Title: Reduce the frequency of returns to the Pensions Regulator by defined contribution schemes with 2-4 members **IA No: DWP0029** **Lead department or agency:** Department for Work and Pensions **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 21 March 2012 **Stage: final** **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries**: Maria Meyer Maria.meyer@dwp.gsi.gov.uk

Summary: Intervention and Options

RPC: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£2.71m	£2.30m	£-292,000	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

The Pensions Act 2004 requires all occupational pension schemes to complete a scheme return at least once every three years. This is sent to the Pensions Regulator and provides up-to-date information. Processing scheme returns of 2-4 member defined contribution schemes once every three years currently incurs disproportionate cost to the Pensions Regulator and to the schemes which are a low-risk group. Amending legislation is proposed to increase the period within which this group of schemes is required to complete a scheme return in order to generate efficiency savings for the Pensions Regulator and reduce burden on schemes and employers.

What are the policy objectives and the intended effects?

The objectives of this policy are to:

i) reduce the cost burden to industry.
ii) support the Regulator in upholding a proportionate and risk-based approach to regulation by collecting the amount of data from schemes which is proportionate to scheme size and level of risk.
iii) generate efficiency savings for the Regulator.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

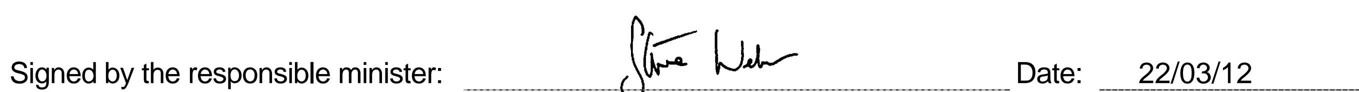
The impact assessment considers three options:

Option 1: Amend legislation to require schemes with 2-4 members to complete a scheme return within every five years (this is the preferred option).
This option balances the realisation of savings for the Regulator and the industry with low risks to the quality of scheme data.
Option 2: Amend legislation to require schemes with 2-11 members to complete a scheme return within every five years.
Option 3: Do nothing.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 07/2017

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** No	**Large** No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:**	**Non-traded:**	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy; and (b) that the benefits justify the costs.



Signed by the responsible minister: Date: 22/03/12

URN 11/1109 Ver. 3.0

Summary: Analysis & Evidence Policy Option 1

Description: Require schemes with 2-4 members to complete a scheme return within every five years (preferred option).

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 9	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £3.15m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	0	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0		£0	**£0**

Description and scale of key monetised costs by 'main affected groups'

There are no costs.

Other key non-monetised costs by 'main affected groups'

There is the possibility of an increase in incorrect data being held by the Pensions Regulator due to the reduced frequency of the scheme returns. This risk has not been quantified but is accepted to be low due relatively high stability in the group.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	0	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0		£397,554	**£3.15m**

Description and scale of key monetised benefits by 'main affected groups'

- This will generate administrative savings to 2-4 member schemes by £336,554 per annum on average (in 2012 price terms) between 2012 and 2020 across all schemes (£10 per scheme per annum).
- This will generate administrative savings to the Regulator of £61,000 per annum on average between 2012 and 2020.

Other key non-monetised benefits by 'main affected groups'

This option would not generate any cost for the Regulator to implement or to operationalise. The savings generated for the Regulator on a re-occurring basis would therefore reduce total operational costs and the benefit of this reduction could possibly be passed onto schemes via a reduction in the general levy.

It is also expected that schemes will have less onerous internal reporting requirements if the level of duty imposed under scheme return legislation is decreased. Whilst the cost of each return will not decrease due to this change the frequency of such returns will decrease and thus the cost over a period will be lower for schemes.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

There is a risk of the reduced accuracy of scheme data as changes to schemes, such as membership numbers, are not captured during the longer period of time lapsing between updates on scheme data. However, both the number and proportion of 2-4 member schemes moving into the 12 members or more schemes segment and thus being subject to further information requirements in the scheme return and a different levy amount is very small at only 0.2% in the year to 1st April 2011.
In addition, the duty outlined in current legislation 'the register: duties of trustees or managers'; places a requirement on schemes (aside of scheme return) to notify the Regulator of changes to registrable information.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0	**Benefits:** £292,000	**Net:** £292,000	Yes	OUT

Summary: Analysis & Evidence — Policy Option 2

Description: require schemes with 2-11 members to complete a Scheme Return within every five years.

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 9	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £3.52m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	0	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0		£0	£0

Description and scale of key monetised costs by 'main affected groups'

Other key non-monetised costs by 'main affected groups'

There is an increased risk in the data available to the Regulator being incorrect. First, the larger schemes are more dynamic and far more likely to enter the next size category. This is not only a statistical problem. Additional information is collected on larger (more than 12 member) schemes for risk management purposes. Secondly, as the levy rates are different for 2-11 member schemes and 12-99 member schemes, there is a risk that schemes will be wrongly billed in the intervening period. Thirdly, there is a possibility that, for the workplace pension reforms, some of the 5-11 member schemes may be used by employers as vehicles for automatic enrolment into workplace pensions. In such cases they may expand quite rapidly.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	0	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0		£445,152	**£3.52m**

Description and scale of key monetised benefits by 'main affected groups'

- This will generate administrative savings to 2-11 member schemes by £376,848 per annum on average (in 2012 price terms) between 2012 and 2020 across all schemes (£10 per scheme per annum).
- This will generate administrative savings to the Regulator of £68,305 per annum on average between 2012 and 2020.

