Department for Work & Pensions

Automatic enrolment: Qualitative research with large employers

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A report of research carried out by RS Consulting on behalf of the Department for Work and Pensions

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Summary

Automatic enrolment is a response to some of the challenges facing the UK pensions system, and ultimately to the issue of millions of individuals in the UK not saving enough for their retirement. It will require employers to automatically enrol eligible workers into a qualifying workplace pension scheme. Individuals will have the right to opt out of the scheme. Automatic enrolment is being staged in between October 2012 and February 2018 by employer size, starting with the largest employers.

Once fully implemented the reforms aim 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 increase the amount saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion.[1] This research was commissioned to understand the impact on the first employers to go through automatic enrolment and to measure early opt-out rates.

The research was carried out between October 2012 and April 2013 with 50 large employers with staging dates during this period. The research consisted of three strands including in-depth interviews with the lead person responsible for pensions, collection of management information and in-depth interviews with workers who have opted out.[2]

Key findings

- Across all the employers in the study the average opt-out rate was nine per cent. Most individual employers had an opt-out rate ranging between five per cent and 15 per cent. Participation in these employers increased from 61 per cent to 83 per cent.[3]
- The most important factor influencing opt-out was contractual enrolment. In employers where this existed, the average opt-out rate was 16 per cent.
- Opt-out rates were highest among the 50+ age group, who were between 1.25 times and twice as likely as other age groups to opt out.
- Nearly all employers in the study started to prepare at least a year in advance and up to two years in some cases.
- The key challenges were categorising and assessing workers, adapting payroll systems and communicating changes to workers.
- The main advice to other employers was to start planning early, including data cleaning, keeping communications simple and taking opportunities to learn from other employers.
- Set-up costs were estimated to be in six or seven figures. The highest costs were for developing payroll systems, legal advice and holding staff consultations.
- While most employers remained with their current provider when automatically enrolling a new population of workers, some did use the new pension solutions entering the market at the time.

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1 DWP (2012). *Workplace Pension Reforms: Baseline Evaluation Report*, DWP Research Report No. 803. At: https://www.gov.uk/government/publications/workplace-pension-reforms-baseline-evaluation-report-rr803

2 DWP will publish a separate report with findings from interviews with 50 workers from these organisations. This report includes early findings from 17 interviews.

3 The remaining 17 per cent either opted out or were not eligible for automatic enrolment.

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Abbreviations

DB	Defined benefit
DC	Defined contribution
DRA	Default Retirement Age
DWP	Department for Work and Pensions
EBC	Employee benefits consultant
FAQs	Frequently asked questions
HMRC	HM Revenue & Customs
HR	Human resources
IFA	Independent financial adviser
IT	Information technology
LTA	Lifetime allowance
MIS	Management information systems
NEST	National Employment Savings Trust
PAYE	Pay As You Earn
PRP	Pay reference period
RTI	Real time information
SPA	State Pension age
TPR	The Pensions Regulator (referred to as 'the regulator')
VAT	Value Added Tax

Glossary of terms

Active member	A **member** who is currently accruing benefits in a pension scheme.
Automatic enrolment	Pension scheme enrolment technique whereby an employer enrols **eligible jobholders** in the **workplace pension** scheme 'automatically', i.e. without the jobholder having to make a separate application for membership. Individuals who are automatically enrolled are free to **opt out** or **cease active membership** at any time, but need to take action to do so.
Automatic enrolment scheme	A **qualifying scheme** that meets additional criteria to be an **automatic enrolment** scheme. **Eligible jobholders** who are not already a member of a qualifying scheme on the employer's **staging date** must be automatically enrolled into an automatic enrolment scheme.
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.
Contract-based pension	See **personal pension**.
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.
Default Retirement Age	The **Default Retirement Age** (formerly 65) was phased out in the UK in 2011: most people can now work for as long as they want to. Previously, employers could compulsorily retire workers once they reached the age of 65.
Defined benefit scheme	**Occupational pension** scheme specifying the benefits that are paid on retirement (e.g. a fraction of salary for each year of service). Also known as a 'salary-related' scheme.

Defined contribution scheme	**Occupational pension** scheme where the amount of pension is determined by **contributions** paid into the scheme and investment returns. Also known as a 'money purchase' scheme.
Earnings trigger for automatic enrolment	The amount of **qualifying earnings** a **worker** must earn before the duty for their employer to **automatically enrol** the worker is triggered. For the 2013/14 tax year, this is set at £9,440. This figure will be reviewed annually by the government.
Eligible jobholder	Eligible jobholders are 'eligible' for **automatic enrolment** and are **jobholders** who are aged at least 22, but have not yet reached **State Pension age**, and earn above the **earnings trigger for automatic enrolment**.
Employee benefits consultant	An adviser, or firm of advisers, that advises employers on employment benefits packages that it might offer to its employees, including pensions and other benefits.
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.
Fixed protection	See **enhanced protection**.
Hybrid scheme	A private pension scheme which is neither purely a **defined benefit** nor **defined contribution** arrangement. Typically, a hybrid scheme is a defined benefit scheme, which includes elements of defined contribution pension design.
Independent financial adviser	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.

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**.
Joining window	The one-month period from an **eligible jobholder's automatic enrolment** date. Within this period the employer must give information to the pension scheme about the eligible jobholder; give enrolment information to the eligible jobholder; make arrangements to achieve **active membership** for the eligible jobholder, effective from their automatic enrolment date.
Lifestyling	Lifestyling is an approach to investing that automatically switches a **member's** investments from riskier to safer assets as retirement approaches.
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 £1.8m initially; this reduced to £1.5m in April 2012; and finally, the allowance is again being reduced to £1.25m in 2014.
Member	A person who has joined a pension scheme and who is entitled to benefits under it.
NEST	The National Employment Savings Trust. An occupational pension scheme established by legislation. NEST is aimed at **eligible jobholders** on moderate to low incomes, who do not have access to a good-quality **workplace pension**.
Non-eligible jobholder	Non-eligible jobholders are not eligible for automatic enrolment, although they can choose to 'opt in' to an **automatic enrolment scheme**. If they do, their employer must still make a contribution. They are **jobholders** who: are aged at least 16 and under 75; and earn above the lower earnings level of **qualifying earnings** but below the **earnings trigger for automatic enrolment**; or, are aged at least 16 but under 22, or between **State Pension age** and under 75; and earn above the **earnings trigger for automatic enrolment**.
Occupational pension	A pension scheme set up by an employer for the benefit of employees, with the employer making contributions to the scheme and generally meeting administrative costs. The scheme is provided via the employer, but takes the form of a trust arrangement and is legally separate from the employer. Types of occupational scheme include **defined benefit**, **defined contribution** and **hybrid** schemes.

Opt in	**Eligible jobholders** can choose to opt in to 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.
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.
PAYE	PAYE (Pay As You Earn) is the system that HMRC uses to collect Income Tax and National Insurance contributions from employees. They are deducted throughout the tax year based on the employees' earnings and then paid to HMRC.
Pay peference period	The frequency that income is paid to an employee, e.g. weekly or monthly.
Personal pension	A pension that is provided through a contract between an individual and a **pension provider**. The term generally comprises personal pensions, which are arranged by individual employees, and group personal pensions, access to which is facilitated by an employer.
Phasing	For **defined contribution** schemes, the gradual phasing-in of contribution levels until they reach the minimum level required by law. The total minimum contribution will remain at two per cent of the worker's salary until 30 September 2017. From October 2017, the minimum contribution rises to five per cent, and then rises again to a total of eight 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**.

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.
Qualifying earnings	In the context of the **workplace pension reforms** this refers to the part of an individuals' 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 pension scheme	A pension scheme that meets certain minimum standards set by legislation. There are different standards, depending on the type of scheme.
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 regulator information about the pension scheme they are using and how many people they have enrolled into it for automatic enrolment.
Staging	The staggered introduction of the new employer duties, from 2012, 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 **personal pension** scheme that complied with government regulations, which limited charges and allowed individuals flexibility about contributions, introduced in April 2001. These ceased to be mandatory after the **workplace pension reforms** were introduced.
State Pension age	The State Pension is currently paid to people who reach the State Pension age of 65 for men and 60 for women and who fulfil the conditions of the National Insurance contributions. At the time of fieldwork, legislation was in place to increase the State Pension age for women to 65 by 2020, and to 66 for both men and women by 2026.

The Pensions Regulator	The Pensions Regulator (TPR), 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** and how to comply with them. It uses a programme of targeted communications and a range of information to help employers understand what they need to do, and by when.
Trust-based pension	See **occupational pension**.
Waiting period	See **postponement**.
Worker	An employee, or a person who has a contract to provide work or services personally and is not undertaking the work as part of their own business.
Workplace pension	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 Act 2008 (and updated as part of the Pensions Act 2011): the measures include a duty on employers, starting in 2012 and on a rolling-programme basis, to automatically enrol all **eligible jobholders** into an **automatic enrolment pension scheme**.

Executive summary

This report provides the findings of a study commissioned by the Department for Work and Pensions (DWP), to evaluate employers' experiences of automatic enrolment. The research was designed to assess the impact of automatic enrolment on employers and their organisations. In particular, we sought to measure opt-out rates and understand their impact on pension scheme participation.

Background

Automatic enrolment is a response to some of the challenges facing the UK pensions system, and ultimately to the issue of millions of individuals in the UK not saving enough for their retirement. Once fully implemented in February 2018, DWP estimates that around 11 million workers will have been automatically enrolled into a workplace pension scheme.[4]

Between October 2012 and March 2013, just under 300 of the largest employers in the UK were required to introduce automatic enrolment, and assigned a month within this period as their 'staging date' by the regulator. This research was designed to evaluate the experiences of this group of employers, exploring the process of preparing for automatic enrolment; their approach to selecting a pension scheme to use for different types of worker; the procedural, administrative and communications challenges employers faced; and worker opt-out rates, the types of worker that opt out, and their reasons for opting out.

Employers' widespread use of postponement meant that the number who actually began to automatically enrol workers in the course of their staging month was often much lower than the number scheduled. Consequently, the timetable for research was extended by one month, to include the approximately 300 additional employers with April staging dates and thereby ensure that enough employers were included to allow detailed qualitative analysis. The research, therefore, reflects the experiences of employers with staging dates between October 2012 and April 2013.

Scope of the research

The research consisted of three strands:

- 50 qualitative depth interviews with employers who had staging dates during the first seven months of automatic enrolment. These included the largest UK employers, ranging in size from over 120,000 workers in October 2012, to 6,000 workers in April 2013. A small number of smaller employers, who had moved their staging date forward, were also included;
- administrative data provided by these employers, including details of their pension arrangements prior to automatic enrolment, and details of the numbers and types of workers who opted out after being automatically enrolled;

4 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

- qualitative depth interviews with 17 workers who had chosen to opt out of these employers' schemes following automatic enrolment.[5]

The employer organisations that took part were broadly representative of all organisations with staging dates in the months prior to April 2013, encompassing public sector, financial and other services, retail, leisure and manufacturing industries.

Key findings

The employer interviews indicated some key points of advice for others implementing automatic enrolment. These are discussed below, but can broadly be summarised as:

- beginning preparations far in advance of the staging date;
- including employee data cleansing in preparations, to avoid this task becoming a burden later;
- the need to avoid overburdening employees with information;
- keeping the approach simple, streamlining and simplifying processes and communications wherever possible;
- taking opportunities to learn from other employers.

Preparing for automatic enrolment

The employers included in this research consisted primarily of the largest workforces in the UK. As a result, their circumstances may be somewhat different to those of smaller employers that will need to begin automatic enrolment in the coming years. Nearly all of these employers already had some kind of pension provision in place prior to automatic enrolment, and nearly all had a dedicated pensions department, led by individuals with a great deal of specialist knowledge of pensions, including how government pension policy has evolved in recent years.

The vast majority of employers had started concrete preparations for automatic enrolment at least a year in advance; in some cases this was closer to two years. The task of implementing automatic enrolment for these organisations was expected to be a considerable one, which they typically approached as they would any government directive requiring systematic change: usually, preparations involved developing a strategy that would be signed off at board level, often including the setting up of an internal project team tasked specifically with translating this strategy into a full plan for implementation. The majority of employers nominated one person to be responsible for overseeing the implementation of automatic enrolment: normally this was a pensions director or pensions manager.

To varying degrees, the announcement of automatic enrolment sometimes prompted pension managers to think more broadly about the company's wider provision of pensions and other benefits: sometimes a formal reassessment was carried out in regard to the existing pension provision or employee benefits strategy. Indeed, occasionally employers introduced a flexible benefits package at the same time as rolling out automatic enrolment.

5 DWP will publish a separate report in late 2013 with findings from all 50 interviews with workers from these organisations. It will include the 17 interviews already completed and used in this report.

Employers' preparations generally involved various teams, who invested a lot of staff hours over the 12- to 18-month period running up to their staging date. Support came from the following departments in particular:

- pensions;
- Human Resources (HR);
- payroll;
- Information Technology (IT);
- marketing/communications;
- external advisers, including employee benefits consultants (EBCs) and legal advisers.

While the quantity of internal resource was estimated and planned for in advance, many employers found it difficult to anticipate the full range of issues that would occur during the course of their preparations, as well as the degree of burden that would be involved in implementation. We explore both of these issues later in this summary.

Selecting a pension scheme

Since nearly all employers had pension provision already in place for at least some workers, a natural starting point in selecting a pension provider was to look at their existing pension scheme or schemes and assess the viability of extending these to the new population who were to be automatically enrolled.

For some employers, there were divisions between different worker populations: for example, some employers had only made a pension available to a minority of office-based workers before automatic enrolment, and now had to provide a pension for a larger population of manual workers. In such cases, employers generally decided from the outset that they wanted to find a pension solution for the new population that would be relatively quick and cheap to set up and administer.

While most employers remained with their current provider when automatically enrolling a new population of workers, some did consider other providers, in particular the new, low-cost pension solutions entering the market at the time (National Employment Savings Trust (NEST), Now Pensions or the People's Pension).

The vast majority of employers chose to enrol only eligible jobholders, as per the requirements of the reforms, although a small minority of employers chose to automatically enrol other groups of workers. Most of these employers were either working in financial services, typically covering the entire contribution themselves; or the public sector, where contractual enrolment is used.[6]

Where employers were automatically enrolling new groups of workers for the first time, the majority had decided to set their default contributions at the minimum level required under the reforms; in other words, a one per cent contribution by the worker matched by a one per cent employer contribution. However, the vast majority of schemes in place before automatic enrolment also offered higher levels of 'matched' contributions on these schemes, if the

[6] Contractual enrolment entails enrolling a worker into a pension scheme as part of their employment contract. In contractual enrolment, the worker is considered to have consented to being enrolled into the scheme, insofar as they have signed this contract.

worker also chose to contribute more. Employers usually maintained the offer of matched contributions when these schemes started to be used for automatic enrolment.

Use of postponement

Just under half of the employers interviewed had used postponement (also known as a waiting period), more commonly in the private sector than in the public sector. They cited a number of reasons for this decision. For those with large workforces not previously enrolled in a workplace pension, the cost of ongoing employer contributions was sometimes substantial enough for them to want to delay taking on that cost for as long as possible.

Another common reason for using postponement was to avoid enrolling workers who might not stay with that employer for long, for example casual, short-term or transient workers.

In other cases, employers simply sought some extra breathing space to tackle the scale and complexity of the tasks involved.

Impact of automatic enrolment on pension scheme participation

In order to capture and monitor opt-out rates, the research team invited employers to share detailed information about their pension schemes before and after automatic enrolment. In the end, 42 out of the total 50 employers who took part in this research were able to respond to our detailed data request. Their data represented a combined total workforce of 1.9 million workers.

Of these workers, 61 per cent were already participating in a pension scheme before automatic enrolment came into force. About a quarter, or 24 per cent, were automatically enrolled – this represents about 460,000 individuals. The remaining 15 per cent included groups of workers that employers reported as not being eligible for automatic enrolment, or who could not be categorised for the research by the employer.

Across the 42 employers in the study who were able to provide data, the overall opt-out rate was nine per cent in the first month after automatic enrolment began. There was some variation in opt-out rates, which ranged from five per cent to 15 per cent across the majority of employers. As a result of automatic enrolment, pension scheme participation rates increased from 61 per cent to 83 per cent overall.

A major factor in determining variations in opt-out rates was the use of contractual enrolment before automatic enrolment began. Under contractual enrolment, workers automatically become a member of the organisation’s pension scheme as part of their employment contract, unless they opt out. The 23 employers who already contractually enrolled workers reported higher scheme participation rates before automatic enrolment: 90 per cent on average. A further seven per cent were automatically enrolled, with the remainder not eligible for automatic enrolment. It is likely that at least some of those enrolled had already decided against joining, or opted out of, their employer’s pension scheme in the past. This may explain the relatively high opt-out rate of 16 per cent that was reported by this group of employers. The overall impact of automatic enrolment on participation rates was, therefore, smaller: an increase from 90 per cent to 96 per cent on average.

Across the remaining 19 employers where contractual enrolment had not been in place, participation rates before automatic enrolment were lower: 36 per cent. The proportion of eligible jobholders to be automatically enrolled was, therefore, higher within this group: 38 per cent. Here, the opt-out rate was eight per cent. The impact of automatic enrolment on pension scheme participation rates was, therefore, substantial, and it increased from 36 per cent to 71 per cent across these employers.

Many employers reported having been surprised initially that these opt-out rates turned out to be lower than they had expected. Many employers explained that they had braced themselves for large volumes of workers deciding to opt out, but that this did not materialise to the extent that they had expected. Some of these employers also commented that the total cost to them of employer contributions was consequently higher than anticipated.

A minority of employers was also able to provide us with monthly data on how many members – that is, eligible jobholders who had been automatically enrolled – ceased active membership after the end of the opt-out period. Typically, the 'ceasing active membership' rate was around one-fifth of the observed opt-out rate. This meant that a typical eight per cent opt-out rate after the first month might increase to a total of ten per cent of eligible jobholders leaving the scheme by the end of the third month, before levelling off.

Factors influencing opt-out rates

The primary demographic characteristic that appeared to have a consistent impact on opt-out rates was age. More specifically, the data indicated that opt-out rates were highest among the 50+ age group, who were between 1.25 times and twice as likely as other age cohorts to opt out.

Other characteristics, such as income, level of employer contribution and part-time or full-time status did not have a consistent impact on opt-out rates. Individual circumstances appeared to have a far greater influence. These included:

- individual financial constraints and concerns over the affordability of contributions, due, for example, to supporting a family, paying a mortgage, or servicing debt. This applied to individuals across all ages, gender and salary bands;
- issues around particular career paths and/or plans, particularly where workers knew they would work for their current employer only a little while longer, and did not feel it was worth starting a pension shortly before leaving;
- the age or lifestage of workers, particularly among older workers, who felt that retirement was already too close to start a long-term pension savings plan;
- the existence of alternative retirement provision.

Challenges in implementing automatic enrolment

Many employers' existing data systems and processes were not, initially, set up to cope with the requirements of automatic enrolment. They, therefore, needed to respond to this challenge by developing effective data management systems to manage large and complex processes such as worker assessments. Some also needed to develop interfaces that allowed seamless data flows between the relevant parties and databases, for example, between internal payroll and HR operations, and external pension providers. Indeed, many employers reported that they did not think of implementing automatic enrolment as a 'pensions issue', but rather a payroll, data processing and administrative project.

The scale and complexity of these data challenges meant that employers had to mobilise considerable internal resource in order to prepare their systems for implementation. Where employers had outsourced the development of new data systems to an external provider, they often highlighted the amount of effort they had needed to put in themselves, in order to arrive at a final product. Some of those with the earliest staging dates complained of a lack of collaboration between pension providers, payroll providers and intermediaries in the early parts of the implementation process.

Commonly reported procedural issues included, firstly, the compatibility of data formats or system interfaces, since implementing automatic enrolment typically involved transferring data between a variety of internal departments and external providers. Secondly, many employers found the process of assessing whether workers were eligible for automatic enrolment or not a major challenge – particularly where the employer had large numbers of transient workers or workers with fluctuating earnings patterns. For example, some employers reported problems with missing or outdated information in their staff databases, e.g. gender information, which made it impossible to calculate the State Pension age (SPA) for individual workers.

Information sources used by employers

All employers reported that they had consulted the official detailed guidance issued by the regulator in preparing for automatic enrolment. While employer feedback on the guidance was generally positive, the research did indicate a number of areas in the legislation that some employers found to be unclear or ambiguous.

When employers encountered elements that they found unclear, they typically contacted the regulator's helpline to ask for more information or to double-check whether their suggested approach would be compliant with the legislation.

Sometimes, employers reported having to make their own judgement about how best to comply with the spirit of the legislation. Some approached this by documenting every decision, so as to be able to demonstrate that they had undertaken all reasonable efforts to ensure compliance. Others responded to perceived instances of regulatory ambiguity by logging every decision directly with the regulator to pre-empt any possible questions about non-compliance.

The full range of information sources drawn upon varied between employers, but typically also included their lawyers and current pension provider. Many employers also attended conferences, seminars or workshops run by EBCs or other industry stakeholders such as payroll providers. Those employers who were already clients of an EBC or a payroll or software provider also consulted with these providers as part of their preparations.

Most employers also read to varying degrees about automatic enrolment in specialist pensions or employee benefits-related publications, or in more mainstream ones. A minority of employers also consulted the DWP website. A few reported sharing knowledge about automatic enrolment among similar organisations, through formal or informal networking within their industry sector.

Communicating automatic enrolment to workers

Most of the employers in this study had adopted a systematic approach to developing a worker communications strategy. Most began drawing up their communications plans many months before their staging date.

Some employers decided to launch a comprehensive multi-media communications campaign to inform their workers about automatic enrolment, usually applying their house style and branding to any communications materials in order to support the information drive. They tended to stagger communications in such a way that workers would receive a regular flow of information over a prolonged period of time. These included:

- information on the company intranet, including text and audio-visual elements such as short videos, which allowed staff to read basic information about automatic enrolment, with links to further detailed information provided by the regulator or DWP[7];
- printed materials such as fact sheets or brochures;
- staff newsletters and posters in communal staff areas helping to raise general awareness of automatic enrolment;
- staff workshops, seminars, and face-to-face briefings with HR managers, providing in-depth information and allowing staff to ask questions and receive clarification on any queries;
- letters, emails, and payslip messages imparting tailored information to specific groups of workers at particular points.

Other employers adopted a more restrained, low-profile communications approach. This was typically the case among those employers where large proportions of workers already had a workplace pension. Information was kept low-key, for example, limited to just one email or putting a notice on payslips or annual pension statements, and was often timed relatively close to the staging date.

All employers considered the various letter templates on the regulator’s website for their worker communications. Employers often regarded these templates as a ‘safety net’ to ensure that their communications were compliant with the legislation.

Overall, most employers were satisfied that their communications campaigns had achieved what they set out to do, i.e. inform workers about automatic enrolment without confusing them with too much technical detail. In particular, many employers had anticipated large volumes of queries immediately after implementation, when workers received their first official letters: in fact they tended to report very low numbers of queries, with most of these being relatively easy to process.

Having said this, some employers found complying with all the communication requirements of automatic enrolment to be a challenge. Ensuring compliance often meant that substantial resources had to be mobilised in order to plan and implement a communications strategy, to address the various complex rules and exceptions for the timing and customisation of messages to individual worker categories, and also to pay for large volumes of letters to be sent out by post, where this was necessary.

[7] Information for workers about automatic enrolment can be found on the gov.uk website at: https://www.gov.uk/workplace-pensions

Next steps: registration and ongoing duties

Once employers have implemented automatic enrolment they are required to tell the regulator how they have ensured compliance with their duties. This process is known as registration. Some of the employers who participated in this research had already completed registration, and in most cases employers found it fairly easy, both to compile the information required and to complete the registration process itself. Virtually all employers expected that the ongoing administration of their automatic enrolment schemes would require relatively little work, compared to the often substantial efforts they had to undertake prior to staging. Being very large organisations, most of these employers tended to feel confident that they had the expertise and the resources to cope in the future.

This said, some employers reported that the ongoing administration of their automatic enrolment schemes would still be a substantial challenge. This was especially the case among employers such as retailers, hospitality businesses and employment agencies, many of whom employed a transient workforce, or whose workers had fluctuating earnings. Ongoing administration could also become a burden for employers when they had to identify and process large numbers of new staff on a regular basis, for example companies who employed large numbers of casual workers to cope with peak times, such as Christmas, Easter or other busy holiday periods.

1 Introduction

This report gives the findings from a qualitative research study to evaluate employers' experiences of automatic enrolment. The research was designed to assess the impact of automatic enrolment on employers and their organisations. In particular, it sought to understand opt-out rates and their consequent effect upon pension scheme participation. This chapter provides context for the research and describes the methodology used.

1.1 Background

Automatic enrolment is a response to some of the key challenges facing the UK pensions system, and ultimately to the issue of millions of individuals in the UK not saving enough for their retirement. Once fully implemented, automatic enrolment is intended to increase the number of individuals newly saving – or saving more – in a workplace pension by around 8 million, within a range of six to nine million. The Department for Work and Pensions (DWP) estimates that by the end of staging in February 2018, around 11 million workers will have been automatically enrolled into a workplace pension scheme.[8]

The workplace pension reforms will require employers to automatically enrol all eligible workers[9] aged between 22 and State Pension age (SPA) into a workplace pension scheme. The worker is able to choose to 'opt out': that is, to leave the scheme within one month of being automatically enrolled. The new employer duties are being introduced between October 2012 and February 2018, with the largest organisations, those employing 120,000 or more people, implementing automatic enrolment first.

Up to the end of September 2017, employers with a defined contribution workplace pension scheme must contribute a minimum of one per cent of the salary of each worker who is automatically enrolled, as part of a total minimum contribution of two per cent of their salary.[10] In 2013/14 these percentages apply to a band of earnings that comprises everything between £5,668 and £41,450 per year. The different employer and employee contributions at the employers included in this research will be discussed at greater length in Section 3.2 of this report.

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8 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

9 Workers will be eligible if they are at least 22 and under SPA, and earn over £9,440 per year (in 2013/14 terms). This is known as the 'earnings trigger'. In 2012, the earnings trigger was £8,105.

10 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. See DWP (2012). *Automatic enrolment earnings thresholds review*. At: https://www.gov.uk/government/consultations/automatic-enrolment-earnings-thresholds-review

The reforms represent the most significant change to the pensions landscape in recent years. The government hopes that automatic enrolment will be successful in overcoming individuals' inertia in saving for retirement, and that once fully implemented, it will transform the culture of pension saving.

1.2 Research objectives

The overall aim of this study was to evaluate the experiences of employers who implemented automatic enrolment in the first six months (October 2012 to March 2013) with a particular focus on measuring opt-out rates.

Employers may choose to delay automatically enrolling eligible workers for a period of their choice, by up to three months. This is referred to as 'postponement' in the regulator's detailed guidance[11] and is also sometimes referred to as a 'waiting period'. Employers' widespread use of postponement meant that the number who actually began to automatically enrol workers in the course of their staging month was often much lower than the number scheduled. In many cases, the RS Consulting project team had to wait three months and then re-contact the employer about taking part in the research. Consequently, the timetable was extended by one month to include employers with April staging dates, which in turn ensured that enough employers were included to allow detailed qualitative analysis. The research, therefore, reflects the experiences of employers with staging dates between October 2012 and April 2013.

Specifically, the research was designed to:

- explore employers' choices and behaviour in introducing automatic enrolment, and the influences of these choices and behaviours;
- understand the information sources that employers have accessed in relation to the reforms, the role this information has played, and its influence on organisations' approach to implementation;
- collect and analyse employers' administrative data, capturing the numbers of workers choosing to opt out of their employers' workplace pension scheme after being automatically enrolled, and their characteristics;
- understand employers' views on opt-outs, exploring, for example, their reactions to the number of opt-outs they have received, and the contextual insights they are able to provide;
- understand the type and degree of burden that employers have experienced in fulfilling their responsibilities. The research focused in particular on specific issues that made complying with the reforms problematic for employers;
- explore the costs that employers have borne in relation to automatic enrolment;
- understand employers' awareness of the regulator, both as a source of information, and as an enforcement body;
- explore employers' understanding of, and responses to, messages from government about pension saving, financial planning for later life, and working later into life.

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[11] The regulator's detailed guidance for employers is available at: http://www.thepensionsregulator.gov.uk/employers/detailed-guidance.aspx

1.3 Policy objectives

By addressing the research questions we identified in Section 1.2, the research aims to support DWP in creating policy that succeeds in its objectives of changing retirement savings behaviour. The results of this study are designed to feed into discussions around the success of automatic enrolment in increasing the number of individuals saving for retirement, taking into consideration:

- the potential level of opt-out once automatic enrolment has become an established part of the workplace pensions landscape;
- potential opt-out levels that will be observed as smaller employers begin to implement automatic enrolment.

The research was also designed to inform discussions around areas for policy development by understanding employers' decision-making around automatic enrolment, and learning from the experiences of the processes (physical, technical and guidance-related) they went through.

Section 1.4 describes the research methodology used with these objectives in mind.

1.4 Research methodology

The research consisted of three strands:

- 50 qualitative depth interviews with employers, conducted with at least one person in a senior position who had overseen the implementation of automatic enrolment;
- administrative data provided by these employers, including details of their pension arrangements prior to automatic enrolment, and details of the numbers and types of workers who opted out after being automatically enrolled;
- qualitative depth interviews with 17 workers who had chosen to opt out of these employers' schemes following automatic enrolment.[12]

This research was qualitative in nature, and its findings should not, therefore, be generalised or extrapolated to the wider population. While employers are discussed individually where their experiences illustrate commonalities, or where they are particularly interesting, the analysis is not based upon a statistically robust number of employers. In particular, our findings are only reflective of the very first employers to go through automatic enrolment, almost all of which are very large, with at least 6,000 workers. The findings cannot be applied to the whole population of employers, particularly as medium and smaller employers may well have very different characteristics from larger employers, for example lower pension scheme participation rates and less in-house pensions expertise, and so their experiences of automatic enrolment are likely to be very different. We will explore this further in Chapter 10.

