, Annual, 2003/04 onwards, UK**: information on the incomes and circumstances of private households. It enables us to monitor information for all adults (i.e. not just employees) against a wide range of demographics and personal indicators. The FRS will provide information on individuals who choose to opt in and save in a workplace pension by protected characteristics not covered by the ASHE, such as ethnicity and disability (see Chapter 3).[99]

In 2006/07 the pension questions asked in the FRS were revised to improve the quality of pension participation estimates. However, problems tailoring questions led to an overstatement of pension participation rates compared to earlier FRS years and administrative sources. The datasets for 2006/07, 2007/08 and 2008/09 were edited to try to correct for this. However, concerns remained as it was thought some dormant pension memberships were being incorrectly reported. Modelled estimates for the years 2006/07 to 2008/09 have been produced and improvements have been made to the pensions estimates from 2003/04 to 2005/06. This issue was corrected from 2009/10 following further changes to the questions. Therefore, estimates over time should be treated with caution.[100]

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98 The survey will be used to determine the proportion of employers who automatically enrol all their employees and those who only automatically enrol eligible employees. Levelling down is when employers reduce their contributions to statutory minimum levels. It can also refer to other forms of reduction in contributions or benefits that are made in order to meet the new duties on employers. See Boxes 4.1 and 4.2.

99 The FRS cannot distinguish between those individuals who voluntarily opt in and those who have been automatically enrolled by the employers despite the fact they are not eligible. The DWP Employer Pension Provision Survey will be used in conjunction with the FRS to approximate the proportion of employers who automatically enrol all their employees and those who only automatically enrol eligible employees.

100 Full details on the approach can be found at: http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2011/frs_modelling_publication.pdf

***DWP Households Below Average Income (HBAI)*, Annual, 2010/11 onwards, UK**: uses household disposable incomes, adjusted for household size and composition, as a proxy for material living standards and for the level of consumption of goods and services that individuals can attain given the disposable income of the household they live in. The HBAI will be used in future reports to monitor the longer-term objective to reduce pensioner poverty and improve living standards for pensioners.

***DWP Individual Attitudes Survey (IAS)*, 2007 and 2009, GB**: information about likely participation and contribution levels, attitudes and likely reactions to key aspects of the reforms. In advance of the implementation of the reforms, the IAS was used indicatively in the baseline report to estimate opt-out and reasons why individuals may choose not to save (see Chapter 3).

DWP Management Information reports: information on number of claimants and expenditure on income-related benefit (IRB). Future reports will monitor the cost to Government due to the minor increase in IRB expenditure during working life and the savings to Government due to the reduced reliance on IRBs in retirement.[101] [102]

***DWP Pension Landscape and Charges Survey (PLCS)*, 2011 onwards on a consistent basis, GB**: information on charging levels and structures in trust-based Defined Contribution (DC) schemes, contract-based group personal pensions and stakeholder pensions. The survey has been used to understand the average charge levels of trust-based and contract-based schemes (see Chapter 5). Future reports will monitor these areas and will enable us to understand provider views on regulatory burden and guidance.[103]

DWP Qualitative Research with Employers, GB: information on employers' experience of the reforms, looking at a range of issues, including: the extent to which employer behaviour is influenced by attitudes, awareness and level of understanding of the reforms; employers' response to the administrative and contribution costs incurred as a result of the duty; how employers make decisions around how much to contribute; views on the level of burden resulting from the reforms; and opt-out at the employer level. Fieldwork will take place in stages as employers are staged in. Findings from research with large employers who staged in between October 2012 and April 2013 was published in October 2013.[104]

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101 Under the current system, pension contributions are disregarded from entitlement calculations for Tax Credits and IRBs such as Income Support, Council Tax Benefit, Housing Benefit and Income-based Jobseeker's Allowance. This will need to be reviewed once Universal Credit has been finalised.

102 Under the current system, this is receipt of Pension Credit, Council Tax Benefit and Housing Benefit. The effect will be small initially, as the reduced reliance on IRBs will increase over time as individuals affected by the reform start to retire. The full effect will not be realised until 2070 when an individual retires having spent their entire working life under the reforms. This will need to be reviewed once the reforms of the State Pension have been finalised. See http://www.dwp.gov.uk/policy/pensions-reform/.

103 No baseline because the regulatory burden on providers does not exist pre-duty.

104 DWP (2013). *Automatic enrolment: Qualitative research with large employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

DWP Qualitative Research with Individuals, GB: information on what influences individuals to opt out following automatic enrolment, whether employees are treated in a compliant way and whether communications affect employee behaviour. Individuals will be sampled from employers who have been staged in. Findings from research with individuals working for large employers will be published in early 2014.