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

There is a greater risk of the reduced accuracy of scheme data as changes to schemes, such as membership numbers, are not captured during the longer period of time lapsing between updates on scheme data. The key risk is that important information and the correct level of levy will not be collected for a small but significant number of larger 2-11 member schemes that expand and enter the more than 12 member category.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: **£0**	**Benefits:** £327,000	**Net:** £327,000	Yes	OUT

Summary: Analysis & Evidence — Policy Option 3

Description: Make no changes

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 9	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	0	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0		£0	£0

Description and scale of key monetised costs by 'main affected groups'

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	0	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0		£0	**£0**

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: **£0**	**Benefits:** £0	**Net:** £0	Yes	n/a

Evidence Base (for summary sheets)

Problem under consideration

1. Legislation requires all UK work-based pension schemes to complete a scheme return, which gathers information on schemes for various regulatory purposes. This is sent to the Pensions Regulator (TPR) and provides up-to-date information for it to carry out its statutory duties effectively and efficiently. It is the key process for collecting information on defined contribution pension schemes. Currently defined contribution schemes with more than 12 members are required to provide further information on the value of their assets. As part of its defined contribution scheme strategy, the Pensions Regulator is intending to increase the information it holds on more than 12 members schemes to facilitate its risk management role.

2. The rationale for more stringent risk management for schemes with more than twelve members is that these have been identified by the Regulator as being more likely to have “staff employees” rather than directors as members. These members do not have any decision making powers and thus require more protection. Where a defined contribution scheme includes third party involvement in addition to the sponsoring employer and its directors, this will increase the risk and the level of attention given by the Regulator. The additional information that will be requested from schemes with more than 12 members focuses on identifying risks to members’ benefits, risks within scheme funding where defined contribution schemes have a defined benefit element and to gain a deeper understanding of scheme rules.

3. Scheme returns must currently be completed by all schemes once every one to three years (Pensions Act 2004 s.63(4)a)). The Regulator currently requests scheme returns from 2-11 member defined contribution schemes once every three years, and annually from all other schemes. In the case of defined benefit schemes the scheme return is required annually as this information provides the data for calculating the pension protection and other levies

4. In addition, schemes with fewer than 12 members pay a lower general levy than schemes with more than 12 members. Thus it is important for TPR to have accurate information about the size of schemes; they should inform TPR when there is a significant change but the scheme return process ensures that information is regularly up-dated.

5. 2-4 member defined contribution schemes represent 83% of regulated defined contribution schemes and 5.9% of total defined contribution scheme members, which therefore make up a high proportion of the Pensions Regulator’s defined contribution scheme administrative work and a low proportion of members.

Volatility of Schemes

6. Only a fifth (19%) of 2-4 member schemes and a half (49%) of 5-11 member schemes left their respective size groups between 1st April 2008-1st April 2011. Much of the volatility is caused by schemes winding up and new schemes being formed; particularly in the 2-4 member group. However in the case of 5-11 member schemes most of the volatility was due to the schemes moving between groups. Most of the schemes leaving the group did so because they had shrunk below 5 members (56%), only 6% increased to 12 members and thus entered the 12 members and more schemes group with the implications for the levy and the content of the scheme return.

7. It is because of the low risk that the Pensions Regulator has identified that its regulation of 2-4 member defined contribution schemes requires disproportionate resources relative to the low level of risk posed by such schemes, and considers it unnecessary to receive scheme returns from this group once every three years. Given that the information collected on 2-11 member schemes is also mainly used for the levy, consideration was also given to whether the frequency for such schemes should also be reduced to every five years.

8. There are strong arguments for including all 2-11 member schemes in the proposed change (i.e. option 2). Indeed in response to the Pension Regulator's informal stakeholder consultation[1] there was a preference for all 2-11 member schemes. First, there would be greater savings for schemes and for the Pensions Regulator. The overall savings for business increases from £292,000 equivalent annual net benefit to £327,000 on the same basis. Individual schemes would not benefit more but because more schemes would be included there would be more savings overall.

9. Secondly, there are already different scheme return criteria both in the information collected (further information is required for schemes with greater than 12 members) and there is a different (higher) levy rate. Thus splitting the group into two sub-groups does make communicating and understanding the guidance more difficult.

10. However, there are significant risks in including the large (5-11 member) schemes in the five year returns category. First, whereas the 2-4 member schemes are generally effectively tax wrappers with little change in size, the larger schemes are more dynamic and far more likely to enter the next size category. This is not only a statistical problem. Currently the data collected in the scheme return is different for more than 12 members schemes and 2-11 member schemes. The Pensions Regulator plans to increase the information collected in the more than 12 members category in order to improve its risk management of defined contribution pension schemes. The volatility of the 5-11 member category can be expected to push schemes into the larger category and this may not be known to the Pensions Regulator for some time, possibly until the next scheme return. (There is requirement in Section 62(4)b of the 2004 Pensions Act to notify the Pensions Regulator of changes. However, this does rely on schemes' compliance).