The methodology is described in detail in the following sections.

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[12] DWP will publish a separate report in late 2013 with findings from all 50 interviews with workers from these organisations. It will include the 17 interviews already completed and used in this report.

1.4.1 Sampling approach and initial contact with employers

The regulator provided the research team with a list of all organisations with staging dates during the first seven months of automatic enrolment. This included the largest employers, ranging in size from 120,000 workers in October 2012, to 6,000 in April 2013, with employers' staging dates noted individually. Where available, the sample list included a named contact for each employer, together with their contact details. Where contact details could not be provided, the research team sourced these via desk research.

The research team was successful in making contact with the main pensions decision-maker at around 200 of the employers on the sample list. In the majority of cases, initial contact was by telephone, with the researcher using scripted questions to identify the correct contact, where this was necessary, and to ensure other key details were captured – for example, whether the employer planned to use postponement.[13] The researcher explained the purpose of the call, and what participation would entail. Provided the employer contact was prepared to consider being involved, we then sent a letter from DWP to confirm the details of the research[14], and asked them to complete a profiling document to provide details of their pension arrangements at the point immediately before they had introduced automatic enrolment.[15]

It was typical for this preliminary stage of participation to involve several telephone calls, or a combination of calls and emails:

- often, the named employer contact was not available immediately;
- in some cases, the contact named in the sample list had delegated day-to-day responsibility for implementing automatic enrolment to a colleague, or, conversely, only had responsibility for specific elements of the project. In these cases, it was usual for the employer contact to seek colleagues' approval before agreeing to take part;
- some employers used postponement: around half of the 50 we interviewed had done so. In these cases, we noted the employer's plans and made arrangements to re-contact them shortly after the employer had begun automatically enrolling workers. Section 2.6 discusses employers' use of postponement in more detail;
- a few employers explained that they were extremely busy with implementation but would be happy to discuss participation at a slightly later date. Again, in these cases we agreed a suitable time to call employers back and discuss the research again.

The research team took care to communicate our willingness to be flexible about employers' participation in the research. For example, it was made clear that inability to provide opt-out data broken down in the way we requested should not preclude taking part, and that any information they were able to provide would be useful to us. In practice, most were able to provide some level of opt-out data, typically by completing our data template, or in a number of cases by providing more limited headline figures about opt-out rates. Some employers were happy to arrange for interviews with workers to take place, and did so, while others explained that this was not practical for their organisation, or preferred not to participate in this part of the research in case workers thought their decision to opt out was being questioned.

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[13] The screening questionnaire can be found in Section A.1.

[14] The letter sent to employers can be found in Section A.2.

[15] The employer profiler can be found in Section A.3.

We aimed to include employers from the full range of sectors and industries in the research. We also included enough employers with each different staging date to allow broad comparisons, i.e. to compare employers beginning automatic enrolment earlier with those beginning it later. In practice, this meant securing the participation of a higher proportion of those employers staging early on, and a somewhat lower proportion of those with later staging dates.

The sector split and profile of the 50 employers who took part in depth interviews is summarised in Section 1.5.

1.4.2 Employer profiling data

Employers who agreed to take part in the research were asked to complete a profiling questionnaire, which provided the research team with some basic information about that organisation, including:

- their sector and exact size;
- details of the workforce and how it broke down: the gender split, age breakdown, salary bracket, and whether full- or part-time workers;
- details of pension schemes in place at that employer immediately before the introduction of automatic enrolment: the scheme type, level of membership, details of employer and worker contributions, indication of schemes that would be used in automatic enrolment;
- key elements in the employer's plans for automatic enrolment, such as whether postponement would be used, and changes that were planned as a result of the reforms.

1.4.3 Qualitative depth interviews with employers

The project team carried out 50 employer interviews between October 2012 and June 2013. With the exception of two interviews carried out by telephone, these were conducted face to face, on-site at the employer's premises. Interviews lasted approximately 60 minutes. The number and role of interviewees depended on the employer's structure and, to some extent, their preference. Many interviews were carried out with one employer contact, who had overseen the whole process of preparation and implementation. In some cases two or more contacts, for example, the pensions director and a member of the employee benefits team contributed at the interview.

A qualitative approach allowed the research team to question employers and workers in a flexible and nuanced way, focusing, as appropriate, on the most important aspects of individual views and experiences, and probing to understand everything that was said. Carrying out the employer interviews face-to-face was important in building rapport, which in turn helped to encourage interviewees to speak openly about their experiences, and provide us with monthly opt-out data.

Interviewers used a discussion guide to ensure that the objectives outlined in Section 1.2 were addressed.[16] In essence, the interviews allowed us to understand:

- where pensions sit, relative to other benefits that employers provide, and how the employer viewed their role when it came to pension provision;

[16] The employer discussion guide can be found in Section A.4.

- specifically, whether the employer had offered a pension scheme to workers before automatic enrolment;
- how the employer had gone about preparing for automatic enrolment: which people, what processes and what sources of information had been involved, and the extent to which pensions arrangements had changed as a result of automatic enrolment;
- decisions the employer had made during preparations, and what had influenced these – including the scheme being used for automatic enrolment and the contribution levels they had decided on;
- how the employer had gone about communicating the reforms, automatic enrolment itself, and the opt-out process to workers, and why they had taken their chosen approach;
- the impact that the reforms were having to date, and the employer's perspective on the extent of opt-outs experienced;
- the degree of burden that the employer faced, in complying with the requirements of the reforms – for example allocation of internal resource, financial outlays, and ongoing costs associated with automatic enrolment;
- employers' key learnings, in light of completing the implementation process, and advice they would offer to employers staging in in the future.

Interviews were audio-recorded where the employers agreed to this, and anonymised transcripts of these were created for use in analysis. The recordings will be destroyed at the end of the research study.

1.4.4 Worker opt-out data

All employers were asked to provide opt-out data for each month after beginning automatic enrolment, with the research team providing any necessary guidance.

All employers who agreed to provide opt-out data were asked to complete a template at the end of each month after automatic enrolment began.[17] Each month, employers were asked to provide the following information in the template:

- the number of workers who had been automatically enrolled in the course of that month;
- the number who had opted in during the same period;
- the number who had opted out during the opt-out period (having been enrolled up to one month previously);
- the number who had ceased to be a member of the scheme after the end of the opt-out period (i.e. having been automatically enrolled more than a month previously).

As well as a headline count of workers who came into each of these categories, we asked employers to break down the totals in the same way as they had split their total numbers in the profiling questionnaire:

- gender;
- age bracket (under 30; 30-49; 50 and above);

[17] The opt-out data template can be found in Section A.5.

- whether workers were part-time (working fewer than 30 hours per week) or full-time (working 30 hours per week or more);
- annual salary (below £20,000; between £20,000 and £39,999; £40,000 and above)

In total, 42 employers were able to provide at least headline opt-out data at the end of their first month with automatic enrolment in place. These 42 represented around 1.9 million workers. Chapter 4 discusses the research findings from the opt-out data we collected.

1.4.5 Qualitative depth interviews with workers who have opted out

Where practical, and where they were willing to, employer contacts arranged for the research team to carry out depth interviews with workers who had opted out or ceased scheme membership after being automatically enrolled. The number of workers participating in these interviews was lower than anticipated for a number of reasons:

- many employers preferred not to agree to this element of the research, not wanting to do anything that could be interpreted as questioning their workers' choice to opt out or cease active scheme membership after being automatically enrolled;
- some employers explained that it was not practical for them to arrange worker interviews: for example, in organisations where many workers did not have company email addresses, or where they were not office-based, or were spread across a large number of sites;
- a few employers were willing to arrange worker interviews, and invited those who had opted out or ceased active membership to take part in an interview, but no workers wanted to.

At the time of writing this report, the findings drew on 17 interviews with workers who had opted out following automatic enrolment. All 50 worker interviews will form part of a separate DWP research report, to be published later in 2013.

Worker interviews lasted up to 30 minutes, and could be convened by the employer in several different ways:

- on-site, at the same point as the employer interview, in a private place where the conversation could not be overheard;
- where the employer interview had been arranged relatively quickly, worker interviews were conducted on a date after the employer interview, when employers had invited workers to take part in the research and received some interest.

It was made clear to workers that nothing they said would be shared with their employer, and that they would remain completely anonymous. All of the workers interviewed in this element of the study had opted out within the one-month opt-out period, rather than ceasing active membership of the scheme they had been enrolled into after the opt-out period had ended.

As with the employer depth interviews, worker interviews were audio-recorded and later transcribed in full.[18]

[18] The invitation letter sent to employees and the employee interview discussion guide can be found in Sections A.6 and A.7 respectively.

1.5 Profile of participating employers

The 50 employers were located around the UK, and from a range of industry sectors. The sector split is shown in Table 1.1:

Table 1.1 Employer sector split

Sector	Number of employers	Typical examples
Public sector	13	Local authorities, central government
Other services	12	Utilities, telecoms, logistics providers
Financial services	11	Banks, insurance providers
Retailers	6	Supermarkets, national retail chains
Leisure	5	Hospitality, bookmakers
Manufacturing	3	Defence, automotive manufacturing

Participating employers' staging months ranged from October 2012 to April 2013. Several employers who took part – in both the public and private sectors, and including some small companies – had chosen to bring their staging date forward, and were thus included in the research on the basis that they were now introducing automatic enrolment within the research period.

Table 1.2 shows the number of employers with staging dates in each month, and the number of interviews carried out with employers in each cohort. The totals include a small number of employers who brought their staging date forward, some of whom were much smaller than the employers who were allocated the first day of that month as their staging date by the regulator.

Table 1.2 Employers' staging dates by month and number of interviews carried out

Anticipated staging month	Size of employers allocated staging dates	Number of employers due to be staged in	Number of employers participating in interviews
October	120,000+	11	9
November	50,000-119,999	18	11
December	None		
January	30,000-49,999	29	11
February	20,000-29,999	41	7
March	10,000-19,999	179	5
April	6,000-9,999	46	7

Source: Number of employers due to be staged in supplied by the regulator.

2 Employers' experiences of preparing for automatic enrolment

This chapter examines the first responses by employers to being informed about the pension reforms and learning their staging date. It explores the earliest decisions that were made in terms of planning a strategy, mobilising resources and assessing any existing pension provision. It also examines the overall financial cost of implementing automatic enrolment, and the decisions that were made in terms of whether and how to use postponement.

2.1 Deciding how to approach automatic enrolment

The employers included in this research were taken from a sample consisting of the first employers to begin automatic enrolment over a period covering October 2012 up to April 2013. With a small number of exceptions, they consist of some of the largest workforces in the UK. Consequently, the majority of employers we interviewed found that their size gave them a number of advantages in preparing for automatic enrolment.

Nearly all of the organisations included in this research had a dedicated pensions department, and the decision-makers we interviewed had specialist knowledge of pensions, and often of pension policy as well. While their job titles varied, their responsibilities broadly corresponded to those of a pensions director or pensions manager. The majority had a broad awareness of how government pension policy has evolved in recent years and 'saw this coming' well before the reforms began.

Nearly all of these employers also already had some kind of pension provision in place, and can be broadly characterised as having more resources (in terms of budget, expertise, systems and procedures) than smaller organisations. In this sense, these employers were already to some degree 'prepared' ahead of beginning any concrete preparations.

> *'We started two years ago. We are very proactive in terms of looking at legislation … So from the moment the consultation came out we knew this was coming, so we had to think about it and payroll and admin. We did try to front-load the process and get a lot in place.'*
>
> (Financial services)

The vast majority had started concrete preparations for automatic enrolment at least a year in advance; in some cases this extended to closer to two years. Their first response to any government directive requiring systematic change tended to be to develop a strategy that would be signed off at board director level. The board would approve the kind of pension scheme that the pensions director recommended setting up for those who would be automatically enrolled. They would then appoint an internal project team tasked specifically with translating this strategy into a full plan for implementation.

The majority of employers relied predominantly on existing managers to oversee the implementation of automatic enrolment. A few hired a project manager from outside to oversee this specific project, and in one or two cases this manager was now expected to stay on, to deal with other, similar projects.

To varying degrees, the announcement of automatic enrolment also sometimes prompted pension managers to think more broadly about their company's provision of pensions and other benefits. In a minority of cases, a formal reassessment was carried out in regard to the existing pension provision, or sometimes even the overall benefits strategy. For a small minority of employers, this led to a revamp of other employee benefits: for example, one or two companies introduced a flexible benefits package at the same time as rolling out automatic enrolment. In one or two exceptional cases, the company switched back to offering a defined benefit (DB) scheme after having offered only a defined contribution (DC) scheme to new entrants for some years.

Case study: Planning how to approach automatic enrolment

A large employer in the services sector described their preparations for automatic enrolment as *'a very lengthy process'*. They had a range of historic DB schemes, partly due to a number of acquisitions, and one DC scheme which was set up relatively recently. When they were given their staging date, an internal project team was appointed two years in advance.

'What we did was form a working party with representatives from the in-house pensions team, Human Resources [HR] *team, payroll, business solutions, bringing in external administrators as and when appropriate.'*

The employer was focused from the outset on the cost implications of different employee benefit strategies. One of the project team's first tasks was assessing the potential cost of different schemes.

Eighteen months in advance, they ran a workshop with their external HR (HR) and payroll provider to assess what kind of processes they would have to develop. An actuarial consultant was then appointed to project manage the company's approach to automatic enrolment, interpreting the regulations and advising on how other organisations were approaching automatic enrolment.

2.2 Allocating internal resources and processes

Employers' preparations typically involved various internal teams, who invested a lot of staff hours over the 12- to 18-month period running up to their staging date. While the quantity of internal resource was estimated and planned for in advance, many employers found it difficult to anticipate the full range of issues that would occur in the course of their preparations. Nearly all employers therefore had a general plan in advance for who would be involved, and at what stage, but sometimes did not foresee the degree of burden that would be placed upon certain colleagues.

Many employers reported that they did not fully anticipate the volume of internal staff-hours, or the complexity of some tasks, that would arise in the course of their preparations. These unanticipated needs tended to arise most noticeably at three points: firstly, when the employer was consulting with lawyers to ensure their procedures would be compliant; secondly, when developing payroll systems and Information Technology (IT) processes that could effectively identify and process the different categories of workers; and thirdly, when developing and sending out communications. These difficulties will be discussed in further detail in Chapters 5, 6 and 7.

> *'Making sure that we had a robust system solution that could cover every eventuality. So conceiving it, developing it, testing it. It took a lot of time and then the communications – because we had to communicate so much in so many different ways …. Those two combined probably took up about two-thirds of all the project time.'*
>
> (Retail)

The majority of employers did not measure the specific amount of internal resource that was allocated to implementing automatic enrolment. Some provided us with an estimate, which varied widely according to the scale of the task in their particular organisation – mostly according to the size of the population to be automatically enrolled, and any other relevant features of this population, such as a disproportionate number of transient workers or differing pay cycles.

> *'I couldn't actually quantify how much. But we were having fortnightly project meetings which lasted about 20 minutes, half an hour, just to make sure everything was on track. So if you have got five people … that's two hours a fortnight.'*
>
> (Services sector)

Only a small number of employers hired a project manager specifically to handle the implementation of automatic enrolment. Furthermore, almost none of these employers specifically mentioned having to hire additional staff elsewhere in their organisation to handle the additional workload generated by implementation. The majority of these employers were relatively sanguine or resigned about having to incorporate this project into the day-to-day jobs of existing staff: they generally had a large proportion of the required expertise already represented by staff on their payroll, and they understood that automatic enrolment was a legal requirement with which they had to comply. However, a small number did report that the extent of staff input required, or the complexity of the changes being implemented, meant that other internal projects had been deprioritised as a result.

2.2.1 The project manager

The majority of employers nominated one person to be responsible for overseeing the implementation of automatic enrolment. This person was normally a pensions director or pensions manager. A minority had two people who were jointly responsible – usually one more senior person who was responsible for signing off key decisions, and one slightly less senior, who was responsible for the day-to-day running of the implementation process.

This 'project manager' would be responsible for managing both the internal and external parties involved in implementation, and for holding them to their respective deadlines. Due to their central role in co-ordinating the participation of other people, most of these project managers estimated the amount of time they spent on implementing automatic enrolment to be substantially higher than that spent by most of their colleagues.

> *'It's so diverse and there are so many ongoing queries. You are dealing with so many lawyers all the time and consultants that it is impossible to say. I have probably spent 50 per cent of my time over the last 18 months dealing with this, so I can't be more specific.'*
>
> (Retail)

2.2.2 The pensions department

Almost all of the project managers we interviewed were members of a larger pensions department within their organisation, and as a general rule they mobilised colleagues in their department to help them with tasks that required any degree of pensions expertise.

The first of these tasks usually involved a considerable amount of time allocated to desk research. The majority of project managers felt duty-bound themselves to read the regulator's guidance, in order to understand the full conditions for compliance. However, the volume of this guidance meant that some also asked colleagues in their department to read these materials as well as, or instead of them.

Many employers sent other members of the pensions department, with or without their head of department, to seminars and conferences on the topic of automatic enrolment. These events were usually run by benefits consultants, and were generally felt to be a useful tool in helping to prepare for automatic enrolment. Part of the value of events such as these lay in their potential to provide networking opportunities with people in parallel job roles who were also responsible for implementing automatic enrolment and often had similar queries or concerns.

Those employers that carried out a formal reassessment of any existing pension provision or the organisation's wider benefits strategy also deployed members of the pensions department to these tasks. A minority of employers took the imminent arrival of automatic enrolment as an opportunity to run a drive encouraging more workers to sign up to their pension scheme. These were more paternalistic employers, whose aim was sometimes to encourage their workers to take advantage of the relatively generous terms of a long-standing scheme.

The efforts that the pensions departments in this research went to as they prepared for automatic enrolment would not necessarily need to be matched by smaller employers. As unusually large organisations, the majority of the employers we spoke to had large and varied workforces, working for different divisions, on a variety of contracts and spread over many different premises. Typically, this heterogeneity had consequences for the pensions policy they would devise and the overall approach they would take to implementation. While smaller employers may not employ pensions specialists, their preparations may also be more straightforward, with fewer and more complex obstacles to overcome than may be faced by larger employers.

The pensions department was also responsible for drafting the communications that would be sent out to different parts of the workforce. At a minimum, they would fulfil the employer's legal obligation of informing workers that they had been automatically enrolled into a pension scheme and the terms of that scheme. Some employers worked more closely with the regulator's guidance, lifting or adapting other phrases to suit their practical situation or house style. Several employers also mentioned testing the draft version of communications with internal audiences who were not experts in pensions, to ensure that the language was pitched at a comprehensible and engaging level. The different approaches taken to worker communications will be discussed in greater detail in Chapter 7.

2.2.3 The HR and payroll departments

Where contractual enrolment into a company pension was already in place, employers usually informed workers that they would be enrolled as part of their induction at the organisation. Likewise, employers who did not have contractual enrolment in place for some or all of their workers realised early on that these workers would at least have to be made aware at the point of joining their company that they would soon be automatically enrolled. This meant that the HR department would play an integral role in developing and applying new procedures for workers joining or leaving the company.

> *'It's not a pension issue. It's an HR and payroll issue; a process and systems issue.'*
>
> (Financial services)

The HR or payroll department (the latter where a separate payroll department existed) was typically tasked with identifying eligible jobholders, non-eligible jobholders and entitled workers. This involved assessing the existing payroll system and whether it was able to identify the age, earnings and contractual status of each worker and categorise them accordingly.

Even those employers who had decided to enrol both eligible and non-eligible workers via contractual enrolment still had to go through a process of identifying different categories of workers among their workforce as, at a minimum, they needed to exclude those workers who were on temporary contracts or based abroad. Where databases were relatively up to date and held comprehensive information on workers, the process of categorising different populations was relatively automatic, but many employers also found at least a few errors or missing fields in their databases at this point which had to be corrected manually. For example, one employer found that their system did not identify non-permanent workers, while another found that their payroll included people employed by offshore companies. We explore these issues further in Section 6.3.

The payroll department was usually responsible for processing those workers who opt out of automatic enrolment. In parallel, it was also responsible for processing any non-eligible workers who want to opt in to the pension scheme. For those workers who remained in the pension scheme or who opted in, the payroll department also processed contributions and liaised with the pension provider – both to transfer all contributions and to handle any issues that arise in the course of these transfers.

Case study: The role of the payroll department

One employer in the manufacturing sector, while full of praise for the regulator's website and the 'working examples' shown there, said that in the early stages of their research, they were disappointed not to find *'a diagram to show the beginning of the process all the way to the opt-out and how it works'.* Their preparations, therefore, involved sketching out a timeline of how automatic enrolment would fit in with their pay cycle, in order to understand where each of their internal deadlines fell. This ensured that employees would be informed in a timely manner about when they would be assessed, when contributions would be taken and when they would receive any refunds.

- their payroll system was extremely complicated; in order to simplify the processes required for automatic enrolment, 23 different payroll groups were then streamlined into two;
- each employee had a unique identifier, which indicated which employees were based in the UK. This enabled the employer to single out these employees and assess them manually for automatic enrolment;

Continued

- the payroll department then processed contributions for eligible jobholders, and anybody who opted in to the pension scheme;
- if any jobholders opted out, the payroll department processed one month's or two months' worth of refunds according to when the employee opted out;
- their role also included distributing payslips showing any relevant contributions or refunds, keeping records of who opted in or out and on what dates, and sharing these records with the provider.

Some employers used an external payroll provider, and in these cases it would be the internal HR or payroll department who is responsible for liaising with the provider, to ensure that the above tasks are carried out correctly and on time.

The HR and payroll departments also shared responsibility with the pensions department for fielding any queries from workers who had been automatically enrolled. Most employers said that the most common enquiries related to when and how to go about opting out, and this would be handled by the HR or payroll department. The pensions department usually only got involved with queries that required some expertise about pensions per se.

2.2.4 The IT department

Employers typically said that they involved the IT department somewhat later in the process: once the pensions and HR teams had decided what they wanted the systems to do, the IT department was responsible for ensuring that the systems could perform those tasks.

The size of the workforces of most of these employers meant that the sheer quantity of the data being handled could sometimes place a substantial strain on systems and processes. This strain was even greater at those employers where a relatively large proportion of the workforce was not already enrolled in a pension, and also at those employers where the earnings of workers fluctuated according to the number of hours worked in a given pay cycle. These two categories, to a large extent, overlapped and their difficulties will be explored further in Chapter 5.

In some cases, the existing payroll systems were found to be reasonably fit for purpose, and the IT department simply had to develop a bolt-on in order to process the necessary data. However, even some of these employers did not fully anticipate the degree of input they would require from the IT department. For example, one employer found that although its system could recognise which workers were members of the pension scheme, it could not tell which ones were paying into a pension and which were receiving their pension. This meant that new code had to be developed to ensure that contributions were not deducted from those workers who were taking their pension and continuing to work.

In other cases, the need to liaise with external providers often made the tasks for the IT department more complicated. One company decided to use an external scheme administrator and became frustrated by the time and effort that was spent liaising with them in order to build the appropriate interfaces. Another organisation, with one of the earliest staging dates, found that their external payroll provider was not ready to provide an automatic enrolment module at the time of launching. They ended up having to use their own payroll software instead.

Given the burden that was to be placed on IT systems, many employers also carried out a trial run ahead of staging to see how their systems would cope with the tasks required to identify and then process those workers who would be automatically enrolled. In the course of testing the systems, the IT department inevitably identified at least a few technical issues – for example, files getting corrupted while being transferred – which they then sought to iron out before testing the systems again.

2.2.5 The marketing and communications department

The majority of employers had a dedicated marketing or communications department, and were able to draw on their specialist skills. While the pensions department was responsible for creating the content to be used in communications sent out to workers, it was normally the marketing or communications department that was responsible for turning this raw material into the finished products that workers would see and to which they would respond. A few employers outsourced the production of communications to an external agency instead. The range of communications strategies adopted by different organisations, and the issues that arose will be discussed in greater detail in Chapter 7.

The marketing team would, in some cases, advise on the text: for example, making the language suitable for different audiences, or more in line with the house style of the organisation. In most cases, it would then be responsible for developing a visual style of presentation for different materials, ranging from emails and letters to posters, newsletters, intranet content and videos streamed on the company's website.

Once the communications had been agreed upon and signed off by the pensions director or manager, the communications department (or external communications agency) was usually responsible for ensuring that these were distributed among the relevant workers. While sending out electronic communications could be relatively quick, cheap and easy, some employers – large retailers or logistics companies, for example – had a large enough proportion of workers without a company email address that a large number of letters had to be physically printed, put into envelopes and mailed.

2.3 Use of external support

Nearly all of the employers we interviewed had also engaged external organisations to help with certain elements of implementation. The number of external parties involved, and the extent of their involvement, varied considerably between different employers. At some companies, the project was led internally, with the involvement of external organisations generally limited to providing occasional recommendations. At others, external support was recruited from a range of organisations, and this support was often thorough and ongoing throughout preparations.

As a minimum, nearly all employers consulted their existing pension provider and took some legal advice.

2.3.1 Ongoing suppliers: pension providers

The employers interviewed all had, to varying degrees, longstanding relationships with existing suppliers who would be affected by the implementation of automatic enrolment. All of the employers interviewed had an existing pension for at least some of their workers. In seeking to expand pension provision to a greater number of workers, employers would, at a minimum, discuss the best way of doing this with their existing pension provider.

The role of the pension provider would, therefore, consist of advising on the suitability of any existing schemes for automatically enrolling the new population. Some employers would also ask the provider to assess the suitability of existing pension schemes for the organisation as a whole, including those who were already members of a workplace scheme. As a consequence of either of these two tasks, one or two employers were able, as a result of their size and clout, to influence the design of new schemes. One employer in fact reported that their pension provider created a new product to meet their needs for automatic enrolment. In Section 2.5 we examine the process that employers went through in choosing whether to use their existing provider or a new provider.

2.3.2 Ongoing suppliers: payroll providers

As mentioned, some of the employers included in this research used an external payroll provider. These employers began talks with the payroll provider in the early stages of preparation, as it was immediately clear that they would play an integral role in the implementation of automatic enrolment.

Their external payroll providers undertook a similar role to internal payroll departments. Employers who used an external provider asked them to assess the current payroll systems for their ability to handle the sometimes relatively large and complex data processing tasks associated with identifying different worker categories, automatically enrolling them into a pension and processing their contributions.

Since the payroll provider market is dominated by a small number of large companies, each servicing a wide range of organisations, each payroll provider has multiple clients all confronting rather similar challenges when implementing automatic enrolment one after another. The scale and complexity of the work involved in liaising with the payroll provider, therefore, depended very much on the individual employer's staging date.

As we will see in Chapter 5, some of the employers who were among the first to stage in autumn 2012 felt that they were 'guinea pigs' in terms of helping payroll providers to develop modules for automatic enrolment. Several of these employers with early staging dates voiced frustration that payroll providers were slow to build systems to accommodate new procedures in response to the reforms: some described timings getting *'down to the wire'*. As problems emerged and were tackled, employers who staged later were able to benefit from payroll products that had become gradually more polished.

2.3.3 Ongoing suppliers: employee benefits consultants

Some of these employers also had an ongoing relationship with an employee benefits consultant (EBC). These were responsible for looking at the existing pension provision and assessing how appropriate it was for the new population to be enrolled. In one example, the EBC participated in a lengthy consultation on the employer's existing trust-based scheme. It was decided to use this scheme for automatic enrolment but switch to a different provider, and the EBC advised the trustees on this process.

EBCs also ran seminars for employers on automatic enrolment, which were popular with some employers. At different employers, the EBC might also help with interpreting the legislation, provide actuarial support or look at how any new or existing pension provision sat alongside the wider benefits package offered by the employer. Most employers openly acknowledged that one of their primary motivations in providing a pension was that it served as a recruitment tool. The employers who hired an EBC would sometimes ask them to ensure that their benefits package was in line with what other employers were offering.

2.3.4 Legal advice

The vast majority of employers, as a minimum, sought external legal advice. The employers we interviewed were generally willing and able to put in time, effort and money to ensure that they were legally compliant with the reforms. A small number, however, were unpleasantly surprised by how much time and money they ended up spending on legal advice.

> *'Legal advice is costly. It has been horrendous. Everything you put in place you need to take advice on, because if you don't, and it's wrong, then someone will come back on you later.'*
>
> (Retail)

Employers typically consulted with lawyers very early on in their preparations, when they were first reading through the regulator's guidance. Their first concern was to understand what the law required them to do; in these cases, the lawyers' role was often confined to confirming the interpretation that the pensions director had reached. Once employers had developed procedural plans for implementing automatic enrolment, they would generally return to the lawyers, who would advise them of any potential errors which might render them non-compliant.

However, numerous employers complained that some parts of the regulator's guidance were ambiguous, leaving them unsure as to what the procedure was for dealing with certain scenarios. As employers progressed further in their preparations, they often found that operational anomalies or exceptions emerged which required them to go back to either the regulator or their lawyers for further advice. Here the lawyers tended to be less helpful: because there was often no clear requirement spelled out by the guidance, the lawyers could not advise on how to go about complying with that requirement. Several employers who did go back first to the regulator described feeling disappointed that the regulator's default position tended to be to refer them back to their lawyers, who were usually equally unhelpful.

In some cases of ambiguity in the original guidance, lawyers might instead advise their client on what other employers were doing – in other words, on how others had interpreted a part of the guidance that was unclear to them.

2.3.5 Communications and printing agencies

A minority of employers, instead of using an internal marketing and communications department, devolved some or all of the communications tasks described in Section 2.2.5 to an external agency. The time and money involved in designing, physically printing and mailing out a large number of letters was cited by many employers as one of the most visible burdens in implementation, and the scale of this task was greater among employers whose workforces were not necessarily always desk-bound or who did not all have a company email address.

As well as designing and mailing out the standard letters, some organisations also developed more wide-ranging multimedia communications. In some cases, these agencies were also responsible for producing booklets, posters, videos or other media.