***English Longitudinal Study of Ageing (ELSA)*, England, Biennial – 2002 onwards**: longitudinal information on pensions and economic circumstances, social engagement, and health and well-being of people aged 50 and older. If agreed to be useful to the evaluation strategy, future reports could potentially make fuller use of the range of variables available on ELSA. See Chapter 3.

Financial Conduct Authority (FCA)[105]: Formerly the Financial Services Authority which split into separate regulatory authorities: the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. Future FCA reports will be used in conjunction with the DWP and the regulator, to monitor changes in the nature and distribution of pension provision to understand the impact of the reforms on the pensions market.

HM Revenue & Customs (HMRC) Administrative Data, UK: information on non-occupational personal pensions, including stakeholder and group personal pensions, gathered by the HMRC as part of the process of administering basic rate tax relief on personal pension contributions. Information is published both in terms of the type of pension scheme, the source of contributions, and characteristics of the individuals making contributions. The published tables have been used to monitor non-employer-sponsored schemes and average contributions into these schemes (see Chapter 5). Future reports will continue to monitor these areas of evaluation.

HMRC Real Time Information (RTI): this is a new administrative system which is being developed by HMRC to make Pay As You Earn (PAYE) easier for employers to operate, more accurate for individuals, and support the introduction of Universal Credit. The DWP is in discussion with HMRC regarding its content and use for evaluating the reforms, for example in helping to measure pension participation and contribution levels.

NEST Insight reports, Annual – 2013 onwards: research aimed at gathering insights into the attitudes and behaviour of NEST's target audience.

NEST management information reports: information will be available from scheme launch. In future reports the information will be used to monitor NEST membership, persistency of saving in NEST, opt-out in NEST, individuals who voluntarily cease saving in NEST and reasons for ceasing saving. The report will also provide supplementary information on whether NEST meets its Public Sector Obligation to accept all employers that want to use the scheme to fulfil either all or part of their employer duties and to determine the financial stability of NEST.

***ONS Annual Business Survey (ABS)*, 1998 onwards, UK**: information on the number of employees, amount spent on pension contributions, employment costs, revenue, profits and detailed industrial sector and location. In future reports, the longitudinal element will enable us to monitor employer response to set-up and on-going costs by tracking shifts in pension contributions in relation to other costs, such as absorbing the increase through overheads, profits, revenue, labour costs, etc.

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105 Financial Services Industry (2011). *Retail Investments Product Sales Data Trend Report 2005-2011*, August 2011. At: http://www.fsa.gov.uk/pubs/other/psd_ri_05_11.pdf

***ONS Annual Survey of Hours and Earnings (ASHE)* 1997 onwards, GB**: the analysis in this report uses both the cross-sectional and the unweighted longitudinal ASHE. Longitudinal information is available on the levels of earnings, the makeup of total earnings, the distribution of the average earnings, hours worked, pension type, employer and employee contributions. Since ASHE is completed by the employer for their employees, it is one of very few data sources that enable us to accurately monitor trends participation by industry and sector for all types of employer-sponsored pension schemes.

The cross-sectional element of the survey has been used to monitor eligible employee participation by sector gender, age, employer size and type of industry (see Chapter 3) and pension saving by employee and employer contribution and tax relief of employee contributions (see Chapter 4).[106] The unweighted longitudinal element of the survey has been used to monitor persistency of saving (see Chapter 3) and levelling down of employer contributions (see Chapter 4).[107] [108]

Future reports will monitor these areas of evaluation and provide supplementary information on the proportion of individuals who voluntarily cease saving.[109]

***ONS Occupational Pension Schemes Survey (OPSS)*, 2004 onwards, UK**: information on the nature of occupational pension provision, including membership of schemes, the nature of the benefits provided and contributions paid based on a sample of schemes in the public and private sectors. The survey has been used to provide supplementary information on whether there is levelling down of employer contributions at a national level, specifically accrual rates of Defined Benefit (DB) schemes which are not collected in ASHE (see Chapter 4) and to understand the trends in DB and DC (trust-based) schemes closed to new members and future accruals (see Chapter 5). Future reports will continue to monitor these areas of evaluation.[110]

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106 Cross-sectional analysis is based on weights designed for earnings analysis because the survey does not have dedicated pension weights (used in statistical analysis to better reflect the relative importance of a number or variable, for example a weight may be applied if a certain group is under-represented in sample).