11. Secondly, as the levy rates are different for 2-11 member schemes and 12-99 member schemes, there is a risk that schemes (crossing the threshold between 2-11 member and more than 12 member groups) will be wrongly billed in the intervening period. This could cause inconvenience and indeed costs for both the schemes concerned and the Pensions Regulator when an underpayment is discovered.

12. Thirdly, there is a possibility that with auto-enrolment some of the 2-11 member schemes may be used by employers as vehicles for automatic enrolment. In such cases they may expand quite rapidly. It is expected that this would affect the 5-11 member schemes more than the 2-4 member schemes.

13. Finally, in terms of the overall savings to both business and the Pensions Regulator, the increased advantage of including the larger schemes is minimal. Balanced against the greater risks involved, it was decided to reduce the frequency for only the 2-4 member schemes.

14. The reduction in the frequency from 3 year intervals to 5 year intervals was recommended by the Pensions Regulator after analysing its data on the volatility of very small pension schemes. Based on analysis of transitions over the period April 2008 to April 2012 it is estimated that the proportion of schemes which will have increased in size and thereby leave the 2 to 4 member group over a three year period is just under 2%. If the period between reviews is extended to five years the volatility increases only slightly to just over 2%. Extending the period to seven years would increase it more significantly to 3% and to 10 years to 4%. Similarly the proportion of schemes leaving the regulatory remit of the Pensions Regulator (e.g. through wind up) increases as the period between reviews lengthens. After 3 years it is around 37%; five years 51%; seven years 63%; and ten years 78%. An informal consultation with stakeholders undertaken by the Pensions Regulator found that they were broadly in favour of the approach, which they would have liked to have been expanded to 5-11 member schemes (we did not do this for the reasons outlined above).

Rationale for intervention

15. It is therefore proposed to amend legislation to increase the period within which this group of schemes is required to complete a scheme return in order to generate efficiency savings for the Regulator and reduce burden on schemes and employers. The reduced frequency would be

[1] An informal stakeholder consultation by The Pensions Regulator asking for high level views specifically on the issue of reducing the frequency from every three years to every five years.

consistent with the good regulation principle that data is only requested where there is a clear need for it.

16. By reducing the cost of unnecessary data collection, the Regulator would be able to reduce its costs in this area and thus contribute towards its efficiency savings.

Policy objective

17. The policy objective is to realise efficiency savings for the Regulator, reduce burden on schemes and employers, and support the Regulator in upholding a proportionate and risk-based approach to regulation, collecting an appropriate amount of data on schemes only where there is a clear need for it.

Description of options considered

18. Three options have been considered:

- **Option 1** Require schemes with 2-4 members to complete a scheme return within every five years (preferred option).
- **Option 2** Require schemes with 2-11 members to complete a scheme return within every five years.
- **Option 3** Do nothing

Option 1 Scheme returns within every five years from 2-4 member defined contribution schemes (preferred option)

Methodology for Calculations

19. The cost to a scheme in connection with the completion of the scheme return has been determined following research undertaken by the Regulator which determined that the cost to a scheme with 2-11 members of completing a scheme return is £77 in 2011. The cost to a scheme for subsequent years has been increased based on the Office for Budget Responsibility's CPI forecast (2012 = 2.7%, 2013 = 2.1%. 2014 = 2.0%, 2015 = 2.0%, 2016 = 2.0%). This represents a cautious assumption (to ensure that the saving to business is not overstated) as whilst the future costs may rise with earnings as much of the expense of preparing the return comes from labour, there will also be better technology which could cause the rate of cost increase to be below earnings growth.

20. In order to reduce burdens, the Pensions Regulator (TPR) has undertaken a number of exercises to measure and manage the administrative burden imposed on schemes over the last three years.

21. One such exercise was performed in 2009, when TPR looked to gain a better insight into the administrative burden for scheme returns. This covered defined benefit, and large and small defined contribution, returns. The objective was to gain an understanding of:

- the magnitude of each the burden for each of the scheme return types

- the drivers influencing the size of the burden, with the aim of identifying ways the TPR could reduce the burden on schemes

Methodology

22. The methodology used followed the guidance set out by the BRE, using the Standard Cost Model (SCM).

23. An on-line survey was sent to 200 schemes. The survey asked questions on the time taken by schemes to complete scheme returns, the costs paid to third party advisors along with a number of questions aimed at gaining an insight into the cost drivers for the schemes.

24. There were valid responses for defined contribution scheme returns, covering both large and small schemes. As the scheme return has a number of similarities the whole dataset was analysed to extrapolate the burden for both small and large scheme returns.

