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Summary

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

Once fully implemented, automatic enrolment aims to increase the number of individuals newly saving or saving more in a workplace pension by around nine million, within a range of eight to nine million[2], and increase the amount that is being saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion[3].

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

Key findings

Up to the end of September 2014, more than 4.7 million workers have been automatically enrolled by nearly 34,000 employers. The Department for Work and Pensions (DWP) research with employers has found that overall, the level of opt out has been broadly consistent since automatic enrolment began in 2012 at around ten per cent.

Data on workplace pension participation, collected with reference to April 2013, six months after the implementation of automatic enrolment began, showed that the number of eligible employees participating in a workplace pension increased by 0.9 million to 11.7 million in 2013. The annual total amount saved in workplace pensions was £77.6 billion, an increase of £4.3 billion from 2012.

DWP research with employers also found limited evidence of levelling down, with employers rarely reducing contribution levels in existing schemes for new members.

Levels of employer awareness and understanding of their automatic enrolment duties continue to remain high, showing appropriate progress towards them being able to comply with their duties.

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

2 DWP (2014). *Department for Work and Pensions Annual Report & Accounts 2013-14*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323953/dwp-annual-report-accounts-2013-2014.PDF

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

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The Authors

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Glossary of terms

Accrual	The build up of a scheme member's pension benefits or rights.
Accrual rate	The rate at which pension benefits or rights are built up.
Accumulation	The stage in peoples lives when they are adding to their pension pot. See also **decumulation**.
Active member	Individuals currently contributing to a pension scheme.
Administration	Refers to the day-to-day running of a pension scheme e.g. collection of contributions, payment of benefits, record-keeping.
Automatic enrolment	The Government has introduced a new law designed to help people save more for their retirement. This requires all employers to enrol their eligible jobholders into a workplace pension scheme if they are not already in one. In order to preserve individual responsibility for the decision to save, workers have the right to **opt out** of the scheme.
Annual Management Charge	A charge levied on an investment fund for its management and administration.
Baseline	Refers to the *Workplace Pension Reforms Baseline Evaluation Report* (DWP 2012), see **References**. Baseline is a term used in evaluation research to describe a marker against which progress can be measured at different points in time.
Basic State Pension	A weekly payment made by the Government to people who have reached State Pension age. It is based on the number of qualifying years that an individual has earned during his or her working life, which is based on National Insurance contributions.
Career average	A Defined Benefit (DB) scheme that gives individuals a pension based on their salary times the accrual rate in each year of their working life. Entitlements that are built up each year are revalued in line with inflation or earnings.
Ceasing active membership	In the context of this report, if an eligible jobholder chooses to leave an automatic enrolment scheme after the end of the opt out period, they are said to cease active membership.

Certification	A process that employers can use to ensure an existing workplace pension scheme qualifies to be used for automatic enrolment and related duties.
Collective Benefits	New term defined in the Pension Schemes Bill 2014. Collective benefits allow pooled assets to be used in a way that can help smooth risks across the scheme's membership. The collective asset pool is managed on behalf of the members. There will always be a target attached to collective benefits, and this target needs to be achievable within a specified probability range. Under the new definitions introduced in the Bill, 'collective benefits' could be a feature of a Defined Ambition (DA) or a Defined Contribution (DC) scheme.
Contract-based pensions	Pensions where the legal contract is between the individual and the pension provider, usually an insurance company. Also known as **personal pensions**.
Contractual enrolment	Where an employer chooses to include enrolment into a pension scheme as part of a worker's employment contract. This is not classified as automatic enrolment because the worker is considered to have consented to active membership of the scheme.
Contributions	The amount (often expressed as a percentage of earnings) that a worker and/or employer pays into a pension.
Counterfactual	Research term. The counterfactual is a view or measure of the world in which the workplace pension reforms never happened.
Cross-sectional survey	Refers to a survey or study carried out at one point in time with all (i.e. a census) or part (i.e. a representative sample) of a population. Can be repeated but will not necessarily include the same participants, making it distinct from a longitudinal survey.
Declaration of compliance	A duty on employers to tell The Pensions Regulator information about the pension scheme they are using and how many employees they have enrolled into it for automatic enrolment. Previously referred to as 'registration'.
Decumulation	Opening a pension pot to receive retirement income.