107 Longitudinal analysis does not include weights which would correctly weight aggregate estimates. This affects the inference that can be made from any analysis of the longitudinal dataset. The creation of weights was suggested at both the stakeholder workshops see Appendix C – Stakeholder Engagement for further details, and by the Statistics and Registration Service Act 2007 (Requirement 8). At: http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-138---annual-statistics-on-hours-and-earnings.pdf

108 Persistency of saving will look at whether individuals are saving in three out of a period of four years. Levelling down is the reduction of employer contributions for existing members in anticipation or in order to meet the employer duties.

109 ASHE analysis in conjunction with job churn analysis using the ONS Labour Force Survey will enable the DWP to model the proportion of individuals who have potentially stopped saving because they have moved job and those who have chosen to voluntarily cease saving.

110 There are some known issues about the reliability of some scheme numbers for the Occupational Pension Schemes Survey (OPSS) 2008, and to a lesser degree, subsequent years.

ONS Pension Trends**, UK**: information on pension contributions which is derived by ONS from the survey of insurance companies and self-administered pension funds (MQ5), HMRC Administrative data and Association of Business Insurers. The published tables on pension contributions will be used as supplementary information to validate total saving estimates from ASHE.[111]

***ONS Wealth and Assets Survey (WAS)* 2006/08 onwards, GB**: longitudinal information about the economic wellbeing and assets of households and individuals, including pension provision, attitudes to pensions saving, financial saving and property wealth. Any one wave of WAS data is collected over a period of two years. WAS has been used to understand the composition of total household savings (see Chapter 4). The inclusion of all assets and the longitudinal nature will allow the survey to be used to monitor changes in total household savings for all adults over time and to understand how much pension saving has been offset by reductions in other forms of saving. WAS will also provide more in-depth information on persistent savers by characteristics not covered in the ASHE. WAS data can also be used to explore individual savings attitudes, intentions and levels of understanding.

Pensions Ombudsman, the Pensions Advisory Service (TPAS), Money Advice Service (MAS), GOV.UK website and other sources: in future reports, complaints to the Pensions Ombudsman and TPAS against NEST will be used to monitor whether NEST meets its PSO to accept all employers that want to use the scheme to fulfil either all or part of their employer duties. The volume of calls to TPAS, MAS and the Workplace Pension Information Line will be monitored to ensure the services can cope with the demand, and record the reasons. The GOV.UK website will be used to monitor accessibility of information using web traffic and feedback on web pages. In addition employer templates will be tested using ad hoc employer research and feedback from information providers, partners and stakeholders.

TPR Automatic Enrolment: Commentary and Analysis**, Annual – 2013 onwards**: information relevant to regulator's role in maximising compliance with the employer duties, including analysis of registration data, research on employer awareness and engagement, pension schemes used for automatic enrolment, compliance and enforcement activity.

***TPR DC Trust* (2009 onwards), UK**: information on the occupational trust-based DC pension schemes and memberships.[112] The published report has been used to provide supplementary information on the number of DC schemes to support estimates produced using the ONS ASHE and OPSS (see Chapter 5). Future reports will continue to monitor these areas of evaluation.

TPR Employer Tracking Survey**, Biannual – spring 2011 onwards, UK**: survey information from employers to understand knowledge of and attitudes towards the reforms. The information is used to monitor employer awareness, understanding and activity in relation to the new duties as well as the regulator's enforcement powers (see Chapter 2).

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111 Direct comparisons cannot be drawn as lump sums are treated differently. ASHE will only record lump sums attributed to an individual employee.

112 Small schemes (i.e. those with 12 or fewer members) are not included in the DC Pensions Trust report produced by the regulator. Small schemes account for around 90 per cent of the total number of DC Trust schemes. This information is collected by the regulator and an area that will be explored in future reports.

***TPR Intermediary Tracking Survey*, Biannual – autumn 2011 onwards, UK**: survey information from intermediaries to monitor awareness, understanding and activity in relation to workplace pension reforms (see Chapter 2).

***TPR Monthly Registration Reports*, Monthly – April 2013 onwards**: information on the number of employers who have met their duties by registering with the regulator and the number of workers enrolled.

***TPR Purple Book* (2005 onwards), UK**: information on the DB pension landscape, focusing particularly on the risks faced by DB pension schemes, predominantly in the private sector. The published report has been used to provide supplementary information on the number of DB schemes to support estimates produced using the ONS ASHE and OPSS (see Chapter 5). Future reports will continue to monitor these areas of evaluation.