Further validation

25. In 2011 a follow-up exercise was undertaken to evaluate the administrative burden of all the TPR information obligations. As part of this exercise, the 2009 burden for scheme returns was re-assessed by a panel of subject matter experts who had direct experience of completing scheme returns. This panel concluded that the results of the 2009 exercise for defined benefit, and large and small defined contribution scheme, returns were still valid and represented the burden then being borne by schemes.

Inflation adjustment

26. Internal time:
    - The SCM method multiplies the time taken per activity by the ONS rate for each grade of staff.[2] Applying the 2009 time and the 2009 mix of staff grades to 2011 tables gives an inflation adjustment of 6.14%.
    - Professional fees have been uplifted by the CPI index for 2010 and 2011 at 1.5% and 3.2% respectively, resulting in a total uplift of 4.9%.

Costs of communicating the change

27. Communications costs would be neutral as there would be no additional cost for activity. The Pensions Regulator currently has in place an annual scheme return communication campaign as part of their business as usual activities and this will be utilised to advise schemes of the change to legislation. The Pensions Regulator also has in place a number of ongoing communications streams which can be used to communicate change to schemes.

The 2011 administrative burden for defined contribution schemes

28. Applying this method, the 2011 administrative burden for schemes is shown in the summarised SCM table below. The cost is an aggregate for all schemes. No figure exists specifically for 2-11 member schemes.

Table 1: Administrative burden for schemes

Nature of burden	£
Internal cost	13.92
External cost	63.66
Total unit cost	77.58

Reduction in total number of schemes.

29. The Regulator has observed a reduction in the total number of pension schemes with more schemes becoming wound up than new schemes being established. Over the last few years, the reduction rate has averaged 4%. This reduction is forecast to remain at 4% over the period to 2017.

Increase in total number of schemes.

30. The number of new schemes established as a result of employer auto-enrolment is consistent with the estimates used within the workplace pension reforms. The forecast volume of new schemes will be;

Table 2 : Increase in number of schemes

Year	Number of new schemes.
2013	500
2014	500
2015	1000
2016	3000

[2] The data is taken from ASHE. The table used is: 14.5a Hourly pay - Gross (£) - For all employee jobs, United Kingdom

31. The forecast is made to 2017 when scheme volumes are expected to stabilise following auto-enrolment.

Unit cost to the Regulator.

32. The unit cost to the Regulator in connection with the collection of scheme return is based on the total operational cost to the Regulator and the number of scheme returns requested each year. The baseline is taken as at 2010 where the total operational cost to the Regulator was £377k and the number of scheme returns for requested was 27,000.

33. This results in the cost per scheme return of £13.96 which comprises of the following operational costs:

- IT development cost
- Print and despatch
- Query handling and scheme compliance.
- Process support for scheme return

34. The cost to the Regulator for subsequent years has been increased based on the Office for Budget Responsibility's CPI forecast (2012 = 2.7%, 2013 = 2.1%. 2014 = 2.0%, 2015 = 2.0%, 2016 = 2.0%). For the years 2017-2020 the CPI is assumed to be 2%.

35. The assumptions are based on the figures in the table 3 below. Figures 1-4 shown in flow diagram format the key volumes used to calculate the savings both the schemes and TPR for each option. Table 3 sets out all the information used to make the calculations in tabular form. The savings are given in both cash and real terms.

36. Except from the mean cost per scheme of returning the scheme return all other data is taken from the TPR management information systems.