Defined Ambition	New term defined in the Pension Schemes Bill 2014 given to types of pension scheme where the member has some certainty during the savings period about what they will receive from the scheme – can include schemes which share risk between employers, workers and third parties. DA would seek to complement the DB and DC structures that dominate the market.
Defined Benefit	A type of occupational pension scheme. In a DB scheme the amount the member gets at retirement is based on various factors. These could include how long they have been a member of the pension scheme and earnings. Examples of DB pension schemes include 'final salary' or 'career average' earnings-related schemes. In most schemes, some of the pension can be taken as a tax-free lump sum. The rest is then received as regular income, which might be taxable.
Defined Contribution	A type of pension scheme. In a DC scheme a member's pension pot is put into various investments such as shares (shares are a stake in a company).The amount in the pension pot at retirement is based on how much is paid in and how well the investments have performed. In some schemes, some of the pension can be taken as a tax-free lump sum. The rest can then be used to buy an income, which might be taxable. These are also known as **'money purchase'** schemes.
Easement	A reduction in the regulatory burden on employers and/or increasing simplicity to enable employers to comply with the automatic enrolment duties more easily.
Eligible jobholder	A worker (sometimes referred to as an employee) who is 'eligible' for automatic enrolment. An eligible jobholder must be aged at least 22 but under State Pension age, earn above the earnings trigger for automatic enrolment, and work or usually work in the UK.
Employer awareness	Employers are classed as having awareness of the workplace pension reforms if they have sufficient knowledge to know what the main requirements and implications are for them when prompted, namely employers will have to: automatically enrol UK workers; provide a pension scheme for automatic enrolment; and contribute to their workers' pensions. Employer awareness is monitored by The Pensions Regulator (see **Chapter 2**).
Employee benefits consultant	An adviser, or firm of advisers, that advises employers on employment benefits packages that it might offer to its employees, including pensions and other benefits.

Employer duties	Employers' legal obligations under the workplace pension reforms legislation. Compliance with the duties is monitored and enforced by the regulator.
Employer size	Employer size is determined by the number of employees. For the purpose of staging dates, the regulator categorises employer size based on number of employees in Pay As You Earn (PAYE) schemes as follows: Micro = 1 to 4 employees Small = 5 to 49 employees Medium = 50 to 249 employees Large = 250+ employees Different categorisations are used throughout this report depending on the context; where this is the case it has been indicated in the accompanying text.
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 but they can choose to do so.
Evaluation Question	Research term. The set of questions that will assess the effects of the workplace pension reforms against policy objectives as set out in the *Workplace Pension Reforms Evaluation Strategy* (DWP 2011), see **References**.
Funded scheme	A scheme in which benefits are met from a fund built up in advance from contributions and investment income.
Group Personal Pension	A type of personal pension scheme set up by an employer on behalf of its workers. Although the scheme is arranged by the employer, each pension contract is between the pension provider and the worker. The employer may also pay into the scheme, adding money to each worker's pension pot.
Group Stakeholder Pension	An arrangement made for the employees of a particular employer, or group of employers, to participate in a stakeholder pension on a group basis. This is a collecting arrangement only; the contract is between the individual and the pension provider, normally an insurance company.
Hybrid pension scheme	A private pension scheme which is neither purely a DB or DC arrangement. Typically a hybrid scheme is a DB scheme, which includes elements of DC pension design.

Impact Assessment	A published assessment of the benefits and costs of a government policy.
Implementation	Refers to the period in which employer duties are being introduced. This will take place between 2012 and 2018 by size of employer (from large to small). See also **staging** and **phasing**.
Independent Financial Adviser	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 (FCA).
Industry	Refers to the pensions and wider financial services industry affected by the reforms.
Inter-Departmental Business Register	The IDBR is a dataset produced by the Office for National Statistics (ONS) that provides a sampling frame for surveys of businesses carried out by the ONS and other government departments.
Levelling down	This is when employers reduce their contributions to statutory minimum levels. Can also refer to other forms of reduction in contributions or benefits that are made in order to meet the new duties on employers. For examples of levelling down strategies see **Chapter 4**: **Boxes 4.1** and **4.2**.
Lifetime Allowance	On 6 April 2006, a lifetime allowance for pension funds was introduced by Her Majesty's Revenue and Customs (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 the allowance was reduced again to £1.25m in 2014. Individuals with pension savings worth more than the lifetime allowance will have to pay a tax charge on the excess unless they have some form of lifetime allowance protection. See HMRC website for further details.
Longitudinal survey	Refers to a research study or survey where the same participants are repeatedly observed at different points in time. Sometimes referred to as a panel survey.
Management information	Any data routinely collected by organisations which can be used to inform evaluation.
Money purchase scheme	Type of DC scheme in which individuals buy a retirement income.