2.4 Measuring the cost of implementation

Where implementation was predominantly delivered by internal teams, the employer was usually less likely to have measured the financial and human resource that had been invested. The hours that had to be put into different tasks were simply absorbed into the ‘day job’ of the colleague under whose expertise they fell. In contrast, the employers who relied more heavily on external organisations generally received invoices in respect of the services delivered, and consequently had a clearer view of the extent of the expenses they had incurred. However, even these employers could only describe in very general terms how much money they had spent on implementing automatic enrolment.

As a general rule, when asked to give an approximate figure for the total financial cost of implementing automatic enrolment (excluding employer contributions), employers estimated this to be in six or seven figures. The cost varied considerably between employers and depended not only on the extent to which they relied on external organisations, but also on the size and profile of the population to be automatically enrolled. Some employers only had tens of workers to enrol, and already had an adequate pension plan into which these workers could simply be enrolled. Other employers had only ever enrolled a minority of their workforce before, and wanted to provide a new pension for a large proportion of their workforce that would be relatively cheap for the employer to run.

Whether or not the employer in question had accurately measured the financial cost of implementation, the general feeling among them is that while these costs were often large, they were only rarely completely unforeseen. These are, as a rule, large organisations, who are able to set aside relatively large sums for ad hoc projects such as automatic enrolment. Employers also occasionally stated that they are used to costs rising above original estimations on large-scale projects like this one, and therefore tend to budget generously for them.

> *‘It has cost us millions, but it is a multi-billion pound company, so it is probably petty cash in terms of that. But HR and payroll run to a budget and it has had a serious impact on the departmental budgets.’*
>
> (Retail)

The main exception to this rule was the cost of developing payroll systems, which did often escalate beyond employers’ expectations. The reasons for these rising costs will be discussed in Chapter 5.

Nearly all of the interviewed employers incurred costs for legal advice, and all employers also incurred costs of varying degrees for communications, although these depended on how wide-ranging their communications strategy was.

Legal advice was often cited as one of the largest external costs incurred by employers. A small number of employers identified their largest costs as including consultations with workers or unions, where there was a unionised workforce in place, or where they were making changes to existing employee benefits. Employers who found that they had to make substantial changes to their payroll systems or collaborate in the development of new systems with their payroll provider also named this as one of their largest costs.

A small number of employers with early staging dates specifically objected that they had borne the financial cost of developing products that could now be sold on to other employers. These employers complained that the payroll providers should have responded more quickly to the pension reforms, and undertaken more of the costs associated with developing a payroll product themselves.

> *'I was so cross with the government for what they did, and I said, "You need to talk to payroll providers and force them". Our payroll provider was not interested, they said, "So where does it say it is a payroll problem in the legislation?" They were an absolute nightmare. They wanted to charge us nearly £1 million to create a bespoke system.'*
>
> (Retail)

2.5 Choosing a pension provider for automatic enrolment

Nearly all employers had pension provision already in place for at least some of their workers. A natural starting point for many of these employers was, therefore, to look at their existing pension scheme or schemes and assess the viability of extending these to the new population who were to be automatically enrolled.

For some employers, however, there were clear divisions between different worker populations: for example, some employers had only made a pension available to a minority of office-based workers before automatic enrolment, and now had to provide a pension for a larger population of manual or blue-collar workers. In other cases, for example in the case of recruitment agencies, there was usually a pension on offer for the permanent staff overseeing recruitment, but none for the large majority of flexible workers who were on their books.

In both of these examples, the employers would generally decide from the outset that they wanted to find a pension solution for the new population that would be relatively quick and cheap to set up and administer. While they typically asked their existing provider for a quote, many of them also considered the new, low-cost pension solutions entering the market at the time (National Employment Savings Trust (NEST), Now Pensions or the People's Pension).

In Sections 2.5.1 to 2.5.3, we will look at how employers came to settle upon different providers: firstly, how they assessed their incumbent provider's suitability for automatic enrolment; secondly, why some employers decided to use NEST; and thirdly, why some employers considered NEST but ultimately decided upon a different solution.

2.5.1 Assessing the existing provider

When reviewing their existing workplace pension, employers essentially faced up to three options:

- automatically enrol workers into an existing scheme, if they held an appropriate scheme;
- set up a new scheme with their current provider;
- set up a scheme with a new provider.

When asked which pension provider they were using for automatic enrolment, the vast majority of employers stayed with their current pension provider. Furthermore, the majority settled for the first of the above options, simply using one of their current schemes for automatic enrolment. Most of these employers had high participation rates in an existing scheme or schemes into which their workers were contractually enrolled. Many employers, therefore, sought to build on this success by expanding their current scheme. This also had the advantage of lightening the administrative burden, as the employer could simply add new schedules and members to the existing scheme.

However, several employers were also prompted by this occasion to review the suitability of their existing scheme for their workforce more broadly. In a minority of cases, this led to the employer setting up a new scheme (more often than not still with the current provider). Some employers also decided to review the other pension solutions on the market, although only a minority decided to set up a scheme with another provider as a result – either in addition to, or instead of, their existing pension schemes.

2.5.2 Reasons for using NEST

Those employers who were seeking to automatically enrol large volumes of low-paid workers usually considered NEST to be a more attractive option. These employers tended to have relatively large populations of transient workers and consequently, some of them saw an important advantage for members in NEST's perceived ability to transfer from one employer to another relatively easily.

NEST has a public service obligation to accept any employer who wishes to use it for automatic enrolment. Some of these employers found that the combination of low contributions and regular turnover of large volumes of workers meant that they were not an attractive proposition for many mainstream providers. A small number of employers consequently felt that, having been rejected by one or more mainstream providers, their hand was somewhat forced towards going with NEST or another new provider.

Other employers had positive feedback about NEST, feeling that it was structured in a way that made it better prepared to handle the large volumes of workers that they would be enrolling on a monthly basis. One employer also felt very positively about the amount of preparation NEST had done to create a suitable product for automatic enrolment:

> *'The reason we wanted to use NEST was because we were very impressed with the level of research that they had done and the work they had done to try and make pension communication more straightforward and less jargon-filled and so forth. We felt that that was a really good match to our employees because all of those hourly-paid employees had previously not expressed any great interest in pensions.'*
>
> (Leisure)

A small number of employers were using NEST in addition to their existing pension scheme, as a minimal, supplementary provision for certain specific worker populations. For example, one employer used NEST to automatically enrol those workers who were already drawing their company pension. Another employer already offered contractual enrolment into its company pension to all new joiners, and used NEST to capture those workers who have never taken up the offer of the company pension. This was in order to make a clearer distinction between the existing company scheme and the new scheme (i.e. NEST) being used for automatic enrolment.

2.5.3 Reasons for considering but rejecting NEST

While a minority of the employers in this research settled on NEST to provide the scheme they would use for automatic enrolment, a few others considered NEST but decided against it. The majority of these ended up using their current provider instead, while one or two settled on setting up a scheme with Now Pensions.

The principal criticism from both groups of employers who rejected NEST was that they felt that it would be too inflexible for their needs: indeed, the decision not to use NEST was often rooted in assumptions about the way in which NEST operated. They were concerned that they would have to adapt their systems and procedures to fit in with NEST, rather than vice versa. Those who stayed with their existing provider usually found, in contrast, that as a large client, their provider offered to make the effort to adapt in order to fulfil their needs. One such employer described their perceptions about the way NEST would operate:

> *'We felt as if, if we went with NEST we would have to follow exactly their rules and regulations on how the data was transmitted. We may not get a level of support that we might need as issues came up, particularly driven by the complexity of our payroll. We run 17 different payroll cycles. The NEST solution is a generic solution that you are expected to fit, rather than something that can be bespoke and designed for you specifically.'*
>
> (Services sector)

One other employer suggested that NEST might not provide a straightforward solution for payroll software that would transfer the relevant data between the employer and themselves. The difficulty of setting up middleware with NEST with the appropriate reference periods and joining periods led this employer to adopt what they expected to be an easier solution with their existing provider instead.

A small minority of employers also rejected NEST because they wanted the pension provider to handle the communications process on their behalf. These employers had large workforces, and were keen to find a provider who would take the hassle of producing and distributing communications to workers off their hands, which they did not believe NEST would do.

2.6 Using postponement

Just under half of the employers interviewed had used postponement, sometimes referred to as a 'waiting period'. In the search to find 50 employers who were willing and able to take part in an interview, we spoke to more than 100 other employers who were able to indicate at least whether or not they were using postponement. Based on a total of around 200 employers with whom we had a conversation, this approach was slightly more common among later cohorts staging in 2013, compared to the earliest cohorts in late 2012.

A very small number of employers belonging to the earliest cohorts actually chose to bring their staging date forward. These were companies with a relatively low number of workers to automatically enrol; their decision was, therefore, based on the fact that this was a relatively easy task that they might as well get done at a time that was convenient to them.

2.6.1 Reasons for using postponement: cost

Those organisations that chose to use postponement cited a number of reasons for this decision. The most commonly mentioned reason was cost. For those with large workforces who had not previously been enrolled in any kind of workplace pension, 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.

> *'A straight cost. One per cent of qualifying pay is almost all of our margin in some circumstances… We would do everything we possibly can before accepting an additional cost onto our cost base.'*
>
> (Services sector)

Another common reason for using postponement was to avoid enrolling workers who might not stay with that employer for long. Some of these organisations employ a high proportion of casual, short-term or transient workers and chose to wait to see how many workers lasted a full three months in the job before going to the hassle and expense of enrolling them.

> *'Our turnover is quite high, so you get people who come in for a week and then go and get a job at* [another retailer] *…. We knew that after three months it stabilised a little bit, so it just meant there wouldn't be the volume of refunds that we were having to do. So put people in, and take £10 off them, and then try and give it back to them. It just made more sense to use the waiting period for that reason.'*
>
> (Retail)

Using postponement was common among retailers, many of whom described experiencing a high churn rate of short-term workers. However, employers in other sectors, such as leisure, manufacturing and services also mentioned that this was one of their primary motivations in using postponement.

In contrast, it was less common for public sector organisations to use postponement. Many of these organisations had longstanding, generous schemes with high take-up rates, and had no particular desire to make any substantial changes to their existing arrangements.

2.6.2 Reasons for using postponement: time

The organisations that used postponement were often motivated by factors relating to time as well as money. On the most basic level, some organisations simply wanted more time to prepare: not necessarily because they were not ready, but because they felt that with a project on such a large scale, it is always possible to be a bit better prepared. The scale and complexity of the tasks involved meant that employers often welcomed some extra breathing space in order to address potential teething problems or finesse their systems and procedures. In the words of one employer,

> *'You are going to be short of time and the payroll system might not be ready to assess on day one ... It is just … Why wouldn't you?'*
>
> (Services sector)

Some companies also wanted to avoid a busy period, such as Christmas, when there is often a large intake of short-term workers. As suggested above, some employers considered it a waste of their time and money to enrol a worker who will leave their organisation in a matter of weeks anyway. Other internal resourcing considerations included avoiding clashes with other periods of intense financial reporting, such as reporting on Real Time Information (RTI) to HM Revenue & Customs (HMRC), or the end of the financial year in April.

Pre-existing operational timetables also played a role in the decision for some companies. A few employers explained that using postponement had allowed them to align automatic enrolment more neatly with their existing payroll periods. Among other reasons relating to internal timetabling, one employer used postponement in order to have time to implement other changes to their overall benefits policy, including introducing salary sacrifice and a benefits portal.

Some employers argued that using postponement gave workers time to think – to be made aware that they were going to be automatically enrolled and to think about how they felt about this. Simply put:

> *'We didn't want people to be put into a pension scheme without having some kind of warning that this was going to happen.'*
>
> (Services sector)

This reasoning came out more strongly among employers who had previously had little pension provision and where the workforce profile might mean that workers were less aware of pensions.

> *'People had lots and lots of questions. It is giving people time to ask those questions but actually sometimes in reality until you actually say, "This is now it", some people are a little bit slow at coming forward to ask those questions of, "How does it affect me?"'*
>
> (Services sector)

2.6.3 Reasons for not using postponement

A minority of employers considered, but decided against, using postponement. Some employers felt that since they knew they had to implement automatic enrolment, there was little to be gained from stalling. A small number went further, suggesting that introducing postponement would have added further complexity to planning and scheduling different administrative tasks.

> *'"Okay, three months ago we said that you had to wait three months, but now we need to look at you now, and you only started last week so we don't have to worry about you until two months' time". It just wasn't simple.'*
>
> (Leisure)

Employers occasionally stated that they chose not to use postponement because their staging date came at a convenient time for them. For example, one or two employers were pleased to discover that their staging date coincided with an annual pay rise: their logic being that workers would be less likely to feel the pain of the deduction of a pension contribution at that point in time.

A small number of employers in the public sector and financial services also felt that it could potentially reflect badly on them as an employer if they used postponement. In both cases, they felt that they should be setting a good example, as government organisations or as organisations with a good understanding of financial products, and were concerned that using postponement might potentially pose a risk to their reputation in their particular sector.

3 Implementing automatic enrolment

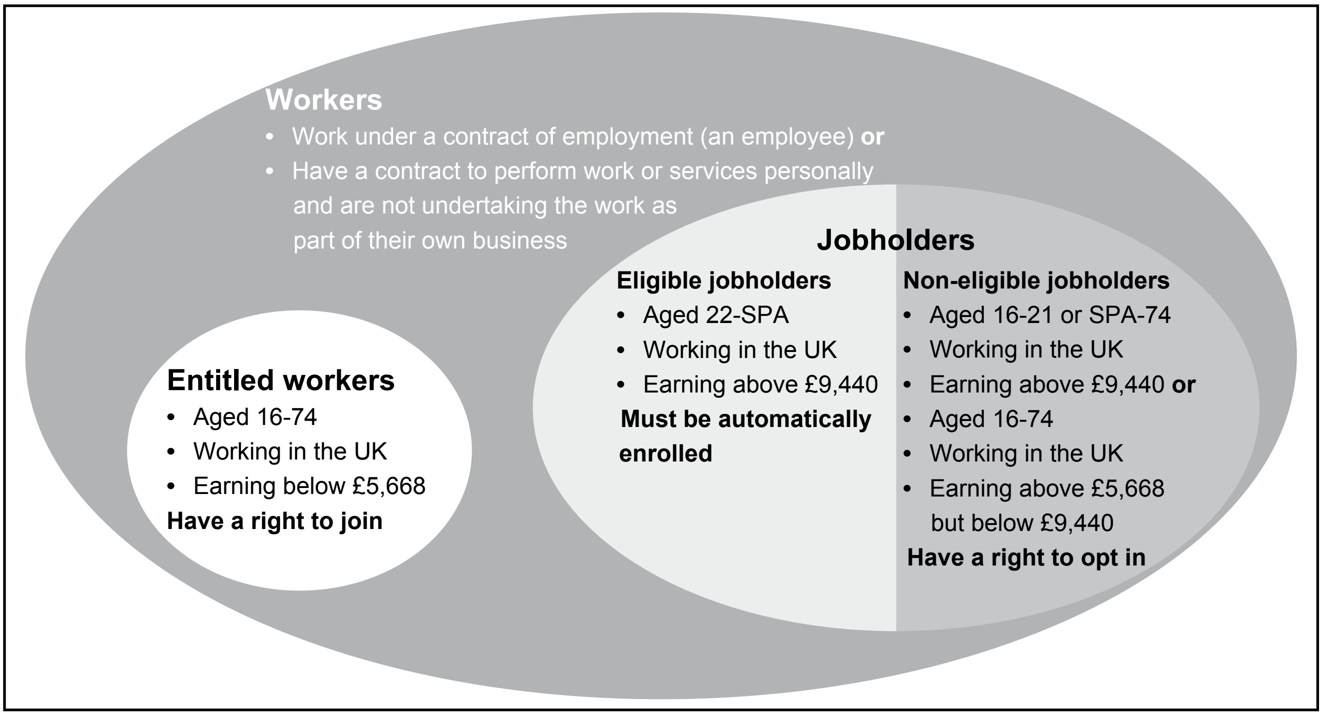
This chapter examines what happened when employers moved beyond more general preparations to setting out specific arrangements for the implementation of automatic enrolment. The employer had to decide whether to identify and automatically enrol eligible jobholders only, or whether to enrol other groups of workers as well. The latter is permitted in certain circumstances: workers other than eligible jobholders can be enrolled either through contractual enrolment – whereby signing their employment contract implies the worker's consent – or through automatic enrolment, as long as the total required contribution is made by the employer.

The employer also had to make a decision about the level of contributions workers would receive. This chapter will explore the reasons why employers adopted different strategies in regard to these issues.

3.1 Deciding which worker groups to automatically enrol

The regulator explains how to identify the three categories of workers that should be used when implementing automatic enrolment: eligible jobholders, non-eligible jobholders and entitled workers.[19] These categories are illustrated in Figure 3.1:

Figure 3.1 The different types of worker



19 The Pensions Regulator (2013). *Workplace Pensions Reform – Detailed Guidance: the different types of worker*. At: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-resource-the-different-types-of-worker.pdf

Employers are obliged to automatically enrol all eligible jobholders. The regulator provides the following definition of an eligible jobholder for the 2013/14 tax year:

- aged between 22 and State Pension age;
- earning over £9,440 per annum (pro rata);
- contracted to work ordinarily in the UK.

The majority of employers had chosen only to automatically enrol eligible jobholders as per the requirements of the reforms. Their reasons for adopting this approach are discussed in Section 3.1.1.

A non-eligible jobholder is someone who does not qualify as an eligible jobholder on either the age bracket, the earnings bracket or both (as defined above), but who falls into the somewhat wider brackets shown below.

- aged 16-74;
- earning between £5,668 and £9,440 per annum (pro rata);
- contracted to work ordinarily in the UK.[20]

Employers should not automatically enrol non-eligible jobholders in most cases; however, they must instead inform them about the right to join a scheme. Employers must write to those jobholders who are not enrolled in a workplace scheme within a month and inform them that they have the opportunity to opt in to a pension scheme and receive an employer contribution if they so choose.

The third category of workers is entitled workers. The difference between eligible jobholders and entitled workers is that the latter have lower annual earnings. Entitled workers are:

- aged 16-74;
- earning less than £5,668 per annum (pro rata);
- contracted to work ordinarily in the UK.

The employer should not automatically enrol entitled workers; however, they must again write to them and inform them of their right to opt in to a workplace pension scheme within a month, unless they are already a member of a qualifying scheme.

In some circumstances, an employer may choose to enrol non-eligible jobholders and entitled workers if they wish. To do so, the employer must either choose to include this enrolment as part of their employment contract, or pay the minimum total contribution without deducting a contribution from the worker. A few employers have chosen also to enrol non-eligible or entitled workers in this way, and this will be discussed in Section 3.1.2.

[20] The Pensions Regulator (2013). *Workplace Pensions Reform – Detailed Guidance: Appendix B: assessing groups of workers on an employer's staging date*. At: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-having-completed-assessment-appendix-b-v4.pdf

3.1.1 Enrolling only eligible jobholders

The vast majority of employers chose only to enrol eligible jobholders, as per the requirements of the reforms. This approach typically occurred where there were large numbers of non-eligible and entitled workers, and therefore, the cost of enrolling these would potentially be high. Cost considerations were not restricted to the financial burden of employer contributions: to a lesser extent, some employers also sought to avoid any additional external provider charges and communications.

Some employers also took the view that the qualifying criteria for different worker categories had been set at these thresholds for a reason. They were concerned that younger or poorer workers are less likely to want, or be able to afford to contribute to a pension, and therefore, suspect that many workers, if enrolled, would opt out in any case, potentially making the exercise a waste of the employer's time and money.

> *'I think it was driven primarily by cost …. We felt we could be criticised if we were spending money on pensions for people unnecessarily, and with youngsters we questioned whether paying into a pension for someone under the age of 22 who hasn't actively opted in was a wise use of our, or their, money.'*
>
> (Services sector)

A few employers were also concerned that enrolling workers before they are 'ready' would give them a negative view of pensions which might discourage participation when they were re-enrolled at a more appropriate life-stage. These employers assumed that if they contractually enrolled non-eligible workers who were relatively young or had lower earnings, those workers would opt out. Since they would then have to re-enrol any worker who did this when they hit either an age- or earnings-related trigger point, these employers thought that the non-eligible workers would find this experience confusing and off-putting.

> *'If they then subsequently became an eligible jobholder – let's say one or two months down the line – they would have to go through the same process again, which we didn't think from an employee engagement and user experience perspective, would be a very good experience.'*
>
> (Manufacturing)

A small number of employers argued that creating different worker categories, with different procedures and communications for each category, discourages employers from enrolling more of their workforce. They felt that the complexity of these administrative requirements acted as a barrier for those employers who wanted to enrol more than the minimum number of workers.

> *'We are auto-enrolling them in but we have to treat them differently, send them different communications. If they opt out, they can opt back in in a different way with different forms. So us trying to be a good employer and putting everyone in from day one, the rules don't make it easy.'*
>
> (Services sector)

3.1.2 Enrolling all workers

A small minority of the employers had chosen to automatically enrol other groups of workers, as well as eligible jobholders. Most of these employers were either working in financial services, typically covering the entire contribution themselves, or the public sector, where contractual enrolment was used. These are both sectors that have a long tradition of generous pension schemes, and so employers saw this strategy as a natural consequence of an ongoing paternalistic culture.

> *'We think pension saving is important, irrespective of how old you are and what your earnings are…. Ninety-seven per cent of our people were already in a qualifying scheme so we are not actually talking about that many people who were enrolled at the staging date. We have always taken a view, for the last few years at least, that we will enrol everybody regardless of age or earnings.'*
>
> (Financial services)

As the quotation above suggests, in practical terms, the employers who enrolled all workers tended to have a relatively low proportion of their workforce not paying into a workplace pension, and so the incremental cost of these additional employer contributions was relatively small.

> *'It was a lot easier for the payroll department to just put everyone in, and it means now we have got a much lower level of people who they have to auto-enrol in when they hit the trigger-points.'*
>
> (Services sector)

Since the majority of employers stated explicitly that a workplace pension scheme functions as a recruitment tool, employers who adopted a more inclusive approach to automatic enrolment felt that they now had a tool for recruiting younger and lower-earning workers. A few employers also considered the cut-off point at age 22 to be rather arbitrary, and argued that there is no reason why younger workers should not also be encouraged to begin saving for retirement. One employer who contractually enrolled all workers reported a low opt-out rate among this group.

> *'Eleven of them have made a conscious decision to opt out. I think it justifies why shouldn't you put a 21 year-old in? What is the sudden magic break-even point at 22? To me it made no sense.'*
>
> (Services sector)

3.2 Choosing contribution levels

The minimum contribution levels for workers who are automatically enrolled into defined contribution schemes up to September 2017 is two per cent in total, including a one per cent minimum employer contribution, on a band of earnings between £5,668 and £41,450 per annum. From October 2017 onwards, this minimum will rise to five per cent in total, including a two per cent minimum employer contribution.[21]

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21 The Pensions Regulator (2013). *Workplace Pensions Reform – Detailed Guidance: pension schemes*. At: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-pension-schemes-v4.pdf

Where employers were automatically enrolling new groups of workers for the first time, the majority had decided to set their minimum contributions at the minimum level required; in other words, a one per cent contribution by the worker matched by a one per cent employer contribution (see Section 3.2.1). However, it was also normal for employers to match higher contribution levels, subject to the worker also contributing a higher amount themselves (see Section 3.2.2).

3.2.1 Complying with minimum requirements

The main reason that most employers had set their minimum contributions at the lowest level for compliance was reportedly to control their costs. This approach was particularly prevalent among employers who had to automatically enrol a large proportion of their total workforce, and where setting the employer contribution at a higher level would have created much higher contribution costs.

Some employers with contractual enrolment in place also adopted this approach. Section 2.5.2 gave examples of two employers who chose the National Employment Savings Trust (NEST) as supplementary provision to their main company pension. In one example, the organisation was using NEST at the minimum contribution levels to capture workers who were offered the company pension and did not take it up. In the second, NEST was used with minimum contributions by the employer and worker to automatically enrol workers who were already in receipt of their company pension, but who were below SPA and continued to work for the same employer.

There are other examples of employers operating contractual enrolment, who, similar to the first of these two examples, felt that since they were now automatically enrolling only workers who had actively rejected the idea of a workplace pension, or were apathetic about the idea of contributing to one, they were justified in contributing less as an employer.

> *‘Our decision regarding contributions for auto-enrolment was “colleagues aren’t taking advantage of this as it is, and therefore certain colleagues must not value pension saving as much”. So there isn’t a lot of value to be had from auto-enrolling into that scheme, if it is not going to be valued, and therefore a minimum compliance approach was the best way.’*
>
> (Retail)

A minority of employers also explicitly made the argument that setting the minimum contribution by the worker as low as possible may help to ‘ease them in gradually’ to the idea of contributing regularly to a pension. They felt that foregoing one per cent of their salary should not be too great a sacrifice, even for relatively low-paid workers, and would prepare them for the increase to a two or three per cent contribution in four years’ time. The employers hoped that by starting low, they would discourage their workers from opting out straight away.

> *‘We didn’t do anything more than the regulatory requirement, because the logic we considered was to start low and gradually build up. It gets people in the habit, before anything too drastic happens.’*
>
> (Services sector)

3.2.2 Matched contributions

We have seen that employers typically set the lowest possible default contributions for their scheme. However, before automatic enrolment, many employers had one or more pension schemes in place, and the vast majority of these had also offered higher levels of 'matched' contributions on these schemes, if the worker also chose to contribute more. These employers usually maintained these matched contributions when these schemes started to be used for automatic enrolment.

At these employers, any worker who chose to pay in a higher percentage contribution could have this matched with an equal or sometimes greater contribution from their employer. Typically, employers offered three or four different levels, but fixed a maximum employer contribution of around five to ten per cent, while workers could continue to pay in as much as they liked.

Where the same pre-established scheme used in contractual enrolment was also used for automatic enrolment, these higher levels of matched contribution were also typically available to those workers who were automatically enrolled, if they chose to contribute more. However, in some cases where employers were automatically enrolling those workers who had not previously taken up contractual enrolment, employers only offered the minimum level of contributions: the worker still had the option of contributing a higher percentage, but this would not be matched by the employer.

Very rarely, employers lowered the employer contribution level in the scheme they previously used for contractual enrolment, if non-members had not joined this scheme by a specific date. One employer in the services sector had, before automatic enrolment, offered a seven per cent employer contribution matched by a three per cent contribution from the worker, but had now made this scheme unavailable to new joiners, instead offering a scheme with a one per cent matched contribution. This employer had written several times to all eligible non-members to give them the opportunity to join, as early as six months before automatic enrolment was rolled out.

A minority of employers did offer more than the minimum employer contribution by default. This practice was much more prevalent among employers with contractual enrolment in place for the majority of their workers; it was also more prevalent in financial services and the public sector, in line with their more paternalistic cultures. In the case of local and central government organisations, contribution rates were often set at a national level, beyond the control of individual employers.

3.2.3 Defined benefit schemes

The vast majority of employers had historic defined benefit (DB) schemes, but in the majority of cases these schemes had been closed to new members in the mid-to-late 2000s. The one exception to this rule was the public sector, where DB schemes continued to be the norm. Most of the public sector employers interviewed were now offering career average schemes to new entrants, but one or two were still offering final salary schemes.

There were also a small number of private sector employers that were continuing to offer either a DB or hybrid scheme for automatic enrolment. Each of these employers described the terms of their scheme as being less generous than those of a traditional public sector DB scheme. In one case, workers were offered the option to trade up from a defined contribution (DC) to a DB scheme after two years of service.

4 Impact of automatic enrolment on participation in workplace pensions

This chapter explores the impact of automatic enrolment on participation rates in the workplace pensions offered by employers in this study. The chapter outlines the overall opt-out rate and the change in pension scheme membership levels: two key measures to determine how automatic enrolment is performing against the policy objective of increasing participation in workplace pension schemes. Opt-out rates are calculated as the proportion of eligible jobholders who decided to leave the workplace pension scheme into which they had been automatically enrolled.

The chapter goes on to discuss how opt-out rates differed between those employers who had contractual enrolment in place before automatic enrolment, and those who had not. The research also explores further variations in opt-out rates by worker age bands and level of contributions by the worker. These findings are linked to the feedback obtained from employers about the reasons why their workers tended to opt out, as well as employers' views on why their opt-out rates were lower than expected in many cases.

The final sections of this chapter analyse the incidence of workers who cease to be active members of a pension scheme: that is, who leave the scheme after the specified opt-out period – and the proportion of workers who choose to opt in to a scheme.