Figure 1: Cost savings to business and The Pensions Regulator

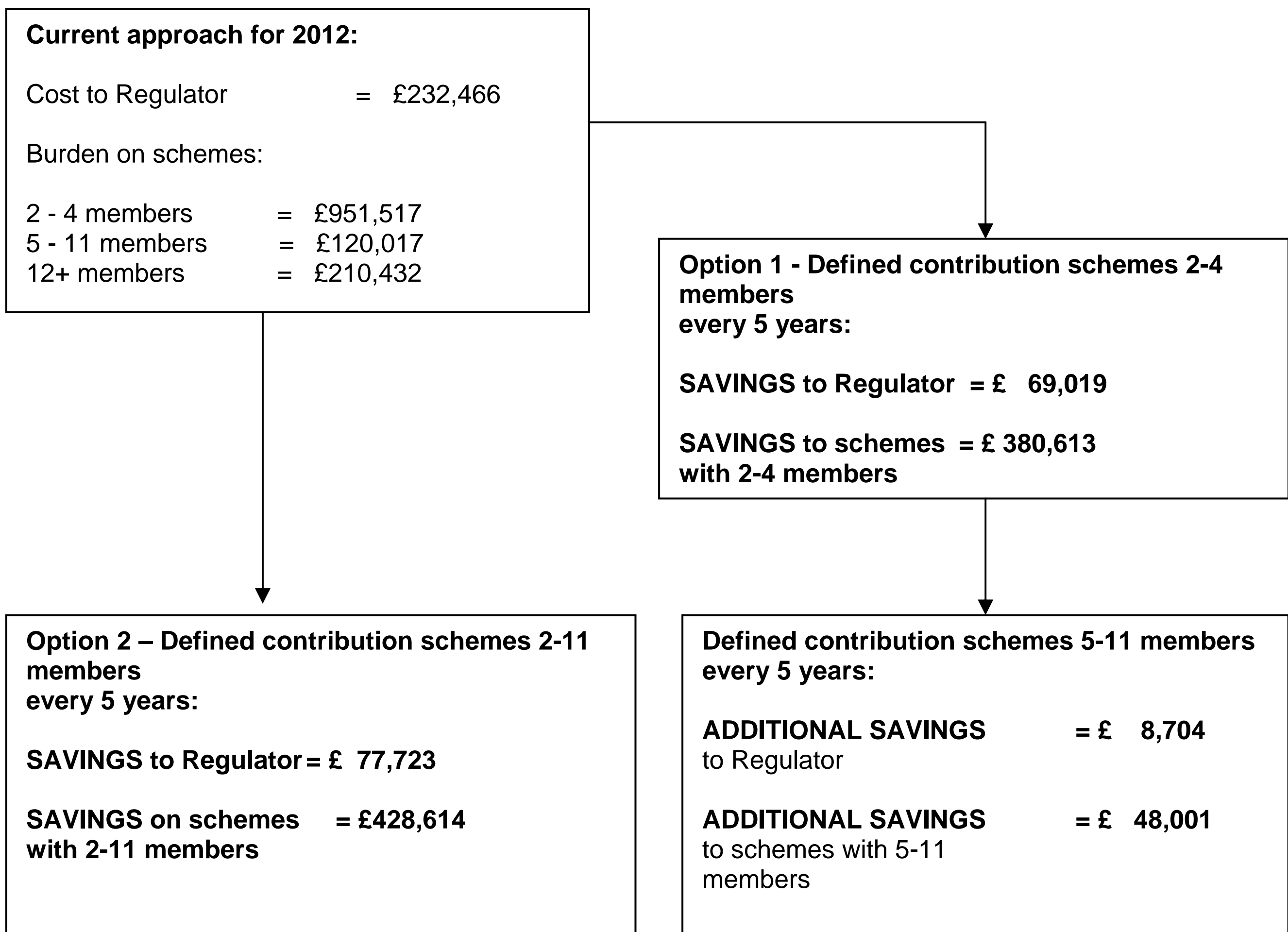
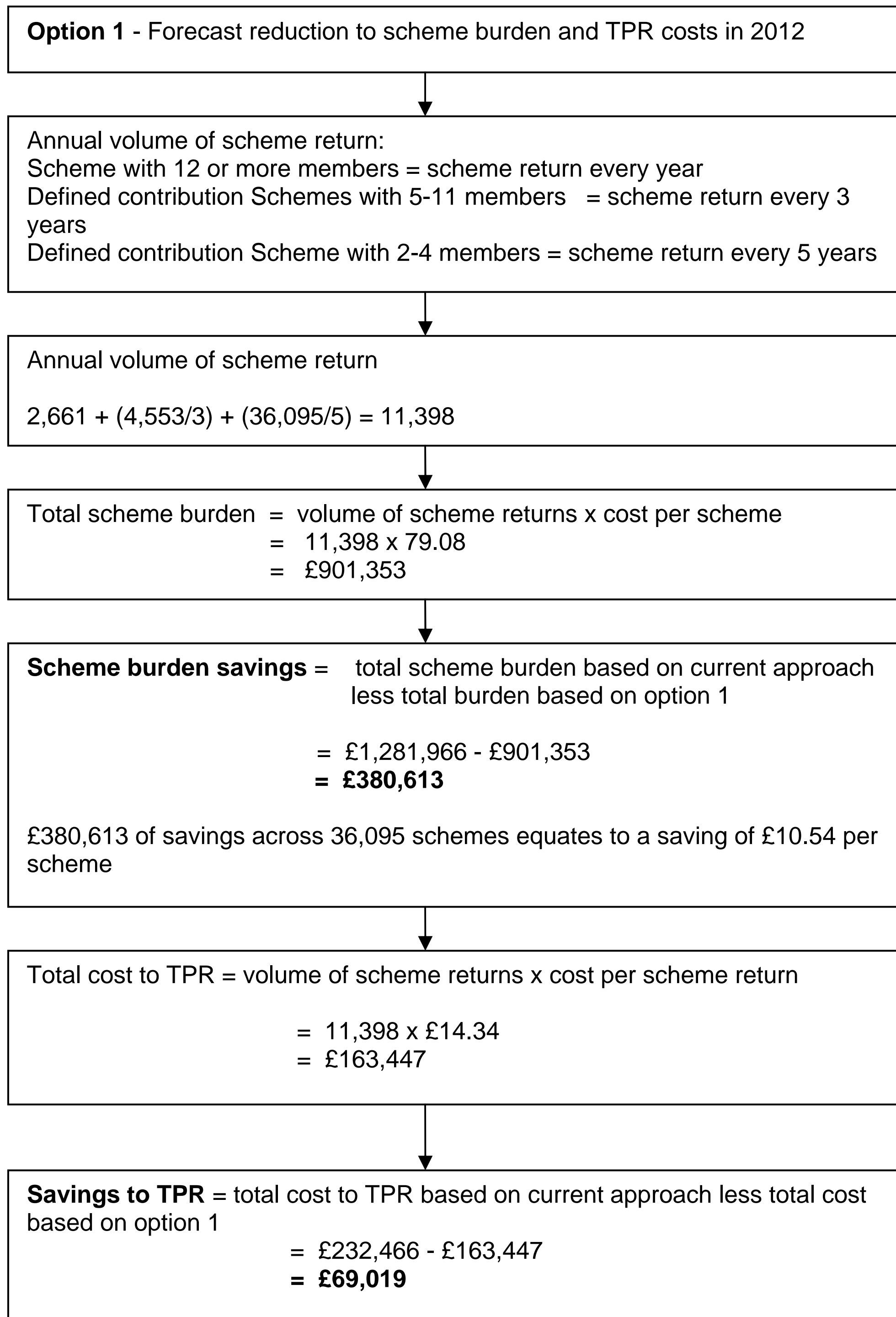