NEST (National Employment Savings Trust)	A trust-based workplace pension scheme, established by legislation, to support automatic enrolment and ensure that all employers have access to a quality, low-cost pension scheme with which to meet the employer duties. It is particularly aimed at eligible jobholders on moderate to low incomes and smaller employers.
NEST Corporation	Body created to set up and oversee the NEST pension scheme, replacing the Personal Accounts Delivery Authority.
Non-eligible jobholder	A worker who is not eligible for automatic enrolment but can choose to 'opt in' to an automatic enrolment scheme. If they do opt in, their employer must still make a contribution. Non-eligible jobholders are in either of the following two categories: a worker who is aged at least 16 and under 75 and earns above the lower earnings level of qualifying earnings but below the earnings trigger for automatic enrolment; or is aged at least 16 but under 22, or between State Pension age and under 75; and earns above the earnings trigger for automatic enrolment.
Occupational pension scheme	Pension scheme organised by an employer (or on behalf of a group of employers) to provide benefits for employees on their retirement and for their dependants on their death. In the private sector, occupational schemes are trust-based. Occupational pension schemes are a type of workplace pension. Types of occupational scheme include DB, DC and hybrid schemes.
Opt in	Eligible jobholders can choose to opt into the pension scheme nominated by the employer for automatic enrolment during the postponement period, where applicable. Non-eligible jobholders have the right to do the same at any time.
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 officially becomes a 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. Any payments into the pension pot made during this time will be refunded. After this opt out period a jobholder can choose to leave the scheme at any time. However, the payments already made may not be refunded.

Pay reference period	The frequency that income is paid to an employee, e.g. weekly or monthly.
Pensim2	An analytical tool used by DWP. Pensim2 is a dynamic micro-simulation model that simulates key events occurring from birth to death using regression-based probabilities to show how an individual's life evolves within a given policy.
Pension	A pension is a way of saving money to provide an individual with an income in retirement.
Pensions Acts	Key legislation in 2007, 2008, 2011 and 2014 underpinning the workplace pension reforms.
Pension Credit	The main means-tested benefit for pensioners.
Pension fund	A pension fund is usually made up of shares and other financial products. The aim of the fund is to increase the value of the contributions to a pension pot which is more than if the money had been put into other forms of saving or not saved.
Pension pot	Term used for a fund built up by an individual to provide income for retirement. An individual may have multiple pots.
Pension provider	An organisation, usually a bank, building society, insurance or life assurance company, that offers financial products and services relating to retirement income.
Pension scheme	A legal arrangement offering benefits to members.
Persistency	Continuing to pay into a pension or other investment or savings policy that requires regular contributions over a period of time.
Personal pension	An arrangement where the pension is set up directly between an individual and a pension provider. The individual pays regular monthly amounts or a lump sum to the pension provider who will invest it on the individual's behalf. The fund is usually run by financial organisations such as building societies, banks, insurance companies or unit trusts. Personal pensions are a form of DC pension. See also **Contract-based pensions**.