4.1 Overall opt-out rates and pension scheme participation levels

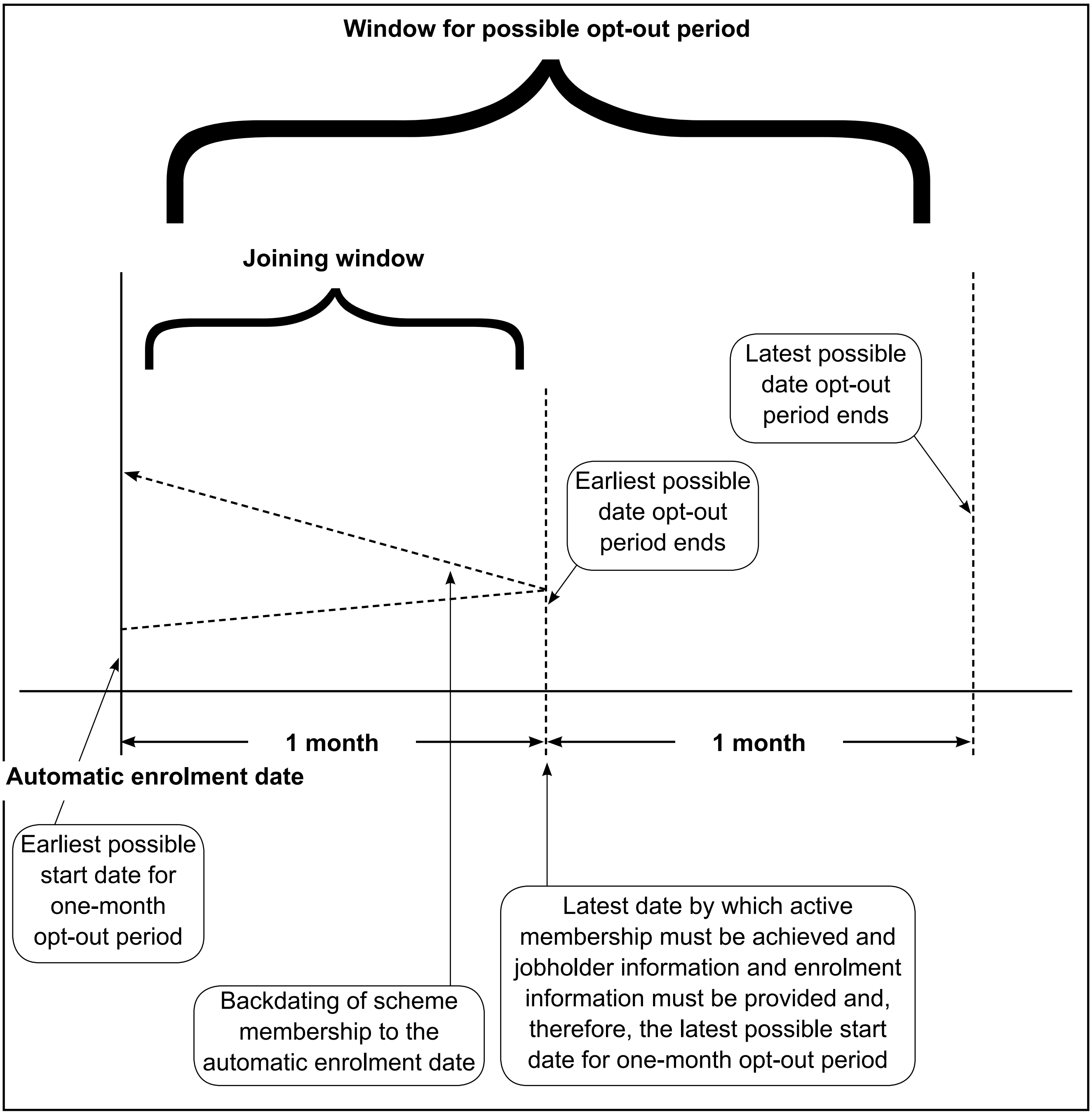
Employers have a legal duty to automatically enrol all eligible jobholders into a qualifying pension scheme, and to make a minimum contribution. However, eligible jobholders have a legal right to opt out of ongoing pension scheme membership. Opting out in this context means undoing active scheme membership: the law then treats a jobholder as if they had never been a member of a scheme. Jobholders must opt out by giving a written 'opt-out notice' to their employer, which is usually provided by the pension scheme provider. On receipt of this notice, the employer must reverse scheme membership and refund any contributions deducted from pay. There is a specified timescale within which jobholders can opt out, which is known as the 'opt-out period', as shown in Figure 4.1.

In order to capture and monitor opt-out rates the research team invited employers to share detailed information about their pension schemes before and after automatic enrolment. In the end, 42 out of the total 50 employers who took part in this research were able to respond to our request for detailed data.[22] About half of them – 23 employers – were private sector companies; ten were nationalised or ex-nationalised organisations; and nine were public sector organisations within central or local government. The information they submitted included detailed company workforce and pension scheme profiling information,

[22] These 42 employers broadly represented a similar mix of industry sectors as the total 50 employers who participated in the study.

pension scheme participation levels before automatic enrolment, and the number of eligible jobholders who were automatically enrolled during the first month, as well as the number of eligible jobholders who opted out during the opt-out period.

Figure 4.1 Timeline within which employers must enrol workers, relative to staging date[23]



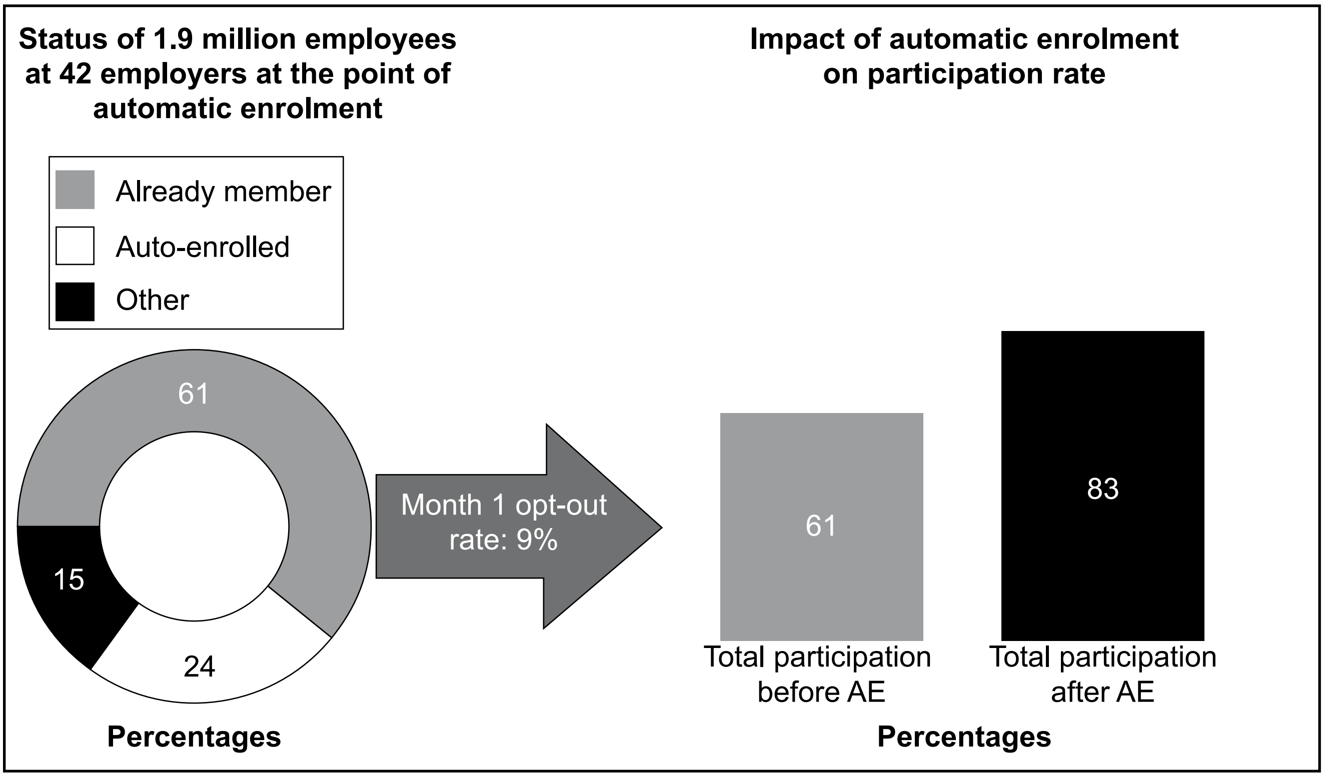
[23] The Pensions Regulator (2012). *Workplace Pensions Reform – Detailed Guidance: opting out*. At: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-opting-out-v4.pdf

The headline analysis presented in Figure 4.2 is based on the information provided by the 42 employers, who reported a combined total workforce of 1.9 million workers.[24] Of these, 61 per cent, representing about 1.2 million workers, already participated in a pension scheme before automatic enrolment came into force. About a quarter, or 24 per cent, of the total workforce was made up of eligible jobholders, who were automatically enrolled in the first month of automatic enrolment: this represents a total of about 460,000 individuals. The remaining 15 per cent in the 'other' category included groups such as non-eligible jobholders, individuals who were nominally on the payroll but not currently working, and other workers who could not be categorised by the employer when providing the data for this study.

The overall opt-out rate was nine per cent in the first month after automatic enrolment. There was some variation in opt-out rates which could range from five per cent to 15 per cent across the majority of employers. This meant that automatic enrolment increased pension scheme participation rates from 61 per cent to 83 per cent across all the 42 employers that could provide data.

Some employers were able to continue to monitor 'Month 1' opt-out rates for new joiners in the months after their initial staging date. Their data indicates that after the first month, the proportion of automatically enrolled jobholders opting out within their opt-out period remained fairly constant. A few employers reported that opt-out rates could fluctuate from month to month; however, there was no clear pattern in terms of an increase or decrease. A small proportion of eligible jobholders did, however, cease active membership after the opt-out period ended: Section 4.6 examines this further.

Figure 4.2 Participation rate before and after automatic enrolment and Month 1 opt-out rate



[24] In Section 4.2 we note that 0.9 million of these workers are at employers who previously used contractual enrolment, and that 1.1 million of these workers are at employers who did not. Due to rounding, this does not total 1.9 million exactly.

4.2 Opt-out rates in the context of previous participation rates

A major factor determining variations in opt-out rates was whether or not contractual enrolment had been in place before automatic enrolment began. The following two sections discuss the differences between two groups of employers: those who had contractual enrolment in place before automatic enrolment, and those who did not. The two groups were about the same size, both in terms of the number of employers and workers they represented.

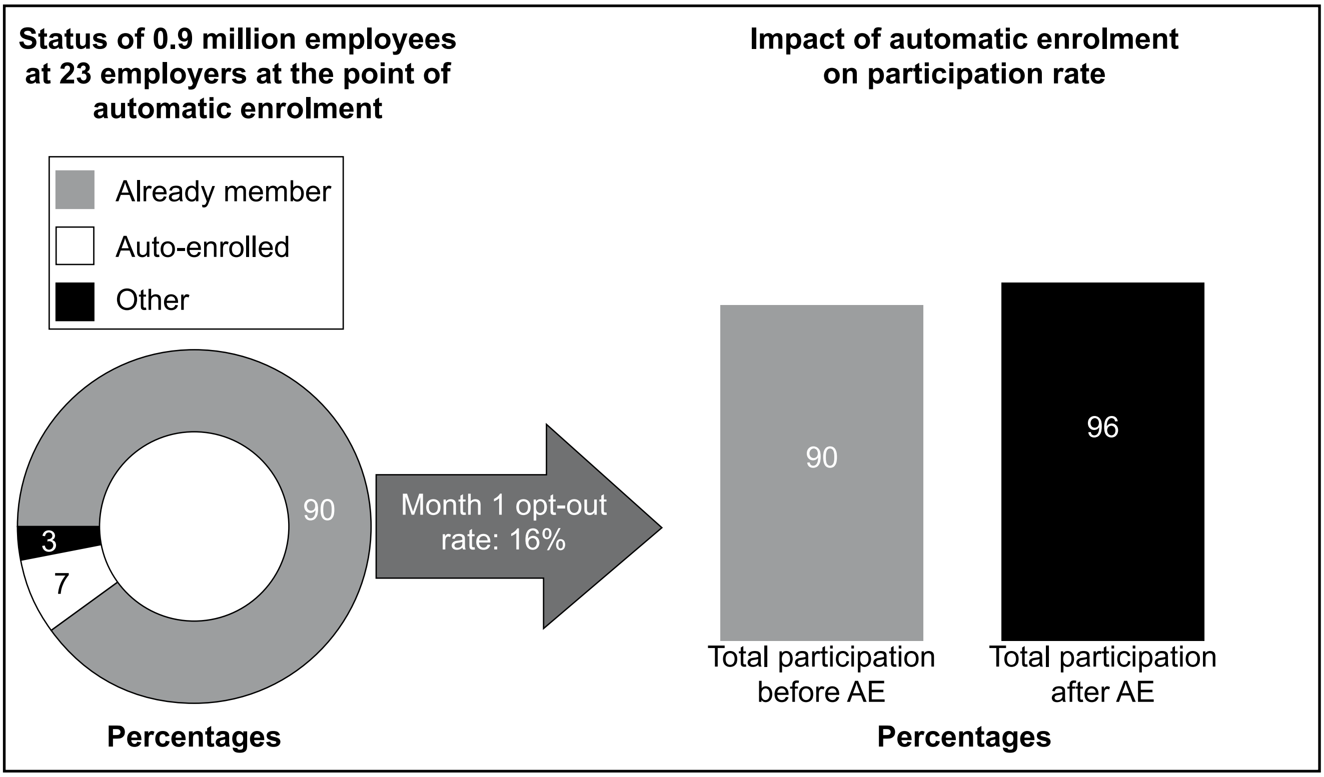
4.2.1 Opt-out rates among employers who use contractual enrolment

There were 23 employers – representing a total of 0.9 million workers – who already had contractual enrolment in place before the implementation of automatic enrolment. Under contractual enrolment employers use the employment contract as a vehicle to ensure a worker's consent to being enrolled into a pension scheme when they first start working. As long as the employer uses a qualifying pension scheme and ensures that contribution levels are compliant, contractual enrolment is permitted under the legislation. These employers tended to be government departments, nationalised or ex-nationalised organisations, or large private sector organisations, such as banks.

Employers who contractually enrolled workers often had relatively generous pension schemes and contribution levels in place, and many reported that this was an important element in their wider employee benefits, recruitment and retention strategy.

They reported higher participation rates before automatic enrolment compared to the overall average – 90 per cent on average compared to 61 per cent overall, as shown in Figure 4.3. Therefore, the proportion of eligible jobholders who were automatically enrolled was much smaller – seven per cent, compared to 24 per cent among all employers. It is likely that at least some of these eligible jobholders who were now automatically enrolled had already decided against joining, or opted out of, their employer's pension scheme at an earlier point in time, for example when they joined the organisation. This may explain the relatively high opt-out rate reported by this group of employers – 16 per cent compared to nine per cent on average. The analysis observed a great degree of variation between opt-out rates, which ranged from zero per cent up to 97 per cent across all employers in this group, although two-thirds of employers within this group recorded opt-out rates of between five per cent and 32 per cent.

Figure 4.3 Participation rate before and after automatic enrolment and Month 1 opt-out rate among employers who used contractual enrolment



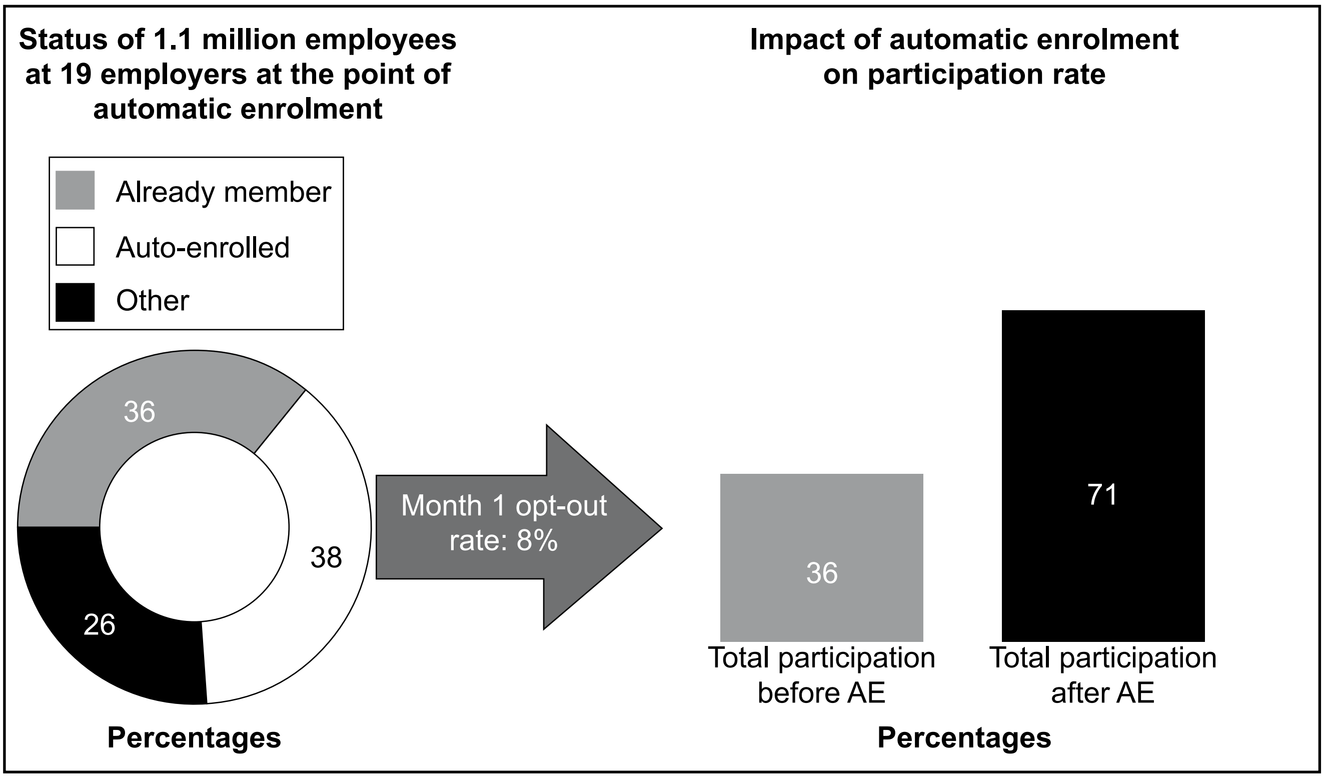
The overall impact of automatic enrolment was, therefore, smaller among those employers who already used contractual enrolment – an increase from 90 per cent to 96 per cent, on average.

4.2.2 Opt-out rates among employers who used opt-in mechanisms

The second group comprised 19 employers – representing a total of 1.1 million workers – who tended to have a pension scheme in place for some of their workers, for example for those of a certain rank or with a certain number of years of service but crucially, workers had to actively opt in to the scheme. These employers were primarily private sector companies.

They reported substantially lower previous participation rates – 36 per cent, on average, compared to the 61 per cent reported across all employers, as Figure 4.4 illustrates. The proportion of automatically enrolled eligible jobholders was, therefore, higher within this group – 38 per cent compared to 24 per cent, on average. A substantial proportion of these employers' workforces had been enrolled into a pension scheme for the first time. The opt-out rate reported among this group of employers was eight per cent, and more in line with the overall average of nine per cent. As a result, the impact of automatic enrolment on pension scheme participation rates was substantial, increasing from 36 per cent to 71 per cent.

Figure 4.4 Participation rate before and after automatic enrolment and Month 1 opt-out rate among employers who previously used opt-in mechanisms



4.3 Variations in opt-out rates

The primary demographic characteristic that appeared to have a consistent impact on opt-out rates was age. More specifically, the data indicated that opt-out rates were highest among the 50+ age group, where in most cases opt-out rates were between 1.25 to two times as high as other age cohorts.

For example, one employer reported opt-out rates of eight per cent among their youngest worker cohort of less than 30 years, and nine per cent among those aged 30 to 49 years, while the opt-out rate was 15 per cent among the 50+ cohort. As a note, this must be treated as indicative analysis, since only six employers were able to provide age-specific opt-out data. However, these general trends were corroborated by the qualitative information shared by employers during the face-to-face interviews.

To a lesser extent, opt-out rates were influenced by the level of contributions by the worker. This was apparent within the data provided by the second group of employers discussed above, i.e. the 19 who did not have contractual enrolment in place prior to automatic enrolment. Here, opt-out rates were slightly higher among workers who faced default employee contribution rates of three per cent or more of their salary compared to lower opt-out rates recorded for workers facing contribution levels of less than three per cent. This difference was relatively small, and the data did not show any such difference among the first group of employers discussed above, i.e. those who practiced contractual enrolment. Again, more qualitative employer feedback on the issue of contributions by workers and affordability in the context of opt-out rates is provided in Sections 4.4 and 4.5.

The research team also examined other possible factors, such as the level of employer contributions, the gender of workers, whether workers were employed full-time or part-time, and salaries. However, no other demographic characteristic in the data supplied by the 42 employers had a consistent, demonstrable impact on opt-out rates. Other individual worker characteristics factors reported by employers as influencing opt-outs are discussed in Sections 4.4 and 4.5.

4.4 Employer feedback on reasons why workers opt out

Employers also shared their views about opt-out rates and about the reasons why some of their workers decided to opt-out of the pension schemes into which they were automatically enrolled. We also conducted some interviews with individual workers at a number of employers.[25] In essence, the key reasons for workers to opt out included financial constraints and concerns over the affordability of contributions, issues around particular career paths or plans, the age or life stage of workers, and the existence of alternative retirement provisions.

> *'There is a mix. Young people would rather go out and spend it on beer and worry about pensions when they get old. Some people potentially will use other investment vehicles like property and such like. Some people are just against pensions full stop. But in a number of cases I also think that people just don't understand them. Sometimes, with pensions, people just switch off.'*
>
> (Financial services)

Considering first the issue of affordability, there was ample evidence that many workers who opted out did so on the grounds of individual financial constraints. Many employers reported that even a relatively small amount deducted from a worker's pay on a regular basis could be too much for some, who then decided to opt out of their pension. Some workers might have a variety of other immediate financial commitments they had to meet, such as supporting their families, paying their mortgages, or repaying debt. This was reported as a barrier for workers across all ages, genders, and salary bands. In addition, workers themselves often mentioned that their main reason for opting out was because of low pay.

> *'I am the only wage coming into our house and I have got two small children and a wife to support. That little extra bit of money goes a long way at the moment.'*
>
> (Worker, services sector)

> *'My salary is not very high. That is my only reason to opt out, really. I would rather have the extra £50 a month in my back pocket, really.'*
>
> (Worker, services sector)

Some of the workers who opted out due to financial constraints did agree with the idea of pension savings in principle, and some expected to opt in or join a pension scheme at a

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25 This research also includes another strand which examines the opt-out process from an individual worker perspective. These interviews with workers were still being conducted at the time of writing, and there are plans to publish a separate report on the findings of this research strand. However, a few early findings are incorporated into this report where appropriate.

later stage, as and when pension contributions seemed more affordable. However, others were unclear about what they might do with regard to retirement planning, and a few even mentioned they were unsure how they would be able to retire.

> *'I was a financial adviser for a while so I understand the importance of retirement planning. With the new job I have taken a £4,000 pay cut, so I opted out of the pension purely for financial reasons.'*
>
> (Worker, financial services)

Some workers mentioned their particular career stage, or the plans they had for their future professional development. Some opted out simply because they only planned to work for their current employer a short while longer, and felt it was not worth starting a pension just before leaving. Others in this category were working on a part-time contract or on a short-term basis, and held off joining a pension scheme until a permanent job became available, thereby offering greater long-term stability. A few also disliked the idea of having various small pension pots associated with several short-term jobs.

> *'I don't have a guaranteed permanent job, so I don't want to start in a pension scheme and then leave after 18 months, and have a small pot of money in one place and then another small pot of money somewhere else.'*
>
> (Worker, manufacturing)

Age also played a key role in workers' opt-out decisions. As we have already seen from the quantitative opt-out data, older workers, particularly those aged over 50, were more likely to opt out of a pension scheme, than those in younger age cohorts. This trend was clearly reflected in the qualitative interviews, where some older workers felt that retirement was already too close to start a long-term pension savings plan. Some of the older workers already had other pension arrangements in place, for example from previous employers, or they were already drawing their pension whilst continuing to work.

> *'Being over the age of 60, I was already drawing a company pension and other pensions* [an army pension and a personal pension]*. At the age of 65 I will get my state pension and I have numerous other savings. I only had two years of natural working time left, so I thought it was a waste of time participating in that system, because it is not going to benefit me. It was not worth it.'*
>
> (Worker, services sector)

Conversely, retirement felt too remote and abstract to be contemplated at present for many of the youngest workers who opted out.

> *'I have not yet been lucky enough to earn enough to comfortably save. It is something I want to do in the future. Certainly as I enter my 30s, I think that's when I will probably start to seriously think about it.'*
>
> (Worker, public sector)

High earners with enhanced or fixed protection status had specific reasons for opting out of the pension scheme into which they had been automatically enrolled. Individuals with enhanced or fixed protection are exempt from paying tax charges if their pension fund is valued at more than the lifetime allowance (LTA) when they start drawing their pension benefits. However, if they make any further contributions into a new pension scheme they lose this protection status and face a substantial tax bill.[26] Many workers in this group, therefore, decided to opt out in order to retain their protection status.

> *'The very senior people opted out because they had fixed protection on their pensions, so they would have lost tax advantage status, if they had had further contributions paid into a pension.'*
>
> (Employer, services sector)

A very small number of employers also reported a few instances of eligible jobholders who opted out of their pension scheme on religious grounds. This included workers who objected to their pension fund not being compliant with Sharia law.

> *'I can only guess from anecdotal evidence, and there were probably 100 or so who opted out on religious grounds. On seeing that, we have now talked to the pension trustees and they have agreed that they would introduce a Sharia option. I know that NEST* [the National Employment Savings Trust] *has got such a fund.'*
>
> (Employer, services sector)

Some workers simply disliked the idea of pensions as a retirement savings vehicle. A few workers opted out after being automatically enrolled because they had other provision or plans in place for retirement, such as personal savings, investments or property. On occasion, employers also reported that a lack of detailed understanding of what pension saving entails contributed to workers' opt-out decisions.

4.5 Employer feedback on lower than expected opt-out rates

Many employers reported having been surprised that opt-out rates turned out to be lower than they had initially expected. They explained that they had braced themselves for large volumes of workers deciding to opt-out of the pension schemes they were automatically enrolled into. Some anticipated that their workers would dislike the idea of being automatically enrolled into a scheme and having deductions made from their pay on a regular basis. Other employers, who used contractual enrolment, believed that many workers who previously rejected pension scheme membership might now opt out again. In fact, the actual opt-out rates recorded by employers were lower than many had expected. Some of these employers also noted that the total cost to them of employer contributions was consequently higher than anticipated, although none commented that this had caused significant cost issues.

> *'What was surprising to us was that the opt-out rate was so low. In the industry we had been talking about somewhere between 25 per cent and 40 per cent. But on our first period in we got something like seven per cent or eight per cent opt-outs.'*
>
> (Retailer)

Employers offered a number of explanations for why opt-out rates turned out to be lower than they initially anticipated. One of the key factors, mentioned by many, was the power of inertia. They felt that once jobholders were automatically enrolled into a pension scheme, they tended to follow the path of least resistance by staying in the scheme as opposed to actively making an effort to opt out.

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26 Also see Section 6.3 for a more detailed discussion of LTA and protection status in the context of regulatory ambiguity.

'Inaction on employees' part will lead to pension saving because employees are lazy when it comes to this sort of thing. It purely shows on take-up rates. People are inactive and if we put them in they will stay in.'

(Financial services)

In addition, some employers felt that their workers clearly agreed with the principle of pension saving. Rather than tolerating automatic enrolment passively, this group of workers tended to take a more active interest in pensions. They were more informed about the specific details of their pension scheme, including the cost implications and potential benefits, and as a consequence decided against opting out.

Frequently, employers mentioned low starting contributions from workers as another factor behind lower-than-anticipated opt-out rates. When initial contributions were fairly low, then workers, particularly those on fairly low incomes, would be less likely to perceive the impact of pay deductions as a serious one. In some cases, employers consciously decided to set the initial contributions from workers at the minimum required level, so as to mitigate against worker's likelihood to opt out on affordability grounds. Section 3.2 discusses employers' choices about contribution levels in more detail.

'People on fairly low salaries were balking at five per cent [employee contributions]*. They made up quite a large proportion of our opt-outs before automatic enrolment. Five per cent was just too big, but one per cent was OK.'*

(Services sector)

There were also a few instances where employers referred to timings as a factor that contributed to low opt-out rates. For some employers, automatic enrolment coincided with annual salary reviews or wider changes to benefits packages. This meant that workers would enjoy more generous remuneration packages at the time when automatic enrolment came into force and as a result they were less likely to protest against contributions deducted from their pay.

'It was a much lower opt-out rate than we anticipated. Part of the reason I suspect is that the first payslip in which employees had a pension deduction taken included, for most people, a salary increase, and for a number of people a bonus, as well.'

(Services sector)

Lower than anticipated opt-out rates were sometimes associated with effective communications. Some employers commented favourably on the official communications campaign launched by the government in order to raise general awareness of automatic enrolment. Many also felt that their own, internal communications campaigns – in terms of the amount of information provided, the content and tone of messages, the timing, and the channels used – were successful and persuasive enough to convince workers about the benefits of pension savings.

'Particularly with our workforce being really young, it was really important to us that communication was simple, clear and easily understood.'

(Services sector)

Finally, some employers cited having a particular 'pensions culture' as a reason for low opt-out rates. These tended to be large employers who already had contractual enrolment arrangements in place before automatic enrolment came into force. With quite a large majority of their workforces already participating in a pension scheme, there was a higher generalised awareness of pensions, which many workers perhaps came to expect as a norm.

4.6 Workers ceasing active membership

As explained in Section 4.1, eligible jobholders have a right to opt out of the pension scheme they have been automatically enrolled into, within the specified opt-out period. If they wish to leave the scheme after this period, their departure is referred to as ‘ceasing active membership’.

Typically, the ceasing active membership rate was around one-fifth of the observed opt-out rate. This meant that an average eight per cent opt-out rate after the first month might increase to a total of ten per cent leaving the scheme by the end of the third month.

Considering the limited data provided by employers in combination with the qualitative feedback obtained through the employer interviews, the indications are that where eligible jobholders do cease active membership, this tends to happen within the first three months after automatic enrolment.

4.7 Workers opting in

The research also explored the incidence of ‘opt-ins’. Eligible jobholders can choose to opt in to the pension scheme nominated by the employer for automatic enrolment during the postponement period, where applicable, and non-eligible jobholders can do the same at any time. Entitled workers can also choose to join this scheme at any time. Again, clear-cut employer data about such opt-ins was very limited, but the data provided suggested that fewer than one per cent of workers opted into a scheme. In addition, employers commented anecdotally on this issue during the qualitative interviews, and again no employer reported more than one per cent of their workers having chosen to opt in.

Workers must give any opt-in notice to their employer in writing. It must be signed, or if sent by email, include a statement confirming that the worker submitted the notice personally. The employer must then assess the worker’s age and earnings in order to determine whether they are a non-eligible jobholder or an entitled worker. If they are a non-eligible jobholder, the employer is required to make a contribution to their pension. The non-eligible jobholder may opt out at any time during the opt-out period.