Figure 2: Burden on schemes and Pensions Regulator for Option 1



Costs and Benefits

37. Over the period of 2012 to 2020, reducing the frequency of scheme returns to five years for 2-4 member defined contribution schemes would generate average savings of £61,000 per annum for the regulator, and £336,554 per annum for 2-4 member defined contribution schemes.

Risks and Assumptions

38. There is a risk of the reduced accuracy of scheme data as changes to schemes, such as membership numbers, are not captured during the longer period of time lapsing between updates on scheme data. However, the 2-4 member segment of schemes is relatively stable. In the year to April 2011 only 0.2% of such schemes increased membership to 12 or more and thus came under the next category.

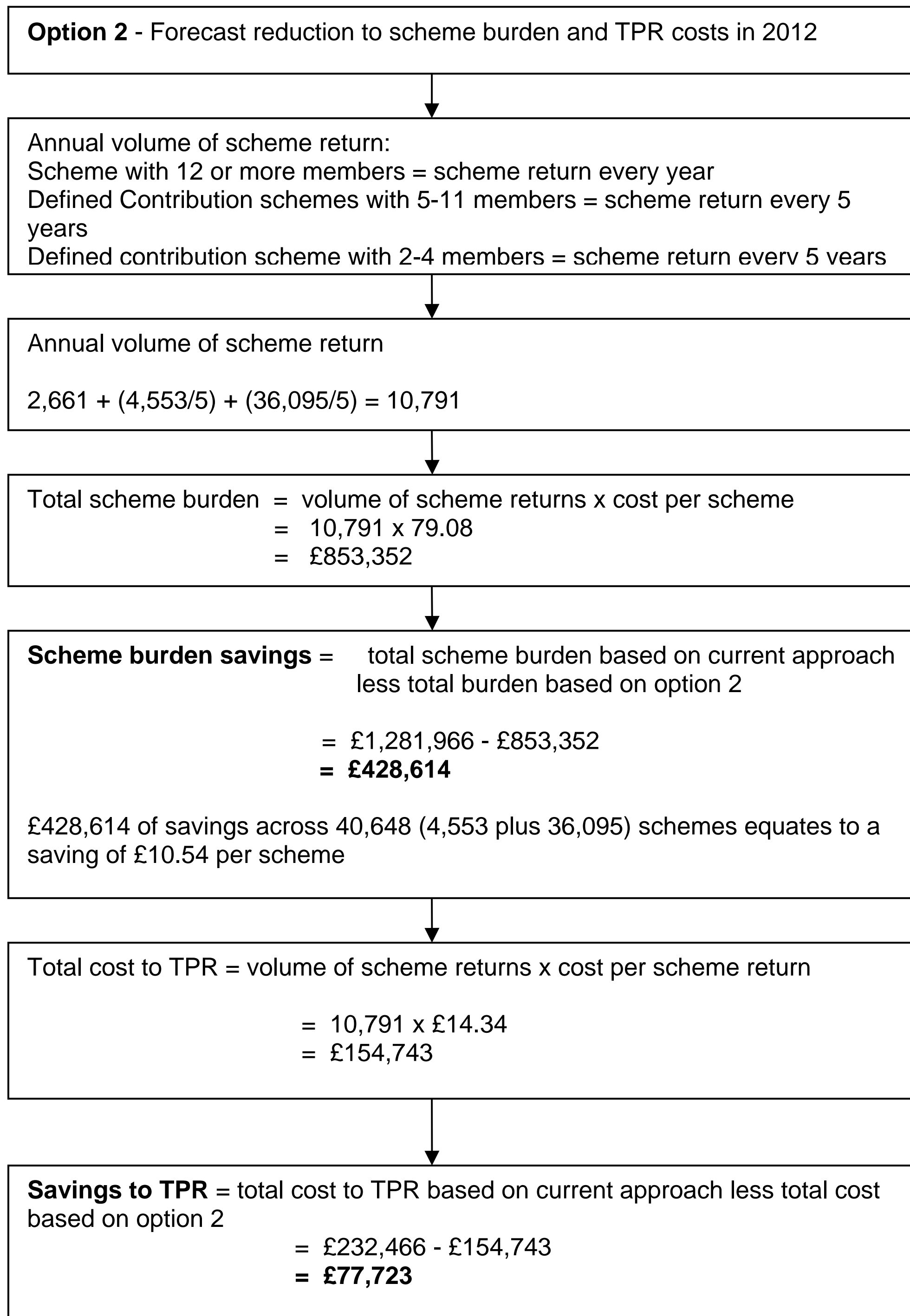
39. The proposed change would apply to occupational defined contribution schemes only, and therefore defined benefit scheme return requirements would continue to be scheduled in collaboration with the PPF, therefore there would be no risk to the PPF.