Phasing	The Government has set a minimum amount of money that has to be put into the pension by an employer and in total (i.e. employer and worker's contribution). The total minimum contribution will remain at two per cent of the worker's salary of which the employer must contribute at least one per cent, until 30 September 2017. From October 2017, the minimum contribution rises to five per cent of which the employer must contribute at least two per cent, and then rises again to a total of eight per cent of which the employer must contribute at least three per cent, from 1 October 2018.
Postponement	Postponement is an additional flexibility for an employer that allows them to choose to postpone automatic enrolment for a period of their choice of up to three months. Postponement can only be used for a worker on the employer's staging date; the first day of worker's employment; or on the date a worker employed by them meets the criteria to be an eligible jobholder.
Private pension	Private pensions are all pensions that are not state basic retirement or state earnings related. They include occupational and personal pensions, including those for public sector employees.
Protected groups	Groups protected by equality legislation including gender, ethnicity, disability and age. Impacts on these groups are covered by the published Impact Assessment for the reforms.
Provider	An organisation, usually a bank, life assurance company or building society, which sets up and administers a pension scheme on behalf of an individual or trust.
Public Service Obligation	NEST has a PSO to accept all employers that wish to use the scheme to fulfil all or part of their automatic enrolment duties.
Qualifying earnings	In the context of the workplace pension reforms this refers to the part of an individual's earnings on which contributions into a qualifying pension scheme will be made. A worker's earnings below the lower level and above the upper level are not taken into account when working out minimum pension contributions. For the 2014/15 tax year, the lower level is set at £5,772 and the upper level is set at £41,865. These figures will be reviewed annually by the Government.

Qualifying scheme	To be a qualifying scheme for automatic enrolment a pension scheme must meet certain minimum requirements, which differ according to the type of pension scheme. DC schemes are based on the contribution rate and require a minimum total contribution based on qualifying earnings, of which a specified amount must come from the employer. The minimum requirements for DB schemes are based on the benefits a jobholder is entitled to under the scheme. Hybrid pension schemes contain elements of DB and DC and, depending on what type of hybrid they are, will have to meet either the same, or a modified version of, the minimum requirements for DB or DC pension schemes or a combination of both.
Real Time Information	From 6 April 2013 employers have been required to report PAYE information to HMRC in real time.
Retirement	There is no widely agreed definition of retirement. Generally, it refers to someone who used to be in employment and has withdrawn from the labour market. However, there is no agreement on whether people should only be considered to be retired if their exit from the labour market is permanent, or if they are in receipt of a pension, or other factors.
Social norms	Often defined as the informal understandings that govern individuals' behaviour in society. The term is used in planning and evaluation of the automatic enrolment communications activity, as it helps demonstrate the extent to which saving into a workplace pension is considered 'normal' by individuals.
Staging	The staggered introduction of the new employer duties, starting with the largest employers, based on PAYE scheme size, in October 2012, to the smallest in 2017. New PAYE schemes from April 2012 will be staged in last, in 2017 and 2018.
Staging date	The date on which an employer is required to begin automatic enrolment. It is determined by the total number of workers in an employer's largest PAYE scheme on 1 April 2012.
Stakeholder pension	A type of personal pension arrangement introduced in April 2001 which could be taken out by an individual or facilitated by an employer. Where an employer had five or more staff and offered no occupational pension and an employee earned over the Lower Earnings Limit, the provision of access to a stakeholder scheme, with contributions deducted from payroll, was compulsory. These ceased to be mandatory from 1 October 2012 after automatic enrolment was introduced.

Standard Industry Classification	Way of classifying businesses and organisations by the type of economic activity in which they are engaged.
State Pension age	The earliest an individual can claim State Pension.
Steady state	Period after which the reforms have been implemented. Steady state should be from 2018. During steady state the reforms should be operating according to the policy intent.
The Pensions Regulator	Referred to as 'the regulator' in this report and is the UK regulator of work-based pension schemes and is responsible for ensuring employers are aware of their duties relating to automatic enrolment, how to comply with them and enforcing compliance. It uses a programme of targeted communications and a range of information to help employers understand what they need to do and by when.
Tax relief	Money that would have gone to the Government in the form of tax that goes into an individual's pension pot instead.
Transitional period	Employers who operate an existing DB or hybrid pension scheme can choose to delay their automatic enrolment duties until 30 September 2017. See The Pensions Regulator's website for further information.
Trust-based pensions	Pension schemes set up under trust law by one or more employers for the benefit of workers. In a trust-based scheme a board of trustees is set up to run the scheme. Trustees are accountable for making decisions about the way the scheme is run, although they may delegate some of the everyday tasks to a third party. See also **Occupational pension scheme**.
Unbundled pension	A pension in which different fund charges are charged separately.
Unfunded scheme	A DB scheme, usually in the public sector, in which liabilities are not underpinned by a corresponding fund or funds.
Weight(s)	Statistical term. Used in statistical analysis to better reflect the relative importance of a number or variable, for example a weight may be applied if a certain group is under-represented in a sample.
Worker	An employee or individual who has a contract to provide work or services personally and is not undertaking the work as part of their own business.