Entitled workers must follow the same rules for submitting a joining notice to their employer. However, the employer must simply enrol them into any UK tax-registered pension scheme: it does not have to be one that qualifies for automatic enrolment. The employer may choose whether to make a contribution themselves in respect of the entitled worker.[27]

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[27] The procedures for employers to follow for workers opting in, or choosing to join a pension scheme are explained in detail at: The Pensions Regulator (2012). *Workplace Pensions Reform – Detailed Guidance: opting in, joining and contractual enrolment*. At: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-opting-in-joining-contractual-v4.pdf

5 Data challenges in implementing automatic enrolment

This chapter examines some of the key challenges of implementing automatic enrolment faced by employers. It will show the extent to which many employers' existing data systems and processes struggled to cope with the requirements of automatic enrolment, and the issues that this caused for employers.

It also explores how some employers responded to this challenge by developing new systems that would be capable of processing large volumes of worker data. These systems would also have to handle a range of sophisticated and interconnected tasks, such as the frequently complex exercise of identifying and assessing worker types.

5.1 Establishing effective data systems

There was agreement among employers that effective data and management information systems (MIS) were essential prerequisites for implementing automatic enrolment successfully. However, implementation led to a variety of new and complex data challenges for employers. On a broad level, these challenges were twofold: firstly, employers needed effective systems to manage large and complex automatic enrolment processes, such as worker assessments. Secondly, they needed interfaces that allowed seamless data flows between all the relevant parties and databases, for example between internal payroll and Human Resources (HR) operations, and external pension providers. The nature and extent of these data challenges led many employers to regard automatic enrolment to be less about 'pensions' and more about data issues and administrative systems.

> *'It's not a pensions issue. It's an HR and payroll issue; a process and systems issue. That's really what has caused us the main problems.'*
>
> (Financial services)

> *'HR people seem to think that is a payroll job. Payroll people seem to think this is an HR job. In actual fact it is a data job. It is all about data and data flows and data management.'*
>
> (Leisure)

In most cases employers' existing systems and processes were simply unprepared to manage the new tasks required under automatic enrolment. Many employers therefore had to find ways of improving their data systems. Most employers chose to work with their existing systems and adapt them for automatic enrolment, for example by expanding their functionalities or adding bespoke elements to be bolted onto their payroll systems. A few decided to invest in the development of completely new systems that were custom-built to handle automatic enrolment data.

'It was bolting a system onto our [existing] *payroll because we wanted a system to track our 60,000 staff so we can run a report to show we have this many people in this age and salary band and therefore they are eligible and these are the non-eligible.'*

(Financial services)

'Our existing systems were not well established. That was the biggest hurdle. Our provider was building a new system. It turned into a systems project and an administrative challenge.'

(Retailer)

The development of data systems typically involved a number of different business departments and teams (as discussed in Section 2.2) including pensions, HR, payroll, communications, and Information Technology (IT). In addition, many employers engaged various external parties (as discussed in Section 2.3) such as payroll providers, pension providers, or IT consultants, who helped in designing and implementing new systems, databases or software.

'Internally, we had HR involved, also payroll, and IT. Our HR system is the master copy of our salary data. That flows down to payroll, which transacts that data, and also the hourly paid data. We used a third party IT consultant who did a lot of work on payroll. So, payroll send the files off to our employee benefits provider, who developed the middleware solution for us. We then send the file off to a third party to do the communications.'

(Leisure)

The sheer scale and complexity of these data challenges meant that employers had to mobilise considerable internal resources in order to prepare their systems for implementation. Many also had to spend substantial amounts of money in this context, with examples ranging from tens of thousands up to over a million pounds in expenditure.

'It took us nine months in total to do all the system changes. It surprised me how long that took. It has cost us about £400,000 in system changes, and the maintenance of the system is £75,000 a year. I am quite cranky about it, because it was significantly more money than we were expecting.'

(Services sector)

'The biggest issue by far has been adapting our payroll systems to comply with the legislation. It has been a real challenge. We have had to use external software contractors on two payroll systems, and there has been an interface to address with the third party pensions administrator as well. We have effectively had to use external project managers to help us manage this here. It has taken a year, and we have spent over £1 million on systems development.'

(Services sector)

Where employers had outsourced the development of new data systems to an external provider, they often complained about the amount of effort they had to put in themselves in order to arrive at a final product. External providers would typically develop a first prototype, but employers then had to spend time and resources testing functionalities, flagging issues, sorting out teething problems, re-configuring data flows, and fine-tuning the final data system.

> *'The technology was new for our provider. We were their first client, so we had to go through a myriad of detail, and it has been very resource-heavy here.'*
>
> (Retailer)

> *'So, the big piece was systems building: conceiving it, developing it, testing it, and making sure that we had a robust solution that could cover every eventuality. We had a load of people in our information systems team working on this solidly for months on end. Our payroll supplier also committed an awful lot of time to providing us with a solution for auto-enrolment.'*
>
> (Retailer)

A few employers criticised the whole pensions marketplace as not yet having been ready for the challenges, due to the absence of appropriate software solutions and a lack of collaboration between pension providers, payroll providers and intermediaries.

> *'We also felt that, back in 2011 and indeed in early 2012 as well, the market was not ready. There were a lot of people who were coming up with grandiose ideas. The whole marketplace was doing a lot of "yack, yack, yack" and "we can do this, that, and the other". But when you tried to interrogate that a little bit more, as we found, they were talking nonsense. It was a bit disappointing.'*
>
> (Leisure)

There was a feeling among some that their role as the first group of employers to implement automatic enrolment had forced them to do something that called for extraordinary efforts, from which others will be able to benefit later. In part, this perception arose from the fact that they had to do things for the first time that nobody had done before, including developing new data systems from scratch, for which many had to mobilise considerable resources. Yet, once these new systems had been rolled out and tested in practice, some employers anticipated that their payroll or software providers would be able to resell these solutions onto other employers. Meanwhile, some felt that smaller employers, who will implement automatic enrolment at a later stage, would benefit from having immediate access to workable solutions without having to invest much in creating new bespoke systems or sorting out any teething problems.

> *'We have expended a lot of money. We were the first client of our payroll provider, and it cost us a significant amount of money to make changes to their systems so that they could interface with our pension provider. The next employers who select these providers will benefit from that, because all the processes will be there. I know that there is a feeling that is shared by a number of other employers: we all feel that we have spent money in defining the rules, in defining the systems, on behalf of the next wave of employers.'*
>
> (Services sector)

5.2 Handling large and complex data processes

Two of the biggest data challenges employers had to meet in order to implement automatic enrolment were to process very large volumes of data and to manage a variety of sophisticated tasks simultaneously. The large employers who participated in this research naturally reported having to process very high volumes of data, often involving many hundreds of thousands of worker records, which put the capacity of their data systems under pressure. In addition, their systems were required to simultaneously handle a variety of complex and interdependent tasks, such as identifying worker types, assessing eligibility, automatically enrolling workers, calculating pension contributions, processing opt-outs, and sending customised communications.

Typically, the new automatic enrolment systems had to be designed in such a way as to run in tandem with normal payroll operations. In addition, these processes often had to be automated, i.e. they could not run on a manual basis, due to time pressures resulting from the need to run them on a frequent, ongoing basis. For example, in cases where employers ran a weekly payroll cycle, the available 'window' for completing the normal payroll and the automated process of enrolment could be short.

> *'It is a bolt-on to the existing payroll. It is a wedge-in. It is integral to the process because with having assessed someone, worked out whether they are due to pay a contribution, it then has to fire back the ability to take the contribution. These processes need to happen within hours and almost in minutes of deadlines.'*
>
> (Services sector)

In addition to large volumes, sophisticated processes, and time pressures, a number of further complexities could put pressure on employers' data systems. These included instances where an employer had more than one Pay As You Earn (PAYE) scheme, or where multiple payroll runs were in operation, e.g. a monthly payroll cycle for salaried workers and a weekly one for hourly-paid workers. Linked to this were cases where an employer used different or variable pay reference periods as the basis for calculating total pay for eligibility and pensionable earnings to determine pension contributions.

> *'The monthly payroll* [for salaried staff] *is relatively straightforward. It is very low numbers and at this moment in time it is a manual operation and we have got bags of time. We don't have that luxury in our weekly payroll, for our flexible workers, where we have huge software and it's purely automatic. We look at everybody's qualifying pay on a Tuesday morning. That information is sent to the payroll provider. The payroll provider does the analysis. It checks which category staff sit in. It checks whether they are already enrolled and takes the appropriate action.'*
>
> (Services sector)

Another major challenge was to ensure efficient data flows between various related systems that needed to communicate with each other, for example transferring automatic enrolment data from HR to payroll and then onto a pensions or communications provider. Implementing automatic enrolment typically involved a variety of internal departments and external providers. As a result, employers often reported issues around the compatibility of data formats or system interfaces, which made transferring data from one system to another difficult. As a result, employers had to undertake further tasks to reconcile different data formats and to ensure that automatic enrolment data could flow seamlessly between systems.

‘Quite simply, when you are moving information of this volume from one data farm to another data farm, and that data farm stops working for whatever reason, then delays get built into the system. With data transfer you can only have a comma out of place and it is going to throw an anomaly out. The very first few file transfers got corrupted. They may have not been 100 per cent formatted on the scale somewhere along the line, and it had to be rerun three times before we got a successful data transfer. Some people worked overnight.’

(Services sector)

‘We had to do a massive data reconciliation between our external payroll provider, our pension suppliers, and our HR systems. There were several hundred thousand records, and we had to introduce all these new rules.’

(Services sector)

A few employers also struggled with data integration across various internal systems. They reported problems due to various types of staff data being stored in multiple databases or dispersed across old legacy systems, for example as a result of mergers or acquisitions. They, therefore, needed to find ways of combining all the necessary data into one place in order to process it for automatic enrolment purposes.

‘There are one or two areas of concern, predominantly IT issues, because all of our systems have had to be changed. It is the sheer volume and multiplicity of systems. There are at least three separate computer systems, all generating the same information.’

(Services sector)

Finally, some employers reported problems with missing or outdated information in their staff databases. For example, employers typically relied on their staff to provide accurate postal addresses, but when staff moved around and failed to update their details, then there was a risk of some not receiving their relevant automatic enrolment notification letters.

‘Bearing in mind we have been working on trying to get address data correct since autumn last year. We wrote to them all in January, using the address that the individual has given us as their home address. In March we enrolled just under 13,000 of our hourly paid staff. As of yesterday we still had close to 100 letters come back as ‘not known at this address’ and for every one we have had back, there are probably about three more that have just gone in the bin.’

(Leisure sector)

Another particular example was missing gender information in the staff records held by one employer. Without gender information it was not possible to accurately calculate the State Pension age (SPA), and consequently to identify all eligible jobholders. In this instance, the employer reported having gone through all the staff records manually, assigning gender to individual records based on first names.

5.3 Designing data systems to identify and assess different worker categories

One major data task required under automatic enrolment was the identification and assessment of workers. Employers needed to create reliable and efficient data systems that allowed them to identify the different worker types – eligible jobholders, non-eligible jobholders, and entitled workers – in order to assess whether workers are eligible for automatic enrolment or not. Assessment is based on three eligibility criteria, which require employers to examine:

- the worker's age, i.e. identify whether the worker meets the different specified age brackets;
- whether the worker is working or ordinarily works in the UK under their contract, i.e. establish where the worker is based;
- the worker's earnings, i.e. calculate whether qualifying earnings are payable in the relevant pay reference period and at what amount.

Employers are required to undertake an assessment of all their workers at their staging date. In addition, they are required to continue to make assessments on an ongoing basis, for example for new joiners and for existing workers who may become eligible in the future when their age or earnings meet the eligibility criteria. Section 8.2 provides more detail about ongoing administration efforts in this regard.

A small minority of employers chose to simplify this process by enrolling additional workers over and beyond the criteria that define eligible jobholders – as discussed in Section 3.1.2. This way, they managed to reduce the administrative burden associated with complex assessments. However, a majority of employers decided to apply these eligibility criteria with most finding the identification and assessment process to be complex, time-consuming and resource intensive.

On a broad level, only a few employers found the process of assessing their workforce to be relatively easy and straightforward.

> *'It was fairly easy. It is a set figure: if they earn more than X pounds per year, and they are 22 and over, or under State Pension age. It was fairly easy to identify with the data.'*
>
> (Financial services)

The majority found assessment a major challenge. Some also continued to experience data problems until after their staging date.

> *'So do I think it has been successful? Yes, I do. Has it been hard work? Boy, has it been hard work! It is so complicated. It is so complex. There are still a lot of things we need to work on with our software.'*
>
> (Leisure)

Large data volumes, complex tasks, and immense time pressures represented a formidable challenge for employers' data systems. Some of them were acutely aware of there being little room for error within assessment processes, for example when employers had a weekly payroll cycle in place. In this context, some were concerned over the potential risk that staff may not be paid on time if something prevented the assessment process from running simultaneously with the normal weekly payroll cycle.

'We have two payrolls. We pay our salaried staff twice a month, and we pay our hourly-paid staff fortnightly. We have only got a 60- to 90-minute window in the payroll cycle when we have got all the numbers in, so that we can actually make that assessment [of eligibility for automatic enrolment]*. We said that we can't afford to have a failure. We can't have it taking three hours; otherwise we potentially miss the window for paying people on time.'*

(Leisure)

Employers with the earliest staging dates were more likely to report difficulties in creating effective data systems for assessment purposes than those who implemented automatic enrolment at a later stage. Those with earlier staging dates often complained that their payroll or pension providers were 'not ready yet,' or too slow to react to meet the new data challenges imposed by automatic enrolment. This meant that developing new data systems took longer than some had expected.

'The disappointing thing is that the payroll providers and the pension companies did not get together early enough to decide on standard approaches. I think that standardisation is coming. But because the payroll providers were so late in coming to the party, everything was a bespoke solution. It took us nine months in total to do all the system changes. It was significantly more than I expected. And some of those changes were going on while we were going through the postponement.'

(Services sector)

Once new data systems had been developed, employers typically tested their operation and efficiency before a full launch, so as to be able to flag up and address any emerging issues.

'We have actually been able to step in and double-check what the new system is producing before we put it into our payroll system. So it has been quite good that way, to manually see how it all comes together and how it works.'

(Manufacturing)

While up-front testing was a common feature of the data systems development process, some employers reported that they had not been able to address all the issues identified by testing before their systems went live at staging date. Repeated instances of data anomalies in the assessment process left some employers worrying about compliance. However, most employers were able to resort to manual interventions so as to rectify assessments on an individual level.

'When you are testing any IT system, you will test it with a limited number. But it is different when you start pumping 30,000 records down the pipeline. We have a stress test, but we are going to get anomalies creeping through. For the first three or four weeks we have been playing catch-up all of the time. But they are identified on individual levels, and those individuals have been dealt with individually. So, we have at least stuck with the spirit of the regulations and nobody has been disadvantaged.'

(Services sector)

Some employers reported a number of specific problems in applying the measure of qualifying earnings. In order to comply with the assessment rules, employers' data systems must follow a series of steps:

- they must first identify the relevant pay reference period to be applied, for example a monthly or weekly period, at the end of which workers are paid their regular wages or salaries;
- next, employers must identify which payable earnings are to be measured during that period; these consist essentially of a worker's wage or salary plus other components such as commission, bonuses, overtime and statutory maternity pay;
- finally, employers must compare these earnings, which are payable during the specified pay reference period, against the lower threshold of qualifying earnings and/or the earnings trigger for automatic enrolment.

In general, employers with a fairly homogenous workforce found it relatively straightforward to apply these three assessment steps. This group of employers typically had a majority of their staff working on a permanent basis and a monthly payroll cycle in place to process fairly uncomplicated salaries. By contrast, employers in some specific industry sectors reported substantial problems with the assessment process due to the nature of their workforces. These employers typically had transient workforces with fluctuating earnings patterns. They often had numerous special cases, exceptions and anomalies, making the process of calculating qualifying earnings more complex.

Transient workforces were particularly common in certain industry sectors, such as retail, hospitality, leisure, and employment agencies. Within these sectors, a large proportion of workers were likely to work on a short-term contract or on a casual basis, for example as shop assistants, bar staff, or temporary office administrators. Employers often hired a large number of temporary workers during peak periods in the year, such as Christmas, Easter or the summer holidays, then wound down again during quieter periods. As a result, employers regularly had to enrol new starters as a greater proportion of their workforce than other industry sectors, placing a greater burden on their assessment systems from a data volume perspective than was experienced by employers who do not employ temporary workers in these numbers.

> *'It is mainly over Christmas, when we take on 25,000 staff really quickly. And then most of them just disappear. We have had a lot of problems in March because it all starts unwinding as our temps move out.'*
>
> (Retailer)

Linked to the issues arising from transient workforces, the assessment process could be further complicated by fluctuating earnings patterns. Essentially, when temporary workers worked uneven hours their pay also tended to fluctuate considerably, so that in one week their pay might reflect fewer hours worked, while in the following week they earned more. When, as a consequence, workers moved in and out of eligibility on a regular basis, employers needed to assess qualifying earnings and automatically enrol the same individual several times a year. Some organisations' automated assessment processes were reportedly unable to cope with such complex special cases on a regular basis, meaning employers had to resort to manual interventions. These included spot-checking pay data and rectifying errors on an individual basis.

> *'We have people who are on our weekly payroll who are temps. We have lots of people whose pay fluctuates all over the place. We haven't got time to check it all so we have got errors coming through* [the data]*.'*
>
> (Retailer)

Some employers in these industry sectors paid their workers in arrears, i.e. in a pay reference period after the end of the period in which the work was done. This could add further complications to the assessment of qualifying pay in terms of specifying the pay reference period and aligning the assessment date with the correct point in time.

> *'With our workforce, because their pay varies every week, and because they are paid weekly in arrears, it is incredibly challenging to do everything that we need to do on a weekly basis, and still pay people on time. That was a big stumbling block for us. It is quite complex, and it is a significant additional cost.'*
>
> (Leisure sector)

This chapter has explored some of the technical data challenges that employers faced when implementing automatic enrolment. In part, these issues relate to the way the eligibility criteria are set out in the official guidance and how employers interpreted these rules. In addition to technical challenges, employers also raised a number of concerns about what they saw as vague or ambiguous definitions within the guidance, which made it difficult to comply fully with the legislation, as Chapter 6 will discuss in more detail.

6 Understanding the legislation and guidance

This chapter examines the various information sources employers used in order to understand their legal duties in relation to automatic enrolment. The legislative framework for automatic enrolment was introduced by the Pensions Act 2008 and Pensions Act 2011. While the Department for Work and Pensions (DWP) is responsible for the legislative framework, official guidance for employers is provided by the regulator as part of its remit to maximise employer compliance with employer duties. The legislative framework (referred to throughout as the ‘legislation’) also covers the more detailed regulations made under the Acts.

This chapter looks at employers’ views on the official guidance provided by the regulator and other information sources used, and the extent to which it helped them to understand and implement their duties. It is important to note that in some cases employer feedback may have been referring to the legislation itself, rather than to the content of the regulator’s guidance or quality of advice provided. Where it has been possible to distinguish between the two, this has been noted in the text.

It is also important to note that the research was carried out in the early stages of automatic enrolment and many issues raised here have been subsequently addressed. For example the DWP carried out a consultation on technical improvements to the legislation between March and May 2013, which the regulator drew on to begin simplifying some of its guidance.[28]

All employers worked with the official guidance issued by the regulator, and while employers’ feedback on the guidance was generally positive, the research did indicate a number of areas that some employers found to be unclear or ambiguous, either in relation to their interpretation of the guidance or the legislation itself. As a result, some employers reported concerns about unintended adverse effects, such as unnecessary administrative burden, confusion among staff, or uncertainty over compliance.

The chapter goes on to explore the approaches employers have taken in order to deal with regulatory ambiguity. Finally, the analysis considers employers’ feedback on their dealings with the regulator throughout the preparation and implementation phases.

6.1 Using different information sources

Employers typically used a variety of information sources as part of their preparations for automatic enrolment. Many of these large employers adopted a carefully planned and systematic approach to gathering information materials, assessing and reviewing them, and putting them to use. It was common for employers to revisit information sources on several occasions, over a prolonged period of time.

Some of these large employers had been following the development of the wider workplace pension reforms since the very early development and consultation phases. They had been

[28] DWP (2012). *Technical changes to automatic enrolment: public consultation on draft regulations and other proposed changes*. At: https://www.gov.uk/government/consultations/workplace-pensions-proposed-technical-changes-to-automatic-enrolment

gathering emerging information about automatic enrolment along the way and were not ‘taken by surprise’ when they started implementing it.

All employers reported that they had consulted the official ‘detailed guidance’ issued by the regulator. The detailed guidance consists of a series of documents that are available for download on the regulator’s website. Based on the legislation, they contain detailed information about employers’ duties at various stages in the process, including concrete scenarios, examples, and checklists to support or illustrate the various rules, definitions, criteria and processes employers are obliged to consider.

On a broad level, employers tended to find the regulator’s detailed guidance to be comprehensive and helpful. However, most reported a number of unclear areas in the legislation which meant they could not rely on the official guidance alone in order to ensure compliance with all their obligations. As a consequence, many needed to mobilise and pay for external specialists to provide legal and technical advice. The subsequent sections of this chapter will discuss employers’ experiences of working with the guidance in some more detail.

> *‘We want to be 100 per cent compliant with the legislation, but there is a lack of clarity on various small key items. The principles are clear but the devil is in the detail. So, we had to spend a huge amount of money on legal fees to get some clarity. So, for us it has been a bit of a hard process.’*
>
> (Financial services)

In addition to using the detailed guidance documents, many employers also reported accessing other resources available on the regulator’s website. These include an interactive ‘beginners guide to automatic enrolment’, a printable summary leaflet containing information about the main steps, an interactive time planning tool, an audio-visual webinar, and a variety of other information resources. These resources cover a variety of issues, for example how to ensure that a workplace pension scheme is compliant with automatic enrolment requirements, how to communicate automatic enrolment to workers, and how to register with the regulator after staging. A minority of employers used additional online resources, such as booklets, fact sheets, case studies, and the language guide, that were available on the DWP’s website but have now been moved onto the unified government site, GOV.UK.[29]

Employers often accessed further support via the regulator’s online contact pages, where a list of frequently asked questions is available, as well as a dedicated email address and a telephone helpline for employers to use if they have any queries. Again, more detail on employers’ feedback on their direct interactions with the regulator is provided in Section 6.5.

> *‘Where we needed something to be clarified, we have called the helpline. The website we have pulled on quite heavily. We used all of The Pensions Regulator’s letter templates and stuff like that. So we have used it quite extensively and it has been quite a good resource, really.’*
>
> (Public sector)

To varying degrees, employers also consulted a range of other non-official information sources, such as information about automatic enrolment reported in the media or in specialist pensions or employee benefits-related publications. Some attended specialist seminars or workshops, where employers came together with pension providers, payroll and software providers, legal and technical advisers, and other stakeholders in order to learn

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[29] Available at: https://www.gov.uk/workplace-pension-toolkit

about automatic enrolment. A few employers reported sharing knowledge about automatic enrolment among similar organisations through working groups or associations within their industry sector.

> *'We have an inter-bank group where all the banks get together. We talked a lot about how we interpret the legislation; we wanted to get a considered view across the banking sector as to how we were to approach this. There were various things that we didn't know, so having that forum to meet and talk helped a lot.'*
>
> (Financial services)

6.2 Working with legislation and official guidance

Employers' experiences of working with the regulator's detailed guidance were mixed. Many said they had found the guidance to be comprehensive, clearly laid out, and precise in terms of spelling out the broad principles of automatic enrolment. However, they were also critical of some aspects of the guidance which in their view failed to specify exactly how these broad principles would translate in practice. It is important to recognise that while employers were in the main using detailed guidance published by the regulator, the issues they raised were often in relation to the underlying legislation on which the guidance is based, for example certain definitions related to eligibility.

Most employers said they had found the detailed guidance to be an extremely useful information source. They appreciated having a single, comprehensive reference they could consult and refer back to throughout their preparations for automatic enrolment. Many valued the specific examples, scenarios and checklists contained in the guidance. Many also commented favourably on the structural and graphical layout of the documents, which they found to be well organised and signposted.

> *'I found the TPR* [the regulator] *guidance useful and it was actually a bit of a bible.'*
>
> (Financial services)

> *'Their written guidance is very good and very clearly set out.'*
>
> (Public sector)

On the other hand, many employers voiced some concerns about the guidance. Some took issue with its content, which they found hard to follow and difficult to interpret. This was because some found the format to be confusing, the content repetitive, or the language used (based on the terminology and definitions in the legislation) to be counter-intuitive, including the terms 'eligible jobholders' or 'entitled workers'.

Even though the general feedback tended to be positive on balance, there were also many employers who reported difficulties with what they saw as vague or ambiguous areas within the legislation. Examples of such grey areas included the definition of pensionable earnings and pay reference periods, the treatment of offshore workers and those with enhanced or fixed protection. These perceived ambiguities will be discussed in more detail in Section 6.3. Among employers who complained about such a lack of detail in the guidance there was often a sense that the regulator and DWP did not appreciate the full implications of putting the automatic enrolment rules into practice.

‘That was quite challenging. There were some areas where we would go to our lawyers to say, “Here is how we are going to do it, is that okay?” and they would say, “We don’t know, because the rules don’t specify”.’

(Services sector)

Conversely, some employers complained that certain elements within the legislation and subsequently the official guidance, were too complex and too prescriptive; leaving not enough room for them to find a flexible, practical solution that complied with the rules. Other employers remarked that the guidance contained too many examples of complex cases, but not enough information about a typical basic scenario.

‘I think that the government has made it very, very difficult for large employers. Some of the detailed requirements in the guidance were just unnecessarily complex, really. Sometimes it was just a bit too prescriptive. Employing a common-sense approach and giving employers a bit of freedom wouldn’t have gone amiss when it comes to those detailed processes.’

(Services sector)

In this context, there was widespread desire for a simplification of the legislation. In response to this, DWP carried out a consultation between March and May 2013, which the regulator drew on to begin simplifying some of its guidance.[30] While some employers appreciated these efforts, for the employer quoted above the consultation came too late.

‘I have seen the consultation around trying to simplify things, and that is great, but actually it was too late for us. We literally were right in the middle of staging and there is this consultation out about simplifying it. It was just too late for us.’

(Services sector)

Timing was another point of contention for a number of employers who reported problems during their initial preparation stages, when early versions of the official guidance went through a number of changes. Some employers felt that the final version arrived too close to their staging date, leaving little time for employers and their external providers to adapt to these changes and to finalise their preparations.

Finally, some employers criticised the legislation from a practical, operational perspective, particularly regarding their payroll processes. They often struggled to incorporate certain automatic enrolment rules into their existing payroll operations. Implementing automatic enrolment represented a major data and systems challenge for employers, which Chapter 5 discusses in more detail.

30 DWP (2012). *Technical changes to automatic enrolment: public consultation on draft regulations and other proposed changes*. At: https://www.gov.uk/government/consultations/workplace-pensions-proposed-technical-changes-to-automatic-enrolment

6.3 Examples of unclear elements in the legislation

Employers reported a number of specific grey areas in the legislation and consequently, the published guidance. They found these to be lacking in clarity, which made the practical implementation of automatic enrolment difficult. Two examples raised by some employers included the definition of:

- qualifying earnings, which are a key requirement for assessing the workforce;
- pensionable earnings, which are used to determine pension contributions.

Some employers were unsure whether to include certain components, such as a worker's car allowance or territorial allowances, into these earnings definitions.

> *'At the time we started the legislation wasn't clear on certain definitions. One of those was pensionable earnings. What was the definition of fixed pay? And how were we treating some of our allowances, like territorial allowance? That was a real concern to us, because there was a risk that something was going to become pensionable, and that would have been a multi-million pound cost.'*
>
> (Financial services)

The definition of pay reference periods, also an essential component of the assessment process, was another unclear element in the legislation. The usual pay reference period for a worker is the period of time by reference to which the employer pays the worker their regular wage or salary, for example a weekly, four-weekly, or monthly period. The pay reference period is not the same as a worker's pay frequency, although sometimes the two will coincide. Some employers struggled to understand these concepts and to apply them to their organisation. Understanding pay reference periods (PRPs) was further complicated by instances where employers operated variable pay cycles, and where they paid in arrears.

> *'On some points we had to make our own interpretation, like working out the earnings period. I think in the end we did it so it favoured the employee, but it wasn't necessarily the way the legislation was written.'*
>
> (Financial services)

Some employers also struggled to assign a geographical location to certain members of their workforce. The legislation requires employers to establish whether a worker is working or ordinarily works in the UK. However, given that many of the employers who took part in the research are multi-national organisations, they were likely to have some workers moving between countries on a regular basis. Some employers found aspects of the legislation to be ambiguous regarding the geographical classification of special worker populations, such as offshore workers or those moving around on short-term placements.

> *'All the banks have these groups of people that the legislation did not consider, such as offshore people or people who are expats. We have a few hundred offshore people. We found it difficult, because that wasn't clarified at all, right until the wire.'*
>
> (Financial services)

Another grey area in the legislation related to the treatment of workers with multiple contracts, for example where contracts were held with several individual companies making up a wider organisation. Some employers felt that the legislation did not provide enough clarity about whether to process each contract separately, or to treat them as a single contract by aggregating data across multiple contracts.

> *'We have about 100 people who are on multiple contracts* [with different retail outlets or business areas]*. It is not uncommon in our industry. We were stumped. Do we aggregate or not? Do we treat them as one? We still haven't completely resolved it. That was just one incident, and it had a lot of consequences, and it took a long time to resolve.'*
>
> (Retailer)

These instances of perceived ambiguity had a series of implications. Aspects of employers' automatic enrolment processes could, ultimately, be in breach of the legislation. For example, when employers were unclear about the definition of qualifying earnings or pay reference periods, there was a risk that some workers could be wrongly excluded from automatic enrolment. In addition, employers expressed concern over the possibility that they did not calculate pension contributions accurately in accordance with the rules.