B.2 Model

Pensim2: The DWP's dynamic micro simulation model is based on the 2006 Family Resources Survey, British Household Panel Survey, and Lifetime Labour Market Database (see Chapter 6). The model ages a representative sample of the GB household population over time. The model simulates future life events and work histories using a large set of assumptions to enable us to see how an individual's life evolves with a given policy regime. Since Pensim2 models what each individual accrues from both state and private pensions, it can be used to establish the counterfactual, a view of the pension landscape if the reforms had never happened, with the additional advantage of allowing us to compare outcomes amongst a range of groups at different points in time.[113]

113 The model is based on a 60,000 individuals. Outcomes are, therefore, restricted to avoid small sample size issues; the smaller the sample, the larger the margin of error or uncertainty attached to the estimate.

Table B.1 Monitoring the Evaluation Questions

Evaluation Questions	DWP AtP	DWP Comms Tracker	DWP EPP	DWP FRS	DWP HBAI	DWP IAS	DWP MI reports	DWP PLCS	DWP Qualitative employer research	DWP Qualitative individual research	ELSA	FCA	HMRC admin data	MRC RTI	NEST MI reports	NEST insight	ONS ABS	ONS ASHE	ONS OPSS	ONS Pension Trends	ONS WAS	Pensions Ombudsman, TPAS, MAS, GOV.UK	TPR commentary and analysis	TPR DC Trust	TPR Employer Tracker	TPR Intermediary Tracker	TPR Monthly Registration	TPR Purple Book
Delivery of the reforms																												
Policy and legislative framework (EQ1)																												
NEST-PSO (EQ2.1)																												
Financing of NEST (EQ2.2)																												
Employer aware of duties (EQ3.1)																												
Employees treated compliantly (EQ3.2)																												
Employers have a qualifying scheme (EQ3.3)																												
Employer behaviour influenced by attitudes, awareness and understanding (EQ3.4)																												
Employer aware of enforcement powers (EQ3.5)																												
Result of detection and enforcement (EQ3.6)																												

Continued

Table B.1 Continued

Evaluation Questions	DWP AtP	DWP Comms Tracker	DWP EPP	DWP FRS	DWP HBAI	DWP IAS	DWP MI reports	DWP PLCS	DWP Qualitative employer research	DWP Qualitative individual research	ELSA	FCA	HMRC admin data	MRC RTI	NEST MI reports	NEST insight	ONS ABS	ONS ASHE	ONS OPSS	ONS Pension Trends	ONS WAS	Pensions Ombudsman, TPAS, MAS, GOV.UK	TPR commentary and analysis	TPR DC Trust	TPR Employer Tracker	TPR Intermediary Tracker	TPR Monthly Registration	TPR Purple Book
Increasing the number of savers																												
Trends in saving (EQ4)																												
Persistency of saving (EQ4.1)																												
Opt out (EQ4.2)																												
Voluntarily cease saving (EQ4.3)																												
Reasons to opt out or cease saving (EQ4.4)																												
Opt in (EQ4.5)																												
Accepting the benefits of saving (EQ4.6, EQ4.7)																												
Providing Information (EQ4.8, EQ4.9)																												
Increasing the amount saved																												
Trends in pension saving (EQ5)																												
Employer levelling down (EQ5.1)																												
Total household savings (EQ5.2)																												

Continued

Table B.1 Continued

Evaluation Questions	DWP AtP	DWP Comms Tracker	DWP EPP	DWP FRS	DWP HBAI	DWP IAS	DWP MI reports	DWP PLCS	DWP Qualitative employer research	DWP Qualitative individual research	ELSA	FCA	HMRC admin data	MRC RTI	NEST MI reports	NEST insight	ONS ABS	ONS ASHE	ONS OPSS	ONS Pension Trends	ONS WAS	Pensions Ombudsman, TPAS, MAS, GOV.UK	TPR commentary and analysis	TPR DC Trust	TPR Employer Tracker	TPR Intermediary Tracker	TPR Monthly Registration	TPR Purple Book
Understanding the wider context																												
Employer contribution cost (EQ6.1)																												
Employer administrative costs (EQ6.2)																												
Employer response to the reforms (EQ6.3)																												
Employer decisions (EQ6.4)																												
Employer views and attitudes to the level of regulatory burden (EQ6.5)																												
The pension landscape (EQ7.1)																												
Charge structure (EQ7.2)																												
Burdens on providers (EQ7.3)																												
Providers views on guidance (EQ7.4)																												
Policy barriers to saving (EQ8.1)																												
Costs to the exchequer (EQ8.2)																												
Unintended consequences (EQ8.3)																												
Long-term impact of the reforms																												

Key
Primary source for Monitoring
Supplementary source for monitoring
Indicative source for monitoring

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