Workplace pensions	Any pension scheme provided as part of an arrangement made for the employees of a particular employer.
Workplace Pension Reforms	The reforms introduced as part of the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011 and 2014). Starting in 2012, the reforms include a duty on employers to automatically enrol all eligible jobholders into a qualifying workplace pension scheme.

List of abbreviations

ABS	Annual Business Survey
AMC	Annual Management Charge
ASHE	Annual Survey of Hours and Earnings
AtP	Attitudes to Pensions
AUM	Assets under management
AWE	Average Weekly Earnings
DA	Defined Ambition
DB	Defined Benefit
DC	Defined Contribution
DWP	Department for Work and Pensions
EBC	Employee Benefits Consultant
ELSA	English Longitudinal Study of Ageing
EPP	Employers’ Pension Provision Survey
EQ	Evaluation Question
FCA	Financial Conduct Authority
FRS	Family Resources Survey
GPP	Group Personal Pension
HMRC	Her Majesty’s Revenue and Customs
HR	Human Resources
IDBR	Inter-Departmental Business Register
IFA	Independent Financial Advisor
ISA	Individual Savings Account
MAS	Money Advice Service
MI	Management Information
NEST	National Employment Savings Trust
NI	National Insurance
ONS	Office for National Statistics

OPSS	Occupational Pension Schemes Survey
PAYE	Pay As You Earn
PLCS	Pension Landscape and Charges Survey
PPF	Pension Protection Fund
PSO	Public Service Obligation
RTI	Real Time Information
SHP	Stakeholder Pension
SPa	State Pension age
TPAS	The Pensions Advisory Service
TPR	The Pensions Regulator
WAS	Wealth and Assets Survey

Executive summary

Background

Millions of people in the UK are not saving enough for retirement. The legislative changes set out in the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011 and 2014) and the packages of associated regulations aim to increase private pension saving in the UK. They form part of a wider set of pension reforms designed to ensure that the UK has a pension system that enables individuals to save towards achieving the lifestyle they aspire to in retirement, while minimising the burden on employers and the industry[4].

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme. The automatic enrolment duties are being staged in between October 2012 and February 2018 by employer size, starting with the largest employers. Workers will be eligible provided they are aged at least 22 and under State Pension age (SPa), and earn over £10,000 per year in 2014/15 terms[5]. Once fully phased in, in October 2018, a minimum contribution of eight per cent on a band of earnings (£5,772 to £41,865 per year in 2014/15) must be paid in respect of the member, of which at least three per cent must come from the employer and one per cent will come from the Government in the form of tax relief. However, the initial contribution has been set at a minimum one per cent employer contribution as part of a total minimum contribution of two per cent until September 2017[6].

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

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

5 These thresholds are reviewed annually.

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

7 These estimates were updated in 2014, following the revision to the programme's opt out rate assumption being reduced from around 30 per cent to 15 per cent for the lifetime of the programme. DWP (2014). *Department for Work and Pensions Annual Report & Accounts 2013-14*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323953/dwp-annual-report-accounts-2013-2014.PDF

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

Evaluation strategy

The Department of Work and Pensions (DWP) is committed to fully evaluating the effects of the workplace pension reforms, as set out in its evaluation strategy[9]. Following on from the strategy, DWP published the baseline evaluation report which described the landscape before the implementation of automatic enrolment and set out the key indicators against which progress will be measured[10]. Evaluation reports will be published on an annual basis, the first of these was the 2013 report[11], showing updates and progress against the baseline, using the latest available research and analysis from a range of information sources.

Key findings

Increasing the number of savers

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

Up to the end of September 2014, more than 4.7 million workers have been automatically enrolled by nearly 34,000 employers[12]. Current National Employment Savings Trust (NEST) membership stands at 1.5 million members with around 9,000 employers[13].

Data, collected with reference to April 2013, six months after the implementation of automatic enrolment began, shows that the number of eligible employees participating in a workplace pension increased by 0.9 million to 11.7 million (58 per cent) in 2013, reversing the downward trend and potentially showing