> *'If someone is on the threshold below or above, that can't be in anybody's interests to continually auto-enrol these people. There should be a more pragmatic solution.'*
>
> (Financial services)

Employers occasionally mentioned another specific issue relating to high earning individuals with enhanced or fixed protection status.[31] The lifetime allowance (LTA) specifies the maximum amount of pension savings people can build up and still benefit from tax relief. LTA protection was introduced so that people did not have to pay the LTA tax charge on pension pots built up before that date. However, there are certain restrictions, for example if people start saving in a new pension pot after that date, they will lose this protection status.

> *'A large number of people have got protection. We had to process 2,000 extra people, our most senior people, who weren't in the pension scheme. For some of them we knew they had protection, but we don't always know. A lot of them were saying, "What are you going to do? Am I going to lose that protection?"'*
>
> (Financial services)

Employers are required to automatically enrol all eligible jobholders into a pension scheme, regardless of their protection status, including in situations where they might not know whether workers had enhanced or fixed protection. Eligible jobholders have the right to opt out of the scheme within one month. But many employers felt that there was a risk that some of the affected workers might not opt out within the opt-out period. If these people stay in their new pension schemes they could lose their enhanced protection status and facing tax charges on pension savings above the LTA. Many employers, therefore, felt that this group of workers should be exempt from automatic enrolment.

> *'The amount of work involved in dealing with such a small population was completely disproportionate. Also, the risk for the individual taxpayers who have maxed out their allowance is totally inappropriate. So, why not exclude them from the legislation?'*
>
> (Financial services)

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31 This includes people who have built up pension pots worth more than £1.5 million before 6 April 2006, when the lifetime allowance was introduced by HM Revenue & Customs (HMRC).

It should be noted that in August 2012 DWP commissioned HMRC to write a letter to all individuals with enhanced or fixed protection status: about 7,500 people in total. The letter explained the consequences that automatic enrolment may have for these individuals, and that they can keep their protection status by opting out of the pension scheme they have been automatically enrolled into. In addition, DWP invited feedback from employers as part of a public consultation that ran from March to May 2013. Based on the initial evidence, DWP is currently considering a number of circumstances in which automatic enrolment might not be appropriate for certain workers, and where there may be a case for making exemptions to employer duties.

6.4 Responding to ambiguity

When employers encountered elements that they found unclear, they typically tried to find more information. As a first step, employers would revisit the detailed guidance to look for more clarity on specific issues: this often involved several implementation teams, such as internal pensions, Human Resources (HR) or legal departments. Employers frequently contacted the regulator helpline to ask for more information or to double-check whether their suggested approach would be compliant with the legislation. However, many employers reported that these initial steps were not sufficient to clarify all the issues they needed to resolve because of the perceived ambiguity. The following quote illustrates that some employers interpreted gaps in the legislation (referred to by the employer as 'regulations') as being shortcomings in the guidance.

> *'The guy from TPR* [the regulator] *was very informed but I think the regulator could have given us some more guidance on the questions that hadn't been addressed yet in the regulations.'*
>
> (Financial services)

Many employers reported the need to hire external legal advisers (as discussed in Section 2.3.4) to support them in the implementation of automatic enrolment. They also turned to their legal advisers to seek clarification on parts of the legislation they found to be ambiguous. However, on occasion even legal advisers were unable to provide certainty on issues, since the legislation did not specify all the details. There were also instances where employers consulted external parties, but received contradictory answers.

> *'Trying to understand the regulations was difficult, they are incomplete or contradictory. We had to take a lot of very expensive legal advice. We still don't really understand whether certain people should be auto-enrolled or not.'*
>
> (Retailer)

> *'Some of the legislation was not clear and that was a big stumbling block for us. So we liaised with our advisers, our pension provider, and the regulator, because it is really important to us to absolutely do the right thing. But on certain technicalities we got three different answers from all of them, so what do you do? When you are one of the first companies to go in, it is always very, very difficult to comply with all the legislation.'*
>
> (Leisure sector)

Some ambiguities persisted – such as those discussed above in Section 6.3 – even after employers had tried to resolve them directly with the regulator or with their legal advisers.

This left employers to arrive at their own interpretations of the rules and to find a pragmatic solution. On occasion, employers reported having to make their own judgement about how best to comply with the spirit of the legislation. Some approached this by documenting every decision, so as to be able to demonstrate that they had undertaken all reasonable efforts to ensure compliance. Others responded to instances of ambiguity by logging every decision directly with the regulator to pre-empt any possibility of non-compliance.

> *'That is where some frustration around the whole auto-enrolment project creeps in. Nobody wanted to make decisions. I have drummed home all the time that we need to have reasonable governance and to try to keep within the spirit of auto-enrolment but we have had to find pragmatic practical solutions. I took the view that as long as we can explain and justify what we have done and why, I don't worry about it.'*
>
> (Retailer)

> *'We just have to make a judgement call from our own governance, and say we have identified a problem, and we need to come up with a practical solution. In cases like this we need to say to the regulator "here is what we are going to do".'*
>
> (Financial services)

All employers who participated in the research were adamant about their ambition to ensure their automatic enrolment processes were compliant. In cases where they observed unclear elements in the legislation, they tried at least to comply with what they felt were the spirit of the rules. This said, a small number of employers felt that regulatory ambiguity made it impossible to be fully compliant.

> *'I will tell you now, there is not one employer who is complying with that legislation properly. We are all doing our best, but it is impossible to cover every single issue that is there because there are too many things that suddenly come at you.'*
>
> (Retailer)

6.5 Working with the regulator during implementation

This section considers feedback from employers on the role of the regulator in supporting them throughout the stages of preparation and implementation. This includes employers' impressions of regulator staff who visited them in person, interactions with the regulator's helpline staff, and email exchanges they had during preparation and implementation.

The majority of employers were positive about the support they received from the regulator. Their comments were favourable about the ease of getting in touch with the regulator, and many also were pleased with the speed of response they received. Employers felt that regulator staff were knowledgeable and helpful.

> *'The TPR* [the regulator] *helpline was really helpful. The people were quite informed. It has been quite straightforward and easy.'*
>
> (Public sector)

'I was firing off emails left, right and centre. I would say they were excellent. They either acknowledged emails immediately or got back to me on the same day. They have been very, very good.'

(Public sector)

There were, however, instances where employers raised a query with the regulator asking for clarification on a specific issue, but were then disappointed by a response that was too generic or unclear. Again, this may have reflected ambiguity in the underlying legislation rather than in the guidance given. On some occasions, the regulator referred employers back to the detailed guidance, or recommended that they consult with their legal advisers. This left some employers worrying about potential future enforcement action.

Many employers did appreciate that devising new legislation for a complex area such as pensions would have been a major challenge, and there was a sense among several employers of the difficulties policymakers would face in predicting every possible eventuality and potential anomaly. Nevertheless, a few employers also reported receiving contradictory advice on some issues. They then faced the challenge of having to reconcile conflicting information from different sources, such as the regulator, DWP and the guidance itself.

'There were some very specific legislation points where the view of the DWP contrasted to the view of the regulator. DWP seemed to give more of a "this is how it works" approach, and sometimes that actually counteracted the legislation.'

(Financial services)

7 Communicating automatic enrolment to workers

Employers have a duty to provide information about automatic enrolment to their workforce. They are required to provide *'the right information, to the right individual, at the right time'* as specified by the detailed guidance.[32] This chapter examines how employers, i.e. the large employers who were the first to implement automatic enrolment and who participated in this research, chose to approach the planning of their communications strategies, and it explores their experiences with implementing campaigns. It also considers the use of official communications resources made available by the regulator, such as letter templates and checklists, and to what extent employers found these resources useful. The final section of this chapter describes communications processes and outcomes about which employers felt particularly positive, as well as elements that turned out to be challenging or problematic.

7.1 Deciding on a suitable communications approach

Most of the employers in this study had adopted a systematic approach to developing a communications strategy. They tended to start drawing up their communications plans many months before their staging date during the early phases of preparing for automatic enrolment.

Communications often involved two phases: the first phase involved sharing general background information about automatic enrolment with the entire workforce, and the second phase involved tailored messages relating to specific events and particular worker groups. Most employers used a mix of different communications channels. At a minimum, all employers used letters or emails to inform their workers about automatic enrolment in accordance with the rules. To various degrees, employers also shared general information via various other channels and formats in order to promote awareness of automatic enrolment. Examples of channels included printed brochures, information on the company intranet, staff seminars, and posters in communal areas

There was a tendency for employers to try to keep the content of their communications as simple as possible. This was often the result of concerns that workers might be confused or 'put off' by too much technical detail about pensions. Employers tended to assume that their workforce had very limited knowledge of, and interest in, pensions. As a consequence, many

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[32] The two most relevant guidance documents regarding employers' communication duties are:
The Pensions Regulator (2012). *Workplace Pensions Reform – Detailed Guidance: automatic enrolment: an explanation of the automatic enrolment process*. At: http://www.thepensionsregulator.gov.uk/docs/pensions-reform-automatic-enrolment-v4.pdf
The Pensions Regulator (2012). *Workplace Pensions Reform – Detailed Guidance: automatic enrolment: information to workers*. At: http://www.thepensionsregulator.gov.uk/docs/Pensions-reform-resource-information-to-workers-v3.pdf

employers reported spending a lot of effort trying to avoid technical language or jargon and presenting the information in a clear and concise way.

> *'We have tried to just keep everything fairly low-key, really: giving them the information that they need to know. There's no point in them having too much technical detail, because they'll just switch off.'*
>
> (Services sector)

> *'Things like communications are time-consuming. You think it is easy writing a letter, but actually, when you have tested it out, people go "I don't understand that". Oh my gosh, I have got to explain what the word pension means, let alone what the word auto-enrolment means.'*
>
> (Financial Services)

These broad trends are similarities that could be observed across all employers. In the following two sections we discuss how communications approaches differed in terms of their scale and intensity.

7.1.1 Higher-intensity communication approaches

Some employers decided to launch a comprehensive multi-media communications campaign to inform their staff about automatic enrolment. They tended to stagger communications in such a way that staff would receive a regular flow of information over a prolonged period of time.

> *'We had a little teaser programme at first and then we really ramped it up. We did road shows, our employee internet site, direct emails, payslip messages. It was really meaningful for our people.'*
>
> (Leisure sector)

High-intensity campaigns often included a combination of various information channels and formats, in order to reach out to workers from a variety of different angles. Some examples of communication channels included:

- information on the company intranet, including text and audio-visual elements such as short videos, which allowed staff to read basic information about automatic enrolment, understand the process and the timetable, appreciate the potential costs and benefits of pension saving, and access links to further detailed information provided by the regulator or the Department for Work and Pensions (DWP);
- printed materials such as fact sheets or brochures, which provided an overview of automatic enrolment for workers to take away and refer back to at a later stage;
- staff newsletters and posters in communal staff areas helped to raise general awareness of automatic enrolment and keep workers up to date with developments throughout the different preparation stages;
- staff workshops, seminars, and face-to-face briefings with Human Resources (HR) managers provided in-depth information and allowed staff to ask questions and get clarification on any queries;
- letters, emails and payslip messages imparted tailored information to specific groups of workers at particular points during the build-up of automatic enrolment.

Employers in this group usually applied their company in-house style and branding (for example logos, letterheads, fonts or colour schemes) to any communications materials in order to support their information drive. Comprehensive and long-running communications efforts often meant that an external communications agency oversaw the design, production and distribution of items such as letters, posters or booklets.

A few employers who launched high-intensity communications campaigns tried to achieve various other objectives, over and above simply raising awareness of automatic enrolment, relating to employee benefits and pensions. Some linked their messages about automatic enrolment to a more general information drive to get staff thinking about pensions and long-term retirement planning. Others wanted to use the occasion as a trigger to promote a newly designed employee benefits package or benefits portal.

Case study: Creative approaches to communicating automatic enrolment

A large employer in the financial services sector reported using a multi-faceted communications campaign to raise awareness of automatic enrolment. This included providing general information on a regular basis during the build-up towards implementation, for example via articles in a fortnightly staff magazine and in a regular newsletter, which included a message from the pensions director about the importance of pensions saving. HR managers were encouraged to talk to the wider workforce about automatic enrolment in face-to-face team briefings.

About a year in advance of the staging date, HR launched a project called 'Can you survive on a state pension?' This initiative was designed to illustrate how life on a state pension might be like and to get workers thinking in a more concrete way about retirement planning. About 150 staff volunteered to participate in the two-week project. During week one, they were asked to fill in a diary about their budget and daily expenses, while in week two they had to make ends meet on a £70 budget. After that, employees were invited to share their experiences for the benefit of all colleagues.

'They all managed to live off £70 a week, every one of them. So, I said to them, "Did you really live, or did you just exist?" It was an interesting lesson. There were some people who said, "I can't survive on that. I need to do something." It was cautionary tales. We used some of those real-life tales for people in our communication about auto-enrolment.'

7.1.2 Lower-profile communication approaches

Some employers adopted a more restrained, low-profile communications approach. This was typically the case among those employers where large proportions of workers already had a workplace pension, often arranged by way of contractual enrolment, before automatic enrolment was implemented. When only small numbers of workers would be affected by automatic enrolment, employers tended to feel that nothing much was going to change. As a consequence, they deliberately adopted a more limited communications approach. A minority of employers explained that this way they wanted to avoid causing confusion or alarm among their workers.

> *'We mentioned it in the annual pension statements that go out. We didn't mention it anywhere else. We felt that because 90 per cent of employees were already enrolled in a compliant scheme, there wasn't going to be a significant change to their circumstances. So, we didn't feel the need to give it any build-up. We didn't want to confuse, we didn't want to give an awful lot of scaremongering beforehand about auto-enrolment.'*
>
> (Financial services)

In these cases, communications campaigns tended to be limited to very few messages and to a small number of different channels. Information was kept low-key, for example limited to just one email or putting a short notice on workers' payslips or annual pension statements. The timing of general communications among this category of employers tended to be quite close to the staging date, and there was relatively little information build-up before that date.

> *'In 2011 and 2012, lots of communications companies were saying "you must start communicating the year before* [staging]*". But we deliberately left that alone and did it in the two and a half months lead-up to staging. We kept the communication much more low key, very fact-based. We did it internally. That worked nicely.'*
>
> (Leisure sector)

This type of low-profile communications campaign was usually handled by in-house marketing or communications teams, rather than outsourced to an external communications agency.

7.2 Using resources from the regulator in communications

The regulator's guidance based on the legislation explains that employers have a duty to communicate *'the right information, to the right individual, at the right time'*. The key information requirements include the following:

- information must be tailored to specific worker groups, including eligible jobholders, non-eligible jobholders, and entitled workers. If employers use postponement they have to give a written notice to all their workers;
- information must contain a number of mandatory elements, for example a statement that eligible jobholders have been, or will be, automatically enrolled into a pension scheme; the date of automatic enrolment; contact details of the pension scheme; the value of any scheme contributions; or a statement about the jobholder's right to opt out during the opt-out period;
- specified information must be given within prescribed time limits, for example informing non-eligible jobholders about their right to opt in to a pension scheme must happen no later than one month after the right to opt in first applies to the jobholder;
- any specified information about automatic enrolment must be in writing.

A number of resources have been developed by DWP based on research with employers and individuals, and the regulator has made these resources available to employers in order to support them with their information duties and to ensure compliance. These resources are available online and include detailed guidance documents and communications checklists, practical letter templates for staff communications, and a set of frequently asked questions (FAQs) with example answers to help employers prepare for staff queries throughout the process.

All employers who participated in the study had consulted the regulator's guidance on providing information to workers, and a majority found it to be very helpful. In addition, all acknowledged having considered the various letter templates on the regulator's website for their staff communications. Employers often referred back to these resources on more than one occasion, regarding them as a 'safety net' to ensure that their communications were compliant with the legislation, for example when making sure that letters contained all the necessary information elements, or that they were being sent to the right people at the right time.

> *'The templates were useful, because they were a good guide of what we needed to say.'*
>
> (Financial services)

While a small number of employers lifted multiple phrases from letter templates verbatim, the majority used them more as a starting point for the design of their own information materials. The majority of employers mentioned customising the letter content, style and format, so as to align it with their corporate style and branding. A few employers also mentioned modifying or paraphrasing wordings, where they felt these might be unclear or there was a risk of misinterpretation by workers.

> *'We wrote our own communications, picking up the* [official] *messages, but we wanted to write it in our way and we have our own in-house style.'*
>
> (Manufacturing)

> *'The recommended wording was paraphrased, but there was a core of all the communications that you can't meddle with, if you do what is recommended. So we have found that very useful and a good guideline.'*
>
> (Services sector)

7.3 Assessing communications campaigns

This section examines perceived positive and negative aspects of communications.

7.3.1 Positive aspects of communications campaigns

Most employers looked back at their information campaigns and felt fairly satisfied with the process and the outcome. In terms of the communications process, employers tended to be confident that their communications were delivered according to schedule and also were compliant with the rules. When asked about the outcomes, most employers reported that their communications achieved what they set out to do, i.e. informing staff about automatic enrolment without confusing them with too much technical detail.

In this context, it is noteworthy that many employers had initially anticipated large volumes of staff queries immediately after implementation, when their workers would have received their first official letters. However, even though some braced themselves for a great deal of negative reaction from staff, employers in fact tended to report very low numbers of queries and found that most of these were relatively easy to process.

'We set up our own helpdesk for any staff queries. There have been surprisingly little. We got it wrong on the scale of the sort of queries we would get. There has been very, very little.'

(Services sector)

Queries arising from workers after they had received their letters tended to revolve around how they could opt out of the pension scheme into which they had been, or were about to be, automatically enrolled. There were very few instances of workers asking how they could opt in to a pension scheme. Similarly, only a very small number of staff complained about the fact that pension contributions would be deducted from their salary as part of the automatic enrolment process.

While no employers mentioned having formally evaluated their campaigns, some made an explicit connection between running a good communications campaign and achieving what they considered to be a successful outcome. These employers emphasised the importance of designing the right content, intensity, style and timing of communications so that the campaign resonated effectively with the workforce. Employers were also conscious of the need to inform workers about automatic enrolment, without providing any advice. Some employers concluded that getting all these details right could have a positive impact on higher take-up of workplace pensions, i.e. higher levels of workers opting in and lower levels opting out of a scheme, as well as lower levels of staff queries.

'We had very few queries, I was quite surprised. We had so many people opt [stay] *in; more than we thought. That was great for us because it shows our communications worked. In terms of opt-outs, we spoke to other employers who reported ten per cent opt-outs but we have not seen anywhere near that.'*

(Leisure sector)

7.3.2 Challenging elements of communications campaigns

Although most employers were satisfied, some employers found it challenging to comply with all the communication requirements under automatic enrolment. They often regarded the numerous and complex information requirements imposed on them as something of a burden.

Ensuring compliance often meant that substantial resources had to be mobilised in order to plan and implement a communication strategy, to address the various complex rules and exceptions for the timing and customisation of messages to individual worker categories. Some employers also had to pay for large volumes of letters to be sent out by post, where workers did not have a company email address. Some employers chose to hire an external communications agency to support them, which incurred additional financial costs.

'Our provider started explaining the regulatory communication pieces to us, which completely blew our minds, because we hadn't appreciated quite the rigidity and the requirements of the timescales of, "This information must go to these employees at this point, and you have got X number of days to get that to them". At that point we said, "Oh crikey, there is no way we can do that internally. We need someone to do that for us".'

(Leisure sector)

Employers with a transient workforce and/or workers who had fluctuating earnings faced particular communications challenges on an ongoing basis. Problems could arise from employers hiring large numbers of new short-term workers on a regular basis, and large proportions of their workforce regularly moving in and out of eligibility because of unstable earnings patterns. A very small number of employers also reported uncertainty over how to treat workers who have multiple contracts, for example where contracts were held with several individual companies within the same organisation. Consequently, employers faced substantial ongoing communications costs, and there was a perceived risk that some workers would potentially receive multiple and confusing messages as a result of their changing eligibility status.

> *'I don't think people still quite understand the whole auto-enrolment business: that you might be enrolled, but then come the day you are not enrolled; but you might then be re-enrolled …. It's going to be harder to educate people because of the complexity. Obviously I understand it, but it's not something that really fits easy into other people's minds if you are trying to explain it to them. It has made the communication a lot more complicated.'*
>
> (Services sector)

In addition, there were sometimes logistical or administrative challenges for employers trying to implement their communications, for example information gaps in their staff databases or out of date postal addresses.

A few employers also reported it to be difficult to find the right balance between providing only information about automatic enrolment, as opposed to providing advice about what the best option might be for the individual worker, which employers must not do.

> *'Our general counsel is very clear on that. We are going into dangerous grounds if we start giving advice. Why give advice that you don't need to?'*
>
> (Services sector)

These issues complicated employers' communications efforts, and they were also linked to data systems challenges which are discussed in more detail in Chapter 5.

8 Next steps: registration and ongoing duties

Once employers have enrolled their first workers, they are required to tell the regulator how they have ensured compliance with their duties. This process is known as 'registration' and has to be completed within four months of an employer's staging date.

Employers must also meet a set of ongoing duties after beginning to automatically enrol workers, such as identifying and assessing worker types on a regular basis, automatically enrolling any new joiners or existing workers who become eligible, and processing opt-out notices as they are received. Employers must ensure that all the relevant communications are sent out at the right time to the right workers. They must continue to make contributions to their workers' pension schemes and employers also have an ongoing set of record keeping duties.

This chapter explores two particular aspects of employers' post-implementation duties covered by the research: the need to complete the registration process, and ongoing administration of automatic enrolment.

8.1 Completing the registration process

All employers are obliged to complete the registration process by registering with the regulator to confirm that they have met their automatic enrolment duties. Registration allows the regulator to examine how the workplace pension reforms are being implemented in practice and to assess compliance. It also enables an understanding of any areas where employers might be struggling, thus allowing the regulator to consider how it can provide the right support for them.

Registration requires employers to submit a variety of information, such as the employer's contact details, Companies House or Value Added Tax (VAT) registration number, Pay As You Earn (PAYE) scheme reference(s), type of pension scheme(s) used for automatic enrolment, employer pension scheme reference, pension scheme registry number, and the date of any postponement if applicable. In addition, employers must submit information about the:

- total number of workers employed;
- number of workers who were already active members of a qualifying scheme on their staging date;
- number of eligible jobholders automatically enrolled into a qualifying pension scheme.

The information has to be provided via an online process accessed through the Government Gateway, an online portal giving access to a variety of government sites and services.[33] Employers can complete the registration process themselves or ask a third party, such as their accountant or independent financial adviser (IFA), to do this on their behalf.

[33] See: www.gateway.gov.uk

Employers must register with the regulator within four months of their official staging date, and they cannot register before that date. If an employer applies a postponement period they should not register until after the end of the postponement period. Failure to register on time may result in enforcement action for non-compliance.

The regulator provides a range of employer information resources and tools, which are available online. These resources include detailed guidance about the process and the data requirements, registration checklists and 'top tips' and a video demonstration.

Some of the employers who participated in this research had already completed their registration and were able to provide feedback on their experiences. In most cases employers found it fairly easy to compile the required information. Most also reported the registration process itself to be straightforward.

> *'The actual registration process itself is fairly straightforward, and the information you needed to put in was fairly straightforward.'*
>
> (Manufacturing)

Employers who had gone through the registration process tended to feel positive about the advice and support that the regulator makes available online and over its telephone helpline.

> *'The website was useful because when it came to the technicalities* [of preparing for registration] *it was helpful to have read TPR's* [the regulator's] *guidance.'*
>
> (Services sector)

However, a few employers reported a number of problems with the registration process. Among these, the most common issues related to reconciling staff numbers at two points in time – at the staging date, and at the point of registration – across the various specified worker categories, and making the total numbers match up. When workers had departed the organisation in between these two points in time, it was sometimes difficult to account for them in the final overall number. Compiling worker numbers and reconciling worker totals could be further complicated in cases where an employer had more than one payroll run.

> *'Registration was problematic, because nothing matches. In our timeframe we said "in January these are the people that will need to be auto-enrolled". So we sent out our notices in January. But you can't make it match when you have got leavers. We have two different payroll runs which meant that we had to auto-enrol one set earlier than the other set. So, trying to make those numbers add up when they* [the regulator] *are saying "you have to do it on the January figure", well, it won't add up.'*
>
> (Services sector)

Another complication could arise for employers who have particular company structures. For example, one employer reported having one PAYE reference number for the entire organisation, even though their organisation was made up of six different companies. However, the registration process required this employer to submit information several times for each individual company registration number.

> *'The only issue I had was that I had to get six company registration numbers and then register exactly the same information six times. Bar the fact that that took an hour out of my day, it wasn't particularly difficult or complicated.'*
>
> (Services sector)

Some employers who had used postponement reported that the registration process did not allow enough time to compile and submit all the required information. Without postponement, employers have up to four months after their staging date to complete the registration process. If they use a three-month postponement they are left with a one-month window in which to register. In some cases, employers reported simply needing more time than this to automatically enrol eligible jobholders, to liaise with their pension providers, to allow enough time for notifications to arrive with workers, and to take stock of all the numbers – before they could compile all the necessary data for registration.

> *'If you postpone three months you don't get an extra three months* [for registering]*. That was a bone of contention I had. Actually, it is impracticable. We enrol people on 1st* [of the month] *and our payroll is at the end of the month. So, we weren't able to pass data onto* [our pensions provider] *until late in the month. They then had to write out to people and notify them, so that meant that people actually weren't getting their enrolment notifications until late [in the first month], early* [in the second]. *All of that complied* [with regulations]*, but it is absolutely inconsistent with the timescale of registering.'*
>
> (Retailer)

A few employers (typically those with early staging dates) also reported technical problems with the online registration system. Some struggled to log in to the website at first, while others met with frustration over the website crashing or displaying error messages to try again later. While employers were unhappy about this where it had happened, they also appreciated the support provided by the regulator helpline staff to resolve technical issues. Some said they had been able to submit registration details over the phone instead.

These technical issues were resolved successfully and fairly quickly, and employers with later staging dates did not report any such difficulties with the online registration process. In the end, all the employers who participated in this research and fed back on their experiences with registration eventually managed to complete their registration successfully.

8.2 Ongoing administration of automatic enrolment

Employers' ongoing duties under the workplace pension reforms include automatically enrolling any new eligible jobholders they employ, and any existing workers who become eligible, for example when they turn 22 or when they start to earn an amount above the earnings trigger for automatic enrolment. Employers must continue processing any opt-out notices they receive, sending relevant communications, paying employer contributions, and keeping records. This section examines how employers are dealing with the ongoing administration requirements of automatic enrolment.

Virtually all employers felt that the ongoing administration of their automatic enrolment schemes would require only a little work, compared to the often substantial efforts they had to undertake during the months leading up to implementation, which are discussed in more detail in Chapter 2. Once their systems and providers, for example payroll systems, pension providers, Human Resources (HR) and communications processes, were able to handle the new requirements, there was a general feeling that the ongoing administration would not be too onerous.

'I don't expect there to be much in terms of running costs, really. We have spent all the money we were going to spend on the implementation, because our systems were not fit for purpose.'

(Services sector)

In addition, for most employers the anticipated volume of workers to be automatically enrolled on a regular basis would, unsurprisingly, be much smaller than the large numbers that had to be processed during the implementation phase.

'We will be looking at auto-enrolling between 20 and 40 people every month. That will just be swallowed up in our normal business as usual.'

(Services sector)

Being very large organisations, most employers who participated in this research tended to feel confident about having the expertise and the resources to cope with handling their pension schemes in the future, and most felt relaxed about their ability to accommodate any associated scheme administrative costs.

This said, some employers reported that the ongoing administration of their automatic enrolment schemes would still be a substantial challenge. This was especially the case among employers such as retailers, hospitality businesses and employment agencies, who often employed a transient workforce, or whose workers often had fluctuating earnings. Ongoing administration could become a burden for employers when they had to identify and process large numbers of new workers on a regular basis, for example with companies:

- characterised by a high staff turnover;
- which employ large numbers of casual workers to cope with peak times, such as Christmas, Easter or other busy holiday periods;
- where workers regularly move in and out of eligibility because their earnings change from one period to another.

Some of these employers reported having to deal with numerous special cases and exceptions which added further complexity to their responsibilities and ongoing administrative efforts. These challenges were said to have serious implications for employers' data systems, as discussed in more detail in Section 5.3.

'Every month when the file of the first lot of contributions goes over to [our pension provider] *we are getting off our monthly payroll 400-odd exceptions that have to be worked through as to why they are exceptions.'*

(Retailer)

Where employers operated a weekly payroll cycle, the ongoing administration requirements under automatic enrolment represented an additional layer of complexity and put further time pressure on systems and resources. In this context, some employers worried about the risk that their staff might not be paid on time if something went wrong with the automatic enrolment processes which have to run in tandem with the normal weekly payroll cycle.

> *'It's the sheer volumes and intricacy and speed of the operation. It involves transferring a lot of data in a lot of different directions. Therefore it's a technology challenge having the right files with the right information at the right place and not getting them corrupted in the transfer. Also, the regulations don't envisage the fact that we collect how many hours our staff worked on a Monday and we have to get their money into the bank on Friday. So, we have to process 40,000 records* [every week] *and we only have a six hour window.'*
>
> (Services sector)

A few employers voiced concerns over the potential risk that their workers might not be paid on time if any error occurred during the ongoing automatic enrolment processes which often had to work simultaneously with the regular payroll operations. Given the requirement to manage large data volumes on a regular basis, often within a very limited amount of time, many employers were adamant about the need to ensure that their administrative and data processes were working perfectly. Indeed, one or two reported having to take special measures to make resources available at all times, including overnight, in order to cope with the demands of ongoing administration.

> *'It has very much changed our landscape as far as pensions are concerned. Now there is a huge weekly mechanism for assessing eligibility, automatic enrolling, opting out, opting in, and calculating contributions. And all that has to run as part of the weekly payroll cycle, and if something goes wrong it will stop people being paid. We have to make sure we have resources available all the time, including overnight.'*
>
> (Services sector)

In summary, the research showed that most employers considered ongoing administration efforts to be a relatively straightforward task that could easily be accommodated. However, some employers with transient workforces and/or workers with fluctuating earnings reported substantial challenges arising from regular administrative duties under automatic enrolment. In particular, some of the employers who operated a weekly payroll run had to mobilise considerable resources in order to synchronise ongoing automatic enrolment processes with the normal payroll operations.