Option 2: Scheme returns within every five years from 2-11 member defined contribution schemes

Methodology for Calculations

40. The methodology is the same as for option 1.

Figure 3: Burden on Schemes and Pensions Regulator of Option 2



Costs and Benefits

41. Over the period of 2012 to 2020, reducing the frequency of scheme returns to five years for 2-11 member defined contribution schemes would generate average savings of £68,305 per annum for the regulator, and £376,848 per annum for 2-11 member defined contribution schemes.

Risks and Assumptions

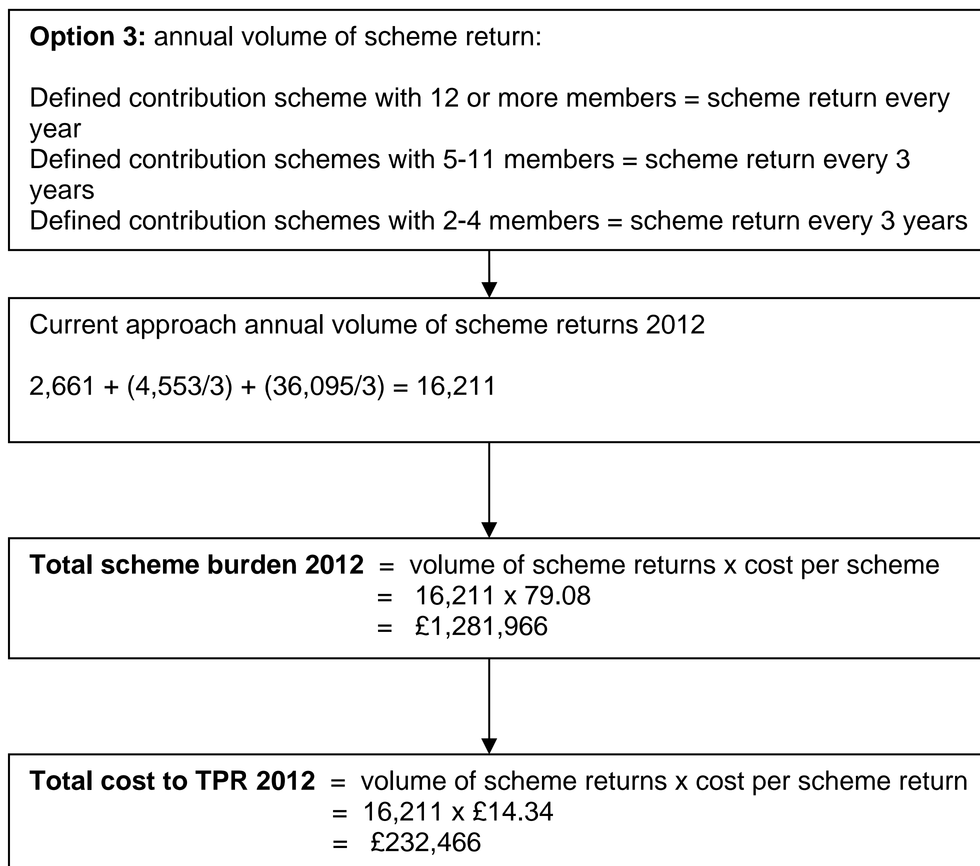
42. There is an increased risk in the data available to the Regulator being incorrect. First, whereas the 2-4 member schemes are generally effectively tax wrappers with little change in size, the larger schemes are more dynamic and far more likely to enter the next size category. This is not only a statistical problem. Currently, and possibly in the future even more so, additional information is collected on larger (more than 12 member) schemes for risk management purposes. Secondly, as the levy rates are different for 2-11 member schemes and 12-99 member schemes, there is a risk that schemes (crossing the threshold between 2-11 member and more than 12 member groups) will be wrongly billed in the intervening period. Thirdly, there is a possibility that with auto-enrolment some of the 5-11 member schemes may be used by employers as vehicles for automatic enrolment. In such cases they may expand quite rapidly. It is considered that the benefit of reducing frequency for defined contribution schemes with 5-11 members in terms of the savings realised for the Regulator and the schemes is outweighed by the level of risks to scheme data.

Option 3: Do nothing

Methodology for Calculations

The methodology is the same as for option 1.