9 Employers' views on working later in life

This chapter examines employers' attitudes and responses to government messages on a number of related issues such as pension saving, retirement age and working longer. We asked employers how they had responded specifically to the abolition of the Default Retirement Age (DRA), and then explored their broader attitudes in relation to retirement planning. We also discussed any specific policies they had in place to encourage workers to work longer, and used this to contextualise how their respective workforces tended to approach retirement planning in practice.

9.1 Responses to the abolition of the Default Retirement Age

Nearly every employer that we interviewed was a pensions specialist – usually a pensions director or pensions manager – with a good general awareness of government policy in relation to pensions and retirement. All of these employers were, therefore, aware that the DRA has now been phased out.

All of the employers interviewed agreed that an ageing population generates a financial need to encourage people to work longer. Consequently, the majority expressed broadly positive views about the logic of abolishing the DRA. Most employers at a minimum mentioned that they had made specific policy changes in response, such as changing their Human Resources (HR) processes and pension scheme rules and literature, to reflect the fact that workers would now be able to decide their own retirement date.

> *'The only steps that we took were actually by our employment policy team and that was about going through all the policies that we have and employees relations type stuff and adapting it and amending it. From a pensions perspective, we haven't really changed anything. We haven't changed normal retirement dates.'*
>
> (Financial services)

Employers also had to make technical changes to payroll systems, to ensure that workers were no longer flagged up at the DRA, but rather at their State Pension age (SPA), when they would no longer be classified as eligible jobholders for automatic enrolment.

> *'As an algorithm within the automatic enrolment piece it has been quite complicated because your retirement age is now a function of your age so we have had to put a whole new insert in to make sure that the system works.'*
>
> (Services sector)

One or two employers noted that even if workers will now be able to change their retirement plans spontaneously later in life, pension schemes do still need a specified retirement date to enable lifestyling processes to be put in motion. While many employers with contractual enrolment had changed their scheme rules to put a new default end date in place, or at least allowed workers to change their retirement date on the scheme, only a small number mentioned that they had explicitly communicated with workers to let them know that they would now be able to choose their own retirement date.

'At the moment our pension retirement age for our current scheme is 65. We are going to be doing some communication to people to say that, "You can nominate a different retirement age but if you don't respond we will change your retirement age to your state retirement age".'

(Services sector)

However, these tasks were often carried out quietly by the HR or pensions departments: only a minority of employers had taken steps to promote this kind of government message explicitly among their workforce.

'It is part of my Head of Pensions role really. We obviously comply with all the rules, laws, regulations and things but we wouldn't typically use any government initiatives. We would decide what is right for our business and do what we want to do, and decide how we communicate.'

(Services sector)

Even among employers who were most engaged with the need to encourage retirement planning, there was not, typically, a specific communications campaign in response to the abolition of the DRA. Employers who had not taken any action following its abolition tended to feel that their ongoing culture of promoting pensions was sufficient, and that no new message was necessary.

'We didn't [create communications when the DRA was abolished] *because we were already doing that. We were always saying to people, "You need to engage and think about your future. You need to think about what kind of lifestyle in retirement you want and you need to think about where you are investing and what you are contributing."'*

(Financial services)

9.2 Employers' approaches to extending working lives

The majority of employers, while acknowledging the trend towards an ageing workforce, were not actively encouraging all workers to work longer. While the majority did have policies of one kind or another to support older workers, they did not, as a rule, go out of their way to promote these among all workers. Employers typically offered flexible retirement, allowing workers to reduce their working hours at a pace of their choosing, while others allowed workers to continue contributing to their pension as they continued to work.

Most of those employers offering flexible retirement acknowledged that they were not making great efforts to publicise this across their whole workforce. When one employer was asked if they were encouraging their workers to work longer, they replied,

'Not consciously. [The important thing] *is not discouraging them where it is appropriate.'*

(Services sector)

However, this is not to say that employers with a flexible retirement policy never sought to promote this with their workers. Typically, employers would judge workers on individual merit and would discuss their options with them accordingly.

'It is on an ad hoc basis. It does happen. Sometimes people say "I want to retire" and they say "do you want to stay and work for two days a week?" or whatever. If they want to stay you can negotiate something, but there is no programme as such.'

(Financial services)

Some employers did not have any policies in place to encourage working longer, and could be characterised as simply doing the minimum in order to comply with the law.

'We understand our requirements in the law. We understand therefore that is going to cost us some money. We have worked that through and we have left it up to them. So we haven't run any major campaigns down that path but we are quite clear with people.'

(Leisure)

9.2.1 Concerns around the productivity of older workers

A few employers perceived specific advantages to hiring older workers in customer-facing roles. They believed that the experience and values of older workers would play well with customers.

'We have always had a policy of hiring older-age workers. Some of our best hospitality folk are older because they have got a little bit more life experience and they understand the customer service and so forth. So on our hourly paid rates, we have got people working in their seventies and eighties anyway. So we have never had a retirement age.'

(Leisure)

Nevertheless, some employers were open about the fact that they were concerned about the risks of declining productivity among older workers. In the example below, the employer saw this as a hypothetical problem that could be assessed with individuals as they passed an age threshold.

'We do a review at 75 because we do believe that as people do get older, it is a matter of fact that they unfortunately do have more illnesses or issues that need to be reviewed and therefore we have put in a review date. Most people still leave around the 65 mark.'

(Services sector)

However, for other employers, declining productivity among older workers felt like more of a real and immediate challenge. Some of these already had a relatively large number of older workers, and were conscious that as employers of very large workforces, they were not always in a position to monitor their productivity in an active way. A small number also argued that there are risks attached to allowing manual and technical workers to continue working as their capability declines.

One employer made the point that the issue of declining productivity will require sensitivity on the part of line managers, and perhaps special training.

'[Line managers] *need to get them to feel comfortable enough to have an adult conversation with someone before they get to thinking about going through a dismissal route, saying, "Have you thought about your long-term future with us? Because I have noticed that this and that happened" …. It is equipping our managers with the skills and knowledge to have those proper conversations before they get to the stage of the more confrontational …. When somebody has got 40 years' service it is not pleasant for the line manager.'*

(Public sector)

9.2.2 Other influences on retirement age

Since policies such as flexible retirement tended not to be promoted across the entire workforce, the retirement age of workers may be determined by other factors pertaining to the workplace culture.

As discussed in Chapter 7, some employers used the arrival of automatic enrolment to raise awareness more broadly among staff about the personal cost of retirement and the importance of retirement planning. These employers sought to ensure that workers were aware it was possible to continue working and contributing to a pension in order to increase their provision for retirement.

'One of the things we are looking at over the next 12 months is running mid-life planning courses. So we are looking to do sessions with people over aged 55 to make them aware of what benefits they could get and when they can get them and the fact that if they go part-time it only influences the future pension and not the past.'

(Services sector)

The employers who were most engaged with encouraging workers to plan for retirement were however not necessarily those who were promoting options for working longer most actively. Employers with long traditions of generous pension schemes were often in financial services and the public sector, and several of these suggested that the trend in their workplace was to retire younger than the SPA. The shortage of older workers among their workforce was not, therefore, necessarily due to workers wanting to continue working but feeling discouraged from doing this, it was more because they were usually well-paid and financially responsible and had sufficient provision to take their retirement earlier. In the words of one employer:

'A lot of people here plan a bit better than they might do in other organisations.'

(Financial services)

In the case of the public sector, employers occasionally indicated that larger budgetary pressures may have acted against encouraging workers to work longer. One or two public sector employers mentioned that a number of workers in their fifties had taken early retirement to avoid a round of compulsory redundancies on poorer terms.

9.2.3 The perceived impact of automatic enrolment on workers' ability to retire

Most employers were pessimistic that automatic enrolment would in itself enable people to retire younger unless they happened to be benefiting from a generous pension scheme or they were also educated about the rising cost of retirement. Some employers suggested that the general move away from defined benefit and towards defined contribution schemes would have more of an impact on individuals' retirement incomes than the introduction of automatic enrolment. Most were conscious that they were simply no longer in the position to provide as generous pensions as they had provided in the past.

> *'Whereas after 40 years' service in a defined benefit pension scheme you could expect two-thirds of your income ad infinitum … With 40 years in a defined contribution pension scheme we would like to provide a third, and can employees live on a third of their income? Probably not.'*
>
> (Services sector)

A few employers were concerned that some workers could fundamentally misunderstand the nature of automatic enrolment as a mechanism for generating retirement provision, and see it as a guarantee of adequate provision. These employers argued that automatic enrolment should sit alongside a broader programme to educate workers about the cost of retirement, and about how what one puts in correlates to what one will get out.

> *'People will think "I have been auto-enrolled. I didn't like the idea but looking at my pay packet, it has hardly made any difference so that is all right. I am saving for retirement now. Box ticked. I needn't worry about it".'*
>
> (Retail)

> *'The thing that we need to explain to people now, given that their levels of engagement are so low, the worst thing that could happen now is that they think that putting one per cent and two per cent away, even for 40 years, is going to get them a yacht in the Bahamas.'*
>
> (Retail)

In contrast, a minority of employers expressed cautious optimism that if automatic enrolment encourages workers to begin saving more, they may be in a position to retire at a younger age. At the same time, these employers pointed out that, depending on how high the contributions are that workers make, this would probably take some years to start showing an effect on retirement decisions.

> *'If you have got a fund of £2,000 because you have only been saving for 18 months, because of the size of the fund, it is not going to change your lifestyle is it? I think initially it will be minimal but over time it will become more relevant and you have got to be talking ten to 15 years, I would have thought.'*
>
> (Financial services)

In workplaces where the terms of the pension scheme were relatively generous, or where there was a strong culture of driving worker engagement with pensions, some employers argued that automatic enrolment may further encourage workers to save more for their retirement. A small number of employers also suggested, with varying degrees of explicitness, that providing a good pension helps organisations to minimise the risk of large numbers of older workers staying in their jobs and blocking the way for fresh talent emerging.

> *'Especially with the abolition of the default retirement age, companies aren't going to be able to just get rid of people at a certain age. If we make sure that people have got adequate pensions then they are more likely to do it of their own volition.'*
>
> (Services sector)

Having ensured that all workers have been introduced to the idea of building up their own provision for retirement, many employers considered increasing that provision to be a necessary next step.

10 Potential challenges in future years

This chapter describes employers' overall reflections on their experiences in implementing automatic enrolment. While many employers were aware that the size of the organisation they were responsible for had been the cause of certain advantages and disadvantages encountered during preparation and implementation, they were also able to identify learnings of potential value to smaller employers beginning automatic enrolment in the future.

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 at the outset to use postponement, 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 workers with information

The pensions directors we interviewed 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 under-estimated 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 to 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 with them their experiences and interpretations of the regulator's guidance, 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.

10.1 Concerns about how smaller employers might cope

Chapter 5 explored a number of challenges that most employers experienced, to varying degrees, when implementing automatic enrolment. The issues that the chapter describes are not unique to large employers, and all employers will need to complete the same processes in planning and introducing automatic enrolment. However, employers were able to identify ways in which the nature of these challenges might differ for smaller employers, as we explore in this section.

10.1.1 Potential challenges relating to data and information systems

One example of a process that all employers will have to complete is that of assessing which of their workers fall under the different worker categories. This in turn entails ensuring that database records are clean, and that the software they use is able to assess workers' earnings. While the scale of these systems-related tasks may vary according to the size of the employer carrying them out, there is no guarantee that they will be less complex for medium and small employers than it has proven for some of the largest. The extent to which employers struggled with the process of identifying eligible jobholders, non-eligible jobholders and entitled workers depended more on whether their databases were well-integrated and held all the relevant details about each worker, than it did on whether the employer had hundreds of records, or hundreds of thousands.

Some employers felt that smaller organisations would be more likely to have comprehensive, up-to-date worker data, or that it would at any rate be easier for these smaller employers to add in missing worker data, or to make changes that were necessary to the way they stored it, as they prepared for automatic enrolment.

As explained, data quality and systems integration generally had a more significant influence on the straightforwardness of data tasks than the number of worker records being processed. However, a few employers did report that the sheer volume of data their systems needed to handle in the course of preparing had created strain. Some commented that smaller employers, with simpler organisational structures and many fewer records, were likely to find these tasks more straightforward from a systems point of view.

10.1.2 Potential challenges relating to in-house expertise and resource

As Chapter 1 highlighted, the majority of employers who participated in this research are among the UK's largest. As such, most had a dedicated pensions department and employed pensions specialists. The individuals and teams who were responsible for automatic enrolment understood why the reforms were being implemented, and had existing, or even expert, knowledge of pension products and terminology. As Chapter 6 has described, even these specialists sometimes struggled to understand the regulator's guidance. Some employers expressed concern that people tasked with implementation in smaller organisations, without pensions expertise, would struggle considerably more than they themselves had.

‘Smaller employers are probably going to struggle to make sure that everything is correct. I think there might be some inadvertent breaches of the regulations simply through ignorance, really, because it is quite complex.’

(Retail)

Most of these employers also had dedicated internal departments, or specialist external providers, who were responsible for Human Resources (HR), payroll processes, Information Technology (IT) and communications. These individual teams were able to apply their specialist knowledge and skills to the tasks they had been assigned as part of the implementation. Some employers pointed out that smaller employers would not be able to rely on the same breadth of in-house specialist skills that they had been able to access. A few employers went on to suggest that where employers in later cohorts did not have specialised departments, the individuals responsible for implementation might be obliged to take on tasks that did not fall within their usual competencies. They questioned whether these people would be able to carry out the tasks with the same degree of thoroughness as the more specialised staff that larger organisations typically employed.

Many employers also expressed concern that smaller organisations would have fewer resources to dedicate to implementing automatic enrolment, and that consequently there might be some tasks that they would struggle to fit in, in addition to their day-to-day responsibilities. Some argued that while smaller employers would have fewer workers to enrol, they would also have fewer colleagues to assist with the process, and that this would limit the time and effort that the smaller employers were able to invest in implementation or, conversely, that the time and effort required would have an adverse effect on the employer’s business.

‘It is fine here. We are a big company. I am a pensions director but surely they can’t possibly imagine that anybody from Rocky’s Gym is ever going to be anywhere near the nine 70-page documents, and if he does, he will soon be going out of business on account of the fact that the gym will fall apart.’

(Financial services)

10.1.3 Potential challenges relating to cost

As Section 8.2 described, most of these large employers felt relatively able to accommodate the ongoing costs of administration and employer contributions. While these ongoing costs will generally be lower in absolute terms for smaller employers than they have been for the largest, they may well be higher in proportion to their overall budgets, in the opinion of some employers. One or two employers observed that smaller employers might encounter cash-flow issues when it comes to refunding contributions to workers who opted out.

‘We are paying it back to them and waiting to get the money back from NEST, because obviously from a cash-flow point of view we are more than happy to do that. But for a smaller enterprise, they are probably going to want to get the money back before they can refund it. It adds more complexity into something that probably shouldn’t have been that complex to start with.’

(Leisure)

10.1.4 Might implementing automatic enrolment become easier in the future?

Conversely, there are some challenges that might in fact be greater for large employers than for small ones. As Section 10.1.1 described, some large employers felt that smaller ones would be less likely to encounter data and systems issues of the type that they had needed to address, and that consequently the tasks associated with workforce assessment could be more straightforward.

The majority of employers who had dealt with external payroll providers reported that this had caused them difficulties, and a number said that these providers had been slow to develop products that were suitable for automatic enrolment. Within our fieldwork period, employers who started to automatically enrol workers in 2013 tended to report fewer issues of this nature than employers who had begun in 2012. Some of these later employers pointed out that the payroll providers had been able to spend additional time developing products and correcting technical problems that had emerged when the earliest employers began automatic enrolment.

As Chapter 6 outlined, several employers voiced objections to workers with enhanced or fixed protection being included in the scope of automatic enrolment, and felt that removing the obligation to enrol them would be an improvement. Since the research began, the Department for Work and Pensions (DWP) has undertaken a review of certain aspects of automatic enrolment, including the rules for dealing with workers who have fixed or enhanced protection.

10.2 Advice for other employers

Nearly all employers' main recommendations to other employers were to start preparing early, and not to underestimate the scale or variety of the tasks that lay ahead. The majority of employers we spoke to had begun preparing for automatic enrolment around a year or 18 months before their staging date. Nearly all of them felt that they had made full use of that time. In many cases, employers reported that they had been under pressure to complete certain tasks by their deadlines. Some employers mentioned that they had worked extra hours to keep to their schedule.

> *'We had all of this sketched out, so we knew what our dates were and what dates we needed …. But I don't think we looked at the resource side of it. It was basically "this is what we need to do so implement it". I suppose from a resourcing point of view, all I can say is that it was pretty much "all hands on deck". We had to work a few weekends in order to deliver it.'*
>
> (Manufacturing)

Most employers felt that it was important to involve a variety of stakeholders with different types of expertise from the very start of the process, in order to understand how different colleagues' and departments' responsibilities and expertise fed into and could complement one another. In particular, they recommended involving members of the HR and payroll teams, who would be involved in assessing or developing processes for identifying different categories of jobholders for automatic enrolment. They explained that colleagues from these departments would be able to take a view on whether and how far the organisation's payroll systems would have to be developed to enable the implementation of automatic enrolment.

Some employers stated explicitly that it would be easy for any employer, of any size, to underestimate the number and variety of colleagues that one would need to get involved.

A few stressed in particular that it was important to inform someone with a very high level of authority as early as possible of the scale of resource that would be needed for implementation.

> *'I would say give yourself a year, and put together a working party of all of the stakeholders, and have some people on that working party who know nothing, because they are the ones who ask the obvious questions. Also the employer at the very top needs to give those people the time.'*
>
> (Services sector)

> *'Make sure you know your workforce, and know everybody, and all the special groups and situations, because every company has a myriad of different groups of people, different benefits, different payroll periods, different pay companies. That is the crunch, is the detail of auto-enrolment that will get people.'*
>
> (Financial services)

On a related note, a small number of employers named the communications department as colleagues who should be involved from an early stage. These employers emphasised that, along with assessing payroll systems, communicating with workers would be one of the largest tasks for most employers, and that it was therefore wise to begin tackling this early by planning, in detail, the content and style that would be most suitable for different worker audiences.

Many employers recognised that there was a potential benefit to cleaning and preparing management information records as early in the process of implementation as possible. If any of these employers' data was missing or out-of-date, they found that discovering this early on helped them to minimise the impact on later deadlines.

> *'Get your data as clean as possible, as soon as possible. Ours, to be fair, was pretty good, but we still came across a few little glitches …. Getting our email addresses correct and up-to-date. We have email addresses for everybody, but they weren't all correct and up-to-date.'*
>
> (Leisure)

Some employers recommended getting help and advice from external bodies with greater expertise in specialist areas: for example, lawyers, pensions and benefit advisers, or payroll providers. However, a small number of employers recognised that consultations of these kinds may prove prohibitively expensive for many smaller employers. Some of these employers recommended that smaller organisations should talk to other employers who had already implemented automatic enrolment, or who were in the process of implementing it, to benefit from their experiences.

> *'Get advice for free, if you can, from other employers …. Make sure if you have not got a scheme of your own, you go into a good quality centralised scheme with low charges, and just ask as many people you can for advice, because advice can be free.'*
>
> (Services sector)

A few of these largest employers would advise employers in later cohorts to take advantage of postponement, since they had found the process of implementation more time-consuming than initially anticipated. In contrast, one or other two employers were sceptical that postponement made timings any more relaxed, and warned instead that using one could potentially add unnecessary layers of administrative complexity, owing to the additional communications that would need to be sent to workers.

Appendix Materials used in conducting this study

A.1 Employer screening questionnaire

Introduction for switchboard/gatekeeper: named contact

Good morning/afternoon. Please could I speak to [FIRST CONTACT]?

If unavailable and alternative names in sample: Could I then speak to [NEXT SAMPLE CONTACT]?

If unavailable and no alternative names available: Could I then speak to the person with overall responsibility for pensions at [EMPLOYER]?

Introduction for switchboard/gatekeeper: no named contact

Good morning/afternoon. Please could I speak to your Pensions Manager?

If positions do not exist: In that case, could I speak to the most senior person responsible for employee salaries and benefits?

If necessary: explain who you are, and that you are calling from RS Consulting on behalf of the Department for Work and Pensions

When connected to appropriate contact: My name is….. and I'm calling from RS Consulting, on behalf of the Department for Work and Pensions.

We are contacting you because the DWP has commissioned us to conduct research into experiences of automatic enrolment, which we understand [EMPLOYER] is currently, or soon to be, implementing.

Our research will explore how both employees and employers are responding to automatic enrolment, and will measure how many employees who have been automatically enrolled opt out of workplace schemes.

We are aiming to involve as many as possible of the very first organisations to implement automatic enrolment, and so DWP would like to learn more about [EMPLOYER's] experiences.

This research has high Ministerial interest. The reforms are one of the major programmes being carried out by the government, and it is essential they understand how it is working and the experiences of employers and employees.

If respondent asks where we got their contact details: Details were provided by The Pensions Regulator solely for the purposes of this research. The details indicated that you are responsible for dealing with pension schemes for [EMPLOYER].

If respondent does not want to discuss the research:

There's no obligation for any employer to take part, but since this is a high-profile piece of research we would really like to talk to you about taking part. Could I leave you to consider it, and call back in a couple of days' time?

If respondent is clear that they do not want to participate:

As I say, there's no obligation to take part in the research. Could you perhaps explain to me why [EMPLOYER] would not be able to participate? I won't share these details with anyone outside the research team at DWP – but any feedback from you would be really helpful.

If respondent is happy to continue the conversation:

We would very much like to include [EMPLOYER] in this study.

First of all, can you tell me whether you are starting automatic enrolment this month?

If contact explains they are postponing automatic enrolment, find out when it is now planned, note the details/reasons in full in the spreadsheet, and check OK to call back at the beginning of the relevant month.

If automatic enrolment is going ahead this month:

Initially we would need you to send us some brief information about the number of employees you have, and types of pension scheme in operation.

We would then ask for some data on automatic enrolment and the level of opt outs.

Finally, we may also ask you, and potentially three or four of your employees, to participate in face to face interviews about your experiences of automatic enrolment.

I can assure you that anything you tell us during the course of the research will be treated in confidence by the project team. It will not be attributed to you, or your organisation, unless you agree to it. We will not tell anyone outside the research team at DWP the names of any organisations who participate in the research, unless you explicitly give us permission to do so.

Only if respondent is concerned about burden of taking part:

You do not have to participate in all of the elements, if you do not want to. We want to work flexibly with you, and we will value any contribution you are able to make to the research.

Ensure that respondent is clear on this, and allow them to ask any questions.

Taking part is entirely voluntary and would not affect your future dealings with the Department. You would be able to withdraw from the research at any time.

We really hope you will be able to be involved.

At this stage it would be helpful to know your thoughts on this research and whether it is something that [EMPLOYER] might be prepared to take part in?

If respondent is happy to continue the conversation:

The next step is for me to send you a letter from the Department for Work and Pensions, which summarises what I have said about the research, talking to you today.

If you do not wish to participate in the research you can let the team at RS Consulting know at any time; the letter includes a number and email address you can use for this.

We will contact you again in a few days' time to check that you are happy to participate. All being well, we will then send you a company profiling questionnaire by email, which should not take long to complete.

Confirm contact details and send letter. Arrange a suitable time to re-contact respondent. If no firm appointment agreed, allow at least 3 days before re-contacting.

A.2 Invitation letter sent to employers

ERSP Research Team
Workplace Pension Reform Division
Department for Work and Pensions
1st Floor Caxton House
Tothill Street
London SW1H 9NA

Framework Ref: RF1242

Tel: 020 7449 XXXX

Email: XX.XX @dwp.gsi.gov.uk

[EMPLOYER]

[DATE]

Dear [NAME]

Research to Evaluate Automatic Enrolment

We are writing to you to ask for your help in a research study that has been commissioned by the Department for Work and Pensions.

This study will explore how both employees and employers are responding to automatic enrolment, and will measure how many employees who have been automatically enrolled, opt out of workplace schemes. It focuses on the first 300 or so organisations to implement automatic enrolment – the UK's largest employers. As one of the first employers to introduce automatic enrolment, we would like to learn more about your experiences.

This research has high Ministerial interest. The reforms are one of the major programmes being carried out by the government, and it is essential they understand how it is working and the experiences of employers and employees

The research is being conducted on DWP's behalf by RS Consulting, an independent research organisation. The RS Consulting project team are contacting all of the employers who are scheduled to implement automatic enrolment between October 2012 and April 2013, to ask them to participate. The attached fact sheet explains more about what taking part will entail.

Your name has been selected from The Pensions Regulator's database and we are contacting you for research purposes only. Any information you provide will be held in the strictest of confidence and will be handled securely throughout the study. We will not share any information about who has participated, other than with members of the DWP research team. Unless you agree explicitly, the research findings will not identify you or your organisation and no personal information will be shared with any third parties.

If you have any questions about the research please contact RS Consulting: you can reach the project team on 020 7627 77XX between 9am and 5pm, Monday to Friday. You can also use these contact details to tell RS Consulting that you do not wish to participate, or that you would like to take part. If you have any wider questions about the research study, my own contact details are at the top of this letter.

Your contribution will provide us with valuable information that will help to inform and improve the implementation of this key policy. We hope that you decide to take part.

Yours sincerely,

ERSP Research Team

Workplace Pension Reform Division

Department for Work and Pensions

A.3 Employer profiling questionnaire

Department for Work and Pensions: Survey of workplace pension reforms

[Employer name]

Thank you for agreeing to complete this questionnaire. This research is being carried out by RS Consulting on behalf of the Department for Work and Pensions. You should have received an email about this project, which will form part of the DWP's ongoing evaluation of the pension reforms.

Your participation in this research is entirely voluntary and will not affect your future dealings with the Department. You can withdraw from the research at any time by contacting:

xxxx, RS Consulting

020 762777XX

xxxx@rsconsulting.com

Any information you provide will be held in the strictest confidence and will be handled securely throughout the study in line with the requirements of the Data Protection Act (2008). The information you provide will be used only for research purposes and for the purpose of analysis and reporting will merge together information collected from all employers in aggregate form. No information identifying you or your company will be reported or passed to the DWP or any other organisation.

We have attempted to keep the type of information we require as simple as possible, and we hope the information required in the questions below is self-explanatory; however, if you require further clarification, please contact xxxx. After you have completed this questionnaire we hope to discuss the information in detail in a face-to-face interview with you.

Please return completed documents by email to xxxx at your earliest convenience. Please call me on the number above if you would like to send an encrypted version of the completed document.

Information about your organisation

Question 1: Your structure

Please list all the companies for which you will be providing information.

Question 2: Your sector

In what sector do you operate, primarily?

Question 3: Staging date

On what date did you start/do you plan to start automatically enrolling eligible employees into a qualifying pension scheme or schemes?

If different types of employees are being staged at different times, please provide details.

For the remaining questions, please try to provide information for a point in time as close as possible to the date when you started automatic enrolment.

Question 4: Your employees

Please tell us the total number of people your company employs in the UK. This should include all permanent members of staff, as well as those on short-term contracts.

We would like this number to be as accurate as possible, and as close as possible to the date when you started enrolling employees automatically. However, if you are unable to calculate this, please provide an estimate.

Question 5: Age and gender of your employees

We would like to know how the number or proportion of employees breaks down by some key characteristics. Please fill in as much of the table below as you are able to. You can provide either numbers or percentages.

	Gender		Age		
	Male	Female	< 30	30-49	50+
Number or %					

Question 6: Status and salary of your employees

	Part time/full time		Annual salary		
	<30 hours/ week	30+ hours/ week	<£20,000	£20,000-£39,999	£40,000+
Number or %					

We would like to know how the number or proportion of employees breaks down by some key characteristics. Please fill in as much of the table below as you are able to. You can provide either numbers or percentages.

Question 7: Pension schemes at your organisation

Please fill in the table below to indicate the current pension provision at your organisation.

Please only include schemes that your current employees are members of.

As before, please try to provide information for a point in time as close as possible to the date when you started automatic enrolment.

Type of scheme *(e.g. DB, DC, GPP, SHP, NEST)*	**Number of employees enrolled into this scheme** *Number/%*	**Is this scheme open to new members?** *Y/N*	**Average employer contribution** *% of salary*	**Average employee contribution** *% of salary*	**Did the scheme exist prior to automatic enrolment?** *Y/N*	**Is the scheme used for automatic enrolment?** *Y/N*	**Have you changed the level of contribution you pay for any staff as a result of the reforms?** *Please provide brief details*

Question 8: Waiting period

Are you planning to make use of a waiting period for all or some of your eligible employees? Please provide details if so.

A period of up to three months will be permitted before an employee is automatically enrolled. An employee who wishes to opt in during the waiting period has the right to do so, and benefit from the employer contributions.

Question 9: Changes that have taken place as a result of the pension reforms

Please tell us about any changes you have implemented as a result of the reforms.

Have you closed any existing schemes as a result of the reforms? Please provide brief details, if so

Have you made any other changes? Tell us about them below

Opt-out information

Overleaf is an example of the type of table we would like you to complete.

The first is a one-off measure of your membership levels one month after you start automatic enrolment.

The second is a template measuring participation, which we would like you to complete in subsequent months. Please take a look and let us know whether you think you would be able to provide the data we are looking for.

We are open to discussing ways to make the process easier.

You may be unsure whether you will be able to provide the type of detail we ask for below, for example, because you define 'Eligible jobholders' in you organisation differently from the government. If this is the case, just let us know.

Do you think you will be able to provide the data we are asking for? Let us know your thoughts.

When would be the best time each month to ask for this data?