Figure 4: Burden on schemes and Pensions Regulator of Option 3 (Do nothing)



Costs and Benefits

43. It currently costs the Regulator £175,000 per annum to request and process scheme returns from 2-4 member defined contribution schemes once every three years. it costs 2-4 member defined contribution schemes an average of £965,000 per annum to complete a scheme return once every three years. These costs would continue if the regime is not changed.

Risks and Assumptions

44. By continuing to collect scheme returns from 2-4 member defined contribution schemes once every three years, the Regulator is expending disproportionate resources on a low-risk segment of schemes, where it could be focussing its resources on those schemes presenting the greatest risk to members. It is also collecting data where there is not a clear need for it, which goes against the principle of good regulation.

Summary

45. It is therefore proposed to reduce the frequency of scheme returns being due from 2-4 member defined contribution schemes (Option 1). We consider that this option is preferable because it generates material savings for the Regulator and reduces burden on 2-4 member schemes whilst minimising risks to scheme data and upholding a risk-based and proportionate approach to regulation.

Implementation Plan

46. Under Option 1, the Regulator would postpone requesting the next scheme return from 2-4 member schemes for two years beyond the date it is currently due.

Equivalent Annual Net Cost to Business (EANCB)

47. The reduction in the regulatory burden on employers is calculated over the period to 2020, and includes only savings to employers. Although the savings are perpetual, it is believed that assessing the savings to 2020 represents a reasonable period to offer confidence that the savings would materialise. Whilst savings to the Regulator would be passed on to employers via a lower levy than would otherwise have been the case, this is an indirect effect and hence outside the scope of the EANCB calculation.Costs have been converted to 2009 prices and 2010 present values to calculate the savings for the EANCB.

Cost and burden reduction forecast 2012-2020.

Table 3: Cost and burden forecast for options 1,2 and 3.

This table is in expressed in cash terms unless otherwise stated. Where real terms are shown, GDP deflator is used to deflate cash terms.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average 2012-2020
Scheme numbers											
No. of schemes 12+ members	2,772	2,661	2,555	2,452	2,354	2,260	2,170	2,083	2,000	1,920	2,273
No. of schemes 5-11 members	4,743	4,553	4,371	4,196	4,028	3,867	3,713	3,564	3,422	3,285	3,889
No. of schemes 2-4 members	37,599	36,095	34,651	33,265	31,935	30,657	29,431	28,254	27,124	26,039	30,828
New schemes following employer compliance regime for automatic enrolment (cumulative)	0	0	500	1,000	2,000	5,000	5,000	5,000	5,000	5,000	3,167
Total schemes	45,114	43,309	42,077	40,914	40,317	41,785	40,313	38,901	37,545	36,243	40,156
Scheme returns											
Current approach scheme return annual volumes[1]	16,886	16,211	15,562	15,440	14,842	14,768	16,218	14,356	13,848	13,361	14,956
Option 1 scheme return annual volume	11,873	11,398	10,942	11,004	10,584	10,681	12,294	9,922	9,565	9,222	10,624
Option 2 scheme return annual volume	11,240	10,791	10,359	10,445	10,047	10,165	11,799	9,447	9,109	8,784	10,105
Cost of producing and processing returns (£s)											
Cost to TPR per scheme return	13.96	14.34	14.64	14.93	15.23	15.53	15.84	16.16	16.48	16.81	16
Scheme burden	77.00	79.08	80.74	82.35	84.00	85.68	87.40	89.14	90.93	92.74	86
Current scheme and regulator burdens (£s)											
Total scheme burden	1,300,222	1,281,966	1,256,476	1,271,484	1,246,728	1,265,322	1,417,453	1,279,694	1,259,920	1,239,099	1,279,794
Total TPR cost	235,729	232,466	227,828	230,519	226,044	229,347	256,893	231,993	228,215	224,598	231,989
Savings from policy change options (£s)											
Option 1 scheme burden reduction - cash terms		380,613	373,081	365,250	357,717	350,226	343,016	395,247	390,175	383,851	371,020
Option 1 scheme burden reduction - real terms (2012/13)		380,613	363,981	347,650	332,176	317,287	303,176	340,820	328,241	315,044	336,554
Option 1 TPR cost reduction - cash terms		69,019	67,649	66,220	64,857	63,480	62,167	71,653	70,584	69,576	67,245
Option 1 TPR cost reduction - real terms (2012/13)		69,019	65,999	63,029	60,226	57,510	54,947	61,786	59,380	57,104	61,000
Option 2 scheme burden reduction - cash terms		428,614	420,139	411,322	402,830	394,402	386,273	437,589	431,639	424,471	415,253
Option 2 scheme burden reduction - real terms (2012/13)		428,614	409,892	391,502	374,068	357,309	341,409	377,332	363,123	348,383	376,848
Option 2 TPR cost reduction - cash terms		77,723	76,181	74,572	73,037	71,488	70,006	79,329	78,099	76,939	75,264
Option 2 TPR cost reduction - real terms (2012/13)		77,723	74,323	70,979	67,822	64,765	61,875	68,405	65,702	63,147	68,305

[1] Based on schemes with under 12 members submitting a scheme return once every 3 years and new schemes submitting a return the year after being established