A.4 Employer interview discussion guide

Introduction	
Introduction	**Introduce self and RS Consulting** • Research on behalf of DWP to understand how employers such as yourselves are responding to automatic enrolment • Interviewing around 50 of the largest employers in the UK – the first to bring in automatic enrolment • The discussion will take approximately 1 hour **Confidentiality**: Our responsibility is to produce an overall report for DWP which will draw together all the information and opinions we gather. Nevertheless, unless you agree otherwise, I can assure you that anything you tell me will be treated in confidence by the RS Consulting project team. It will not be attributed to you, or your organisation, either in our presentations or in the final project report which will be published by DWP **Ask for permission to record for our analysis purposes**. Recording will not be passed onto any third party, including DWP, and will be destroyed after the project finishes Confirm respondent's job title Before we start our discussion, would you like to ask me any questions?
Preparing for the reforms	
	• To begin our discussion, I'd like to get an understanding of where employee pension provision fits in at [EMPLOYER]. • Before automatic enrolment, did you offer a pension scheme to any of your employees? • [If not], can you tell me a little about why not? Now skip to 'What role do you, as an employer…' • [If yes] I have some more detailed questions in a few moments about the type of scheme, or schemes, that you are using to automatically enrol people into. But first I have some more general questions. I'd like to start by understanding the workplace pension arrangements that were in place before you started to prepare for, and implement, automatic enrolment. • So, could you summarise for me the workplace pension arrangements that [EMPLOYER] had in place, before your preparations began? • What types of pension? What levels of employer/employee contribution? • What was the level of participation in this scheme/these schemes, before automatic enrolment? • Can you outline for me how arrangements varied, for different types of worker?

	• How much of a priority are employee pensions, relative to other benefits? • Why do you offer a pension to your employees? How important a part of your overall employment package is your pension scheme? ASK ALL • What role do you, as an employer, feel you should play when it comes to pension provision? Should the employer help to look after the employee's future interests, or should it be the employee's decision to save? • Generally speaking, what are your thoughts on the reforms? • I'd like to understand what preparing for and implementing the reforms has entailed for [EMPLOYER]. Can you tell me when you began your preparations for automatic enrolment? • [If not known] Did you bring forward your staging date? Can you tell me about that decision and why [EMPLOYER] made it? I have some questions about the way [EMPLOYER] has gone about preparing for and implementing automatic enrolment. Could you describe to me the process that the organisation has gone through? • Who was in charge of the overall process? • Who was involved, internally? (Payroll, HR, administrators, finance, trustees?) What were their roles? • Who was involved externally? (trustees, intermediaries, TPR, EBCs, advisers from providers, payroll providers/consultants) What were their roles? • [If not already clear] What can you tell me about the role the adviser(s) played in the preparations and implementation of automatic enrolment? • [If not already clear] And what does [EMPLOYER] see the role of The Pensions Regulator to be, in this process? • What contact did you have with The Pensions Regulator – what form did it take? • Was your contact with The Pensions Regulator useful? How could it have been improved? • More generally, what do you see The Pensions Regulator's wider role as being? Are you aware of TPR as an enforcement body?

- Looking back at your previous workplace pension arrangements, to what extent have things changed as a result of implementing automatic enrolment?

Can you tell me about the information you have used, in preparing for and implementing automatic enrolment?

For each kind of information used …

- What was the source of each kind of information? (where it came from, as opposed to what it told them)
- Did you use guidance from TPR or materials from DWP at all?
- Where did each kind of information fit into preparations – was it used at a particular point?
- What influence did each kind of information have on [EMPLOYER]'s approach to implementing automatic enrolment
- What comments do you have about each kind of information? What did you feel about its quality and accessibility? How did it aid your understanding about what to do and what was required? What improvements could be made?
- To sum up the different types of information, which types and sources played the most important role in helping you to prepare and implement automatic enrolment? Why would you say that was?

What is the general feeling at [EMPLOYER] – do you feel that you've got the implementation 'right'? Is there anything you're not sure has been implemented correctly? Tell me about that. [If necessary] This is solely so that I can understand any aspects that aren't clear to employers, or any sticking points that have emerged. We won't link what you say back to [EMPLOYER's] name, unless you agree to that.

[If not mentioned], has [EMPLOYER] registered with The Pensions Regulator?

- [If not] Do you know when you will do this?
- Can you tell me a little about your understanding of the registration process? What will you need to do?
- Why is registering important?
- Probe if appropriate on any issues around the employer having multiple PAYE schemes.

<table>
<tr><th colspan="2">Your choices in fulfilling your duties</th></tr>
<tr><td></td><td>

I’d like us to talk now about some of the decisions that [EMPLOYER] has made in the run-up to automatic enrolment – you have already sent me some of the details of your schemes – and I’d like to look at how you decided upon the approach you took.
Where information in this section is already known, re-confirm details with respondent and obtain further details.

Does [EMPLOYER] automatically enrol all employees, or only certain groups/types of worker?

Can you tell me about the decisions EMPLOYER has made about which employees to enrol? How and why were these taken?
Specifically, has [EMPLOYER] chosen to automatically enrol employees that it is not required to under the reforms? What type of employees? How many does this affect?

How did you find the process of identifying the different sorts of workers – eligible and non-eligible jobholders, and entitled workers?

Can you summarise for me the scheme or schemes that employees who are automatically enrolled, are enrolled into?
Which providers are you using/what types of provision are in place?
Could you tell me more about why you chose the scheme(s) that you did? What did you take into consideration, when you made this decision?
Was the scheme changed or introduced, specifically in preparation for automatic enrolment?
[If relevant] did you make any changes to the arrangements for members of existing schemes – for example, moving them to another scheme, or making changes to their contributions?

Can you tell me about how much is being contributed to the scheme(s)?
Tell me about that decision – how and why was it taken?

[Depending on whether single or multiple employer contribution levels given] How did you come to give the same level/different levels of contribution to your employees?
[If not mentioned], probe to understand how far charges and member outcomes drove the choice of scheme.

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- [If not mentioned] Can you explain to me the role of any advisers/ intermediaries that [EMPLOYER] has involved in its preparations?
- [If not already clear] Why just one scheme/more than one scheme? Was this a conscious decision? Be clear on all reasons e.g. different benefits offered to different staff/company merger/change of pensions provider or intermediary
- Did you consider enrolling some employees in one scheme, and others in another?
- [If not already clear] Did you consider NEST or a similar multi-employer scheme? If not, why not?

Is [EMPLOYER] making use of a waiting period for any of the schemes it provides as part of automatic enrolment?

- Please can you give me a brief overview: how long is/are the waiting period(s), and who does it apply to?
- Can you tell me about that decision – how and why it was taken?
</td></tr>
<tr><td colspan="2">Communicating the reforms</td></tr>
<tr><td></td><td>

I'm going to ask you a few questions about whether you communicated the introduction of automatic enrolment to your employees, and if so how. If necessary: By this I mean communicating what automatic enrolment is and the fact that it is coming, as opposed to individuals' specific automatic enrolment dates.

Could you summarise for me how you went about communicating that to employees?

- Did you use (or adapt) materials created by the government? From whom (DWP, TPR etc)? Fact sheets, booklets, case studies, posters, or anything else?
- Did you create any of your own materials? Tell me a little about this.
- Who was responsible for communicating this information?
- What has the process been – what sorts of communications have employees received? At what points in time? How did the timing work? Was the timing successful, do you think?
- Did you communicate this information to all staff, or just those who you knew were eligible for automatic enrolment?
- Can you tell me about how [EMPLOYER] made these decisions about communicating automatic enrolment – and why it made the choices it did?
- How did employees respond to the communications? Did you field any questions from employees? If so, were you able to answer them?
</td></tr>
</table>

	Probe here to understand whether any issues were to do with knowledge, capacity or both. How do you go about telling individuals that they have been automatically enrolled? *e.g. email, letter (to home or at work?) or something else?* *[If necessary, may need to prompt the employer that they have a statutory obligation to inform workers when they have been automatically enrolled]* At what point in time do you tell employees that they have been automatically enrolled? Why at that particular point? And did [EMPLOYER] handle sending that communication itself, or did you use a third party (for example, the provider)? Why was that? Did you use any pre-existing resources to prepare this letter/email? *(prompt if appropriate – e.g. the TPR letter template)* Where from Where did you point employees to, for further information about pension and saving for retirement?
Employees who have chosen to opt out/opt in	
	If employer has agreed to provide opt-out data: I know that you have agreed to provide/have started to provide us with data about the number of opt-outs you are receiving, and the way those break down across different types of worker. What I'd like to as you for now, is for some feedback to go alongside any numerical data you send to us. **If employer has not agreed to provide opt-out data, ask:** The next thing I'd like to discuss is your feedback on the number of employees you have, who have decided to opt out the scheme, following automatic enrolment. **Ask all:** So firstly, can you give me any estimate of the number, or a rough proportion, of employees who have opted out of the scheme, **after being automatically enrolled?** *(i.e. based on those who were enrolled, not based on total number of employees)* • What do you base that on? • I'm really interested to know what type of employee is opting out. What are your thoughts on that – is there any pattern in the sort of person? (prompt if necessary for patterns by gender, age, pay) • And is there any trend in when they opt out? (prompt if necessary – as soon as they receive notification? After seeing their monthly pay? Early in the window, or nearer to the end? Anything else?) • And do you receive any feedback on the reasons behind the decision to opt out? What sorts of things do you hear?

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How has the opt-out process worked? Have you had any feedback on the process from employees?
And do you track this information? How – using existing systems? Do you just record the number of opt-outs (the minimum requirement) or do you capture more detail than that? What?
How does this compare with any expectations you might have had? Do you have any thoughts on why it might be higher/lower than you anticipated?
[Whether higher or lower] Do you feel that the communications had an impact on the level of opt-outs that you experienced? What was that?

Do you have any employees that DWP would consider to be ‘non-eligible jobholders’, who have the right to opt in to the pension scheme? If so: Could you estimate what proportion of these employees are choosing to opt in?

What can you tell me about the employees who have decided to opt in? Are they under 22? Earning below the threshold of £8,105? Both?
What are your thoughts on why they are opting in? What do you think has triggered this?
[If not mentioned] What effect do you think the employer contribution is having?
[If not mentioned] What about the process you have in place for opting in – do you think that could be affecting the number of opt-ins you are receiving? Or could the communications you have sent out be having an effect?

</td></tr>
<tr><td colspan="2">The degree of burden you face, in fulfilling your responsibilities</td></tr>
<tr><td></td><td>

The government is keen to understand the impact on employers of implementing the reforms– and so we’re interested to know about the administrative and other costs that compliance to the reforms have incurred for [EMPLOYER].

Have you needed to allocate internal resource to prepare for and implement automatic enrolment?

What sort of resources were these? What sorts of task have needed to be undertaken?
[If mentioned earlier in the discussion] Did you find that dealing with staff queries used up internal time/resource? How did you feel about that?
[If employer has changed an existing scheme in preparation for automatic enrolment] Did you have to hold an employee consultation?
Have you measured the resource that you have allocated, at all – for example the staff time that you have put into ensuring compliance with the reforms? And what have you found? Might you have any examples you could share with us? [This could be by email, after the interview]

</td></tr>
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<table>
<tr><td></td><td>And what financial outlays have you had to make, in order to prepare for and implement the reforms/ensure [EMPLOYER] complies with the requirements of the reforms?
What did you need to pay for?
Have you tried to measure the different costs involved – for example, the cost of payroll software, or using advisers/creating additional job roles, or creating communications? (please exclude the cost of contributions here) And what have you found?
Were any of these needs – either for resource or budget – unforeseen, or higher/lower than anticipated? Why was that?
Have there been any issues relating to payroll or administrative systems or software? What type of payroll/MI systems do you use?
For example, have you needed to implement changes to more than one system?
Did anything we have mentioned, in discussing these impacts, make it difficult for [EMPLOYER] to comply with the reforms on time? Tell me about that.

How much of a financial impact has there been, in ensuring [EMPLOYER] is complying with the reforms? [We just need a general summary – has there been a huge impact; a smaller impact than expected; something else?]

Setting aside the cost of contributions for a moment, how do you plan to meet scheme running costs and compliance costs, once this initial settling-in period is over?
For example, might you meet costs through profits, or lower wage increases?
And turning now to the cost of employer contributions: how do you expect this to change, following the implementation of automatic enrolment?</td></tr>
<tr><td colspan="2">Your responses to Government messages</td></tr>
<tr><td></td><td>The government is keen to understand how employers are interpreting and using government messages on a number of related issues such as pension saving, retirement age and working longer.

Can I just ask, firstly in general, how [EMPLOYER] uses or responds to these messages?

More specifically, as you will probably be aware, the Default Retirement Age has been abolished.
Have you taken any steps in response to these messages at [EMPLOYER]? What are they?
What has been your response to legislation and guidance on extending working lives?</td></tr>
</table>

	Looking at retirement within [Employer] at what point do people tend to retire – do you have a feeling for whether this tends to be earlier or later than State Pension age? • How do they decide? • To what extent does [EMPLOYER] encourage older employees to work longer, for example by offering flexible working opportunities? (prompt examples such as changing working hours and job role) What effect do you think automatic enrolment will have on employees' retirement decisions? Why do you say that?
Conclusion	
Additional comments	To finish our discussion, I'd like to summarise your experience, and also ask you about advice you'd give to other employers, now that you have gone through the process of implementation. What would be your overall evaluation of these first weeks with automatic enrolment in place? Has DWP done anything – or could it do anything – to help employers to better prepare for and implement automatic enrolment? If you were to give tips or advice to other employers on preparing for, or implementing automatic enrolment, what would that be? What would be your advice on the process of opt-outs, in particular? Is there anything else that you would like to tell DWP about how automatic enrolment, or the reforms more generally, will affect your organisation? As you know, we will not disclose [EMPLOYER's] participation in the research unless you agree to this. Can we name you as an employer who took part? Can we attribute quotes to your organisation? Can we attribute quotes to you specifically – this would be by showing your job title and the name of your organisation, alongside quotations from you. **If respondent declines, reassure them that none of their comments will be attributed to them/their organisation, as relevant.** **Ask all:** Occasionally, it is very helpful for us to be able to re-contact people we have spoken to, either to clarify certain issues, or to get a bit more detail where the information we are given is particularly interesting. Would you be happy for us to call you back briefly if necessary?

A.5 Opt-out data template

MEMBERSHIP LEVELS – ONE MONTH AFTER AUTOMATIC ENROLMENT STARTS

Question A: Please indicate in the tables below how many of your jobholders fell into each category on [DATE]:

	Total	Gender		Age			Part time/full time		Annual salary		
		Male	Female	< 30	30-49	50+	<30 hours/ week	30+ hours/ week	<£20,000	£20,000-£39,999	£40,000+
Already a member of a qualifying scheme before automatic enrolment											
Jobholders eligible for automatic enrolment ("eligible jobholders")											
Breakdown of eligible jobholders *(all should fall into one of the following four categories)*											
Automatically enrolled and remained a member of qualifying scheme											
Automatically enrolled and ceased to be a member											
In waiting period and not yet member											
Opted in during waiting period											
Jobholders not eligible for automatic enrolment ("non-eligible jobholders")											
Breakdown of non-eligible jobholders *(all should fall into one of the following two categories)*											
Remained a non-member											
Opted in											

MONTHLY OPT-OUT DATA (DATE TO BE ADDED – X MONTHS AFTER DATE OF AUTOMATIC ENROLMENT)

Please do not complete yet. See the key terms on page 8 for definitions of "eligible jobholders" and "non-eligible jobholders".

Question B: Please use the tables below to indicate the number of jobholders, for whom the following actions were taken between [DATE: 1 day after previous data supplied] and [DATE: X months after date of automatic enrolment]

Number of jobholders who, in this month:	**Total**	**Gender**		**Age**			**Part time/full time**		**Annual salary**		
		Male	Female	< 30	30-49	50+	<30 hours/ week	30+ hours/ week	<£20,000	£20,000-£39,999	£40,000+
Entered waiting period											
Opted in during waiting period											
*Were automatically enrolled **											
Ceased to be a member, ***during*** *the opt-out period (having been automatically enrolled up to 1 month previously)*											
Ceased to be member ***after*** *the end of the opt-out period (having been automatically enrolled more than 1 month previously)*											
Opted ***back*** *into the scheme, having been automatically enrolled and then opted out previously*											
Non-eligible jobholders who opted to join the scheme											

* Please show all eligible jobholders that were automatically enrolled in this month, whether or not they opted out. If an eligible jobholder was automatically enrolled and opted out, they should be counted in both rows.

Key terms

Jobholder

A worker who:

- is aged between 16 and 74;
- is working or ordinarily works in the UK under their contract;
- has earnings above £5,564.

Eligible jobholder

A jobholder who:

- is aged between 22 and State Pension age;
- has qualifying earnings above the earnings trigger for automatic enrolment (£8,105).

Non-eligible jobholder

A jobholder who:

- is aged between 16 and 21 or State Pension age and 74;
- has qualifying earnings above the earnings trigger for automatic enrolment (£8,105);

or

- is aged between 16 and 74;
- has qualifying earnings below the earnings trigger for automatic enrolment (£8,105).

See http://www.thepensionsregulator.gov.uk/employers/detailed-guidance.aspx
for further information.

A.6 Worker information sheet

Research about Automatic Enrolment

RS Consulting, working on behalf of the Department for Work and Pensions, is carrying out a programme of research to understand how employers and workers have chosen to respond to automatic enrolment.

We are conducting interviews with staff in around 50 of the largest companies in the UK – the first employers to bring in automatic enrolment.

Why do we want to speak to you?

We’re interested in talking to workers such as yourself to understand your experiences of being automatically enrolled into a pension and choosing to opt out.

As someone who has chosen to opt out, we are interested in speaking with you to discuss things like:

- How you found out that you would be automatically enrolled into a workplace scheme
- Any sources of information you used in finding out about automatic enrolment
- How you decided to opt out of the scheme
- What happened when you opted out
- Some of your thoughts about planning for retirement

We would like to ask you for your thoughts on these topics, even if you have not given the issue much thought.

What will we do with the information?

Eventually we will write a report for DWP which will draw together all the information and opinions we gather. We will use the information you give us anonymously when we come to write our report.

Everything you say will be treated as strictly confidential by the RS Consulting project team, and your comments will not be attributed to you in any way that could possibly identify you in the report or the information we give to DWP.

We are conducting the interviews under the terms of the Market Research Society (ESOMAR) Code of Conduct. They are being carried out for research purposes only.

Interviews will take approximately 30 minutes.

Your participation in the research is entirely voluntary: you can end the interview at any time.

We would be happy to answer any questions, or talk to you about the research or your participation. You can ask the interviewer in person, telephone us on 020 7627 7700, or email us at pensionresearch@rsconsulting.com.

You can check we are a genuine market research company with our industry body, the Market Research Society: Freephone 0500 39 69 99.

A.7 Worker interview discussion guide

<table>
<tr><td>Introduction</td><td></td></tr>
<tr><td>Introduction</td><td>Introduce self and RS Consulting
We’re carrying out research on behalf of DWP to understand how different people – employers and workers – have chosen to respond to automatic enrolment
Ask for permission to record for our analysis purposes. Recording will not be passed onto DWP or any other third party and will be destroyed after the project finishes

Before we start our discussion, would you like to ask me any questions?

Please feel free to tell me anything. Nobody will make any judgement about anything that you tell us.</td></tr>
<tr><td colspan="2">About you</td></tr>
<tr><td></td><td>I’d like to start off by understanding a bit more about you.
Tell me a bit about yourself. What do you like to do when you aren’t at work? Who do you live with? Do you have a spouse/partner/family?

Can you tell me a little bit about your role at [employer]?
Do you work full-time (more than 30 hours per week) or part-time (fewer than 30 hours in a typical week)?</td></tr>
<tr><td colspan="2">Planning for retirement</td></tr>
<tr><td></td><td>I’d like you to tell me about any thoughts you’ve had about your retirement
To start, how much thought have you given to your retirement, would you say?
When would you like to retire?
When do you think you will retire, in practice?
Why do you think you’ll retire at that point?
[If not mentioned] How does this tie in with State Pension age?
Do you have anything in place, to fund your retirement?
[If respondent has nothing in place]
Can you tell me if there are specific reasons for that? [probe for: too early to think about it; will rely on partner’s provision; reject pensions as a savings vehicle; need money now]
Ask whether they are saving in another way.</td></tr>
</table>

	If respondent is not saving for retirement in another way, skip to next section *[If yes]* • Can you tell me a bit about what you've got in place? Interviewer: probe to understand whether they have pensions, other savings, or alternative provision, e.g. property. If respondent mentions using their property as income, check whether they are paying a mortgage, paying rent, or own their home outright. • How did you come to have the savings/provision that you have? Did anything specific trigger you setting them up? • Do you have a broader plan for providing for your retirement – perhaps an idea about provision that you intend to put in place one day, but not yet? How does what you already have fit into that? • Do you feel that what you've got at the moment will be enough? Can you tell me what you're basing that on? • [If not yet clear] Are you going to make other provision? What might that be? When do you see yourself putting that in place? • [If respondent has mentioned other ways of saving for retirement – not pensions.] You've mentioned getting an income from *[another form of provision]*. Where did you get that idea from – what was your thinking? Do you prefer the idea of that to a pension? Why is that?
Your reaction to automatic enrolment	
	I'll ask in a moment about how you first heard you'd be automatically enrolled into a workplace pension scheme. But first, I'd like to know if you'd been offered the chance to join a pension by your employer before? • Let's think back to the point where you first became aware that you'd be enrolled into a workplace pension scheme. When did you first hear that you were going to be automatically enrolled? How did you hear? Did you first find out from your employer when people were told officially, or in another way – such as from your colleagues, friends or someone else? [If not already mentioned] Do you remember seeing any advertising on TV or the radio, or anything in the press, telling you that automatic enrolment was coming? What do you remember seeing/hearing? What did you think about that? Firstly, I'd like you to tell me what your immediate reaction was … • What did you understand by this term, 'automatic enrolment'? • What did you do, after you had heard that you were going to be automatically enrolled?

	Ask all • And when your employer first told you, what information were you given? • What form did the information take? Verbal, letter, presentation, meeting, noticeboard? • Did your employer give you any other information? When did you receive it? What did you think, when you received it? • Did you read it? • And what was your reaction – how did you feel about the idea? Did you see any potential benefits to being enrolled? For example, receiving a contribution from your employer; getting tax relief on contributions? *If found out another way before being informed by employer:* • When did you first hear from your employer that you were going to be enrolled into a pension scheme at work?
Using information in your decision	
	• Interviewer, note distinction between information and communications. Some messages will have been intended to persuade/raise awareness, and others to provide more objective information/guidance. Probe if appropriate, to understand whether the respondent thinks the information they used was intended just to inform them, or to persuade them to stay opted in. • Let's talk about any sources of information that you have used, to find out anything about automatic enrolment. Can you tell me about any that you have used? For example, from your employer; from the government; from talks or meetings you might have been to; leaflets, letters, emails you might have been sent … *For each sort of information, ask* Was this something you were given at work, or something that you found independently? *If found independently*, How did you hear about it? How much attention did you pay to it – was it something you spent time reading/thinking about/listening to carefully, or did you just skim it/consult it in passing/listen more passively? What kinds of things did it tell you? What did it help you to understand? How could it have done that better? • Can you give me an example of something you found out from this information? How easy for people to understand, would you say it was? What made it easy/difficult to understand?

	Did you discuss it with anyone else? Who? What did you talk about? *[Probe, if not clear, on who they spoke to – e.g. colleagues; anyone they know who had opted out, etc.]* Did it play a part in your deciding to opt out? Why was that? *If respondent has not used any information sources, other than employer letter.* Did you think about finding any information yourself, independently of your employer? Did anything stop you from doing so, or did you just not get round to it/not have time before you needed to tell your employer you were opting out? What questions did you have? What kind of information would have been helpful? Where do you think you might have looked for information?
Your decision to opt out	
	So, now that we've talked about any information that you have used, I'd like to understand more about how you came to opt out of your workplace scheme. *Interviewer note: in this section, if interviewing a public sector worker, start by checking whether they had previously left a scheme as a result of public sector pension reform – specifically, increased contributions from April 2012. Automatic enrolment would mean them being re-enrolled in a workplace scheme 6-12 months later.* Was the decision to opt out something you thought about for a long time, or one you came to quickly, or even straight away? How long did it take? • Did you have other priorities/other financial responsibilities that you took into consideration? (e.g. paying bills, cost of living, supporting family etc)? Please tell me a bit about them. • To what extent did you consider each of these when deciding to opt out? • What about any personal views you have on saving and pensions? • [If relevant from previous responses] And what about your other provision – where did that fit into the decision? *[If not mentioned]*The amount paid to you by your employer wouldn't change, but some of that money would be saved in your pension, rather than being received by you immediately. How important was the fact that you'd have less money to spend each month? What else fed into the decision?

	If not mentioned, probe on: • How important were any savings for retirement that you already have, in your decision? • [If they have one] How about any provision that your spouse/partner has, and that you might use in retirement? • How about the fact that your employer was going to be involved with your pension arrangements – did that play any part in the decision? • If you had stayed in the pension scheme, would your employer have been contributing, as well as you? • [If aware that they would have received an employer contribution] As you'll know, by deciding to opt out, you aren't getting that contribution. Did you consider that, as you made your decision? Was something else more important to you? *[If not aware of employer contribution]* To begin with, your employer would have had to make a contribution worth 1% of your earnings. If you had known that, might you have stayed in the scheme? Why/why not? Did you discuss the decision with anyone? • Who – partner, colleagues, friends, family? • [If partner mentioned and not already clear] Did you discuss any provision that your partner has in place? • How did those discussions go – did anyone you talked to tell you what they'd done in this kind of situation? All in all, did you have enough information to make the decision confidently? • Why do you say that? Was there any information that you would really have liked to access, but didn't get? At the point where you made the decision to opt out of the scheme, was there anything you wanted to know, but hadn't been told? How would you have felt, if you had been given the option to delay being enrolled into the pension scheme, and automatically enrolled six months or a year later? • What do you think you might have done, a little further down the line? Would you have responded differently to being enrolled? Why? • Do you know that you will be automatically enrolled again, if you're still working in three years' time? What do you think about that?

<table>
<tr><td></td><td>The current rules around pensions say that when you save into a pension it is locked away until you retire. Suppose that you had the option of accessing part of your pension fund before your retirement date in certain circumstances. Might this have changed your decision to opt out?
• Why do you say that?
• If required: circumstances might include particular financial hardship, or the need to put down a deposit for a house
• If asked: If you withdrew funds from your pension, they wouldn’t continue to grow as part of your pension fund, and so this would reduce the amount of pension you could get at retirement
Did you find out how much this pension would have been worth at retirement, if you hadn’t opted out?
[If not] Did you try to find out? (Why not?)
• [If so] What was your reaction to that? How did this information feed into your decision?
• [If so] And was that forecast more, less or about the same as you expected?</td></tr>
<tr><td colspan="2">Your experience of opting out</td></tr>
<tr><td></td><td>• The last part of the decision that I’d like to ask you about is what happened when you actually went about opting out.
What arrangements did your employer make, for people who wanted to opt out? For example, did you fill something in on paper, online, or in some other way? Tell me about that
Did anything you hadn’t anticipated happen?
• For example, were there any problems or issues, during the process? What were they?
• How straightforward was the process, would you say?
• Have you had something to confirm that you’ve been opted out? Have you checked your pay, to make sure no deductions have been made?
If respondent does not feel they have sufficient provision
You mentioned earlier in our conversation that you don’t think the provision you have in place will be enough to provide the income you want during your retirement.
Do you plan on taking steps to increase your provision?
• [If not mentioned] Might working for longer be one way in which you increase provision?</td></tr>
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<tr><td></td><td>When do you think you will start saving/saving more for your retirement – at what point in your life?
Do you think it could rest on something else happening, or being in place? (examples might be earning more, being married, having 2 incomes, having fewer outgoings?)
How far into the future might that be?
How do you think you’ll go about it?</td></tr>
<tr><td colspan="2">Your thoughts on saving for retirement</td></tr>
<tr><td></td><td>In these last few questions, I’d like to ask a bit more about your general views on saving for retirement.

ASK ALL:

What do you understand about the need to save for retirement? Why do people need to do that?

And how do you feel about pensions, generally?
If not already mentioned, probe on how they feel about pensions generally, as savings type. How much faith do they have in pensions as a means of saving?
How much of a responsibility do you feel that you have, for providing your own income after you stop work? Probe for: versus your husband/wife/ partner; the state?
How far do you think you’ll be supported by the basic state pension?
How much responsibility do you think your employer should have?
ASK ALL

And how does your employer feel about pensions? Is this something that it sees as important for its workers? Why do you say that?</td></tr>
<tr><td colspan="2">Conclusion</td></tr>
<tr><td>Additional comments</td><td>Has your decision to opt out led you to make any other changes to your retirement provision?

Have you thought about opting out, since you did so?
[If so] Tell me about that – do you think there’s anything specific that’s caused you to think about it?
Do you think there’s a chance you might opt back into the scheme, or another employer’s scheme, in the future?
When would that be?
What do you think might cause you to opt back in?</td></tr>
</table>

	In a few years' time, employers will enrol all their workers again, and the process will be repeated, with workers given the option to opting out for a second time, if they do not want to be members of the workplace scheme. What do you think you will do, the second time around? To finish our discussion, there are a few last things I'd like to ask you about. If you were to give advice to other people who are deciding whether to remain a member of their workplace scheme, or to opt out, what would you say? What should they be thinking about? Is there anything else that you would like to tell DWP about how being automatically enrolled will affect people? I'm going to read out some age bands, and I'd like to ask which you belong to. Your answers you give will help us to see if what's important differs, for people in different age and income groups. You don't need to answer these questions, if you don't want to. • Twenties • Thirties • Forties • Fifties • Sixties And thinking about your annual income (before tax and other deductions), which of these categories do you fall under? Here I mean your own income – please just tell me about income you earn yourself, either here or in any other paid job that you have. • Less than £10,000 per year • £10,000 to £14,999 per year • £15,000 to £19,999 per year • £20,000 to £29,999 per year • £30,000 to £39,999 per year • £40,000 or more per year Code gender here (do not ask) • Male • Female As you know, we will not reveal your identity as someone who took part in the research. Occasionally, it is very helpful for us to be able to re-contact people we have spoken to, either to clarify certain issues, or to get a bit more detail where the information we are given is particularly interesting. Would you be happy for us to call you back briefly if necessary? What would be the best number to reach you on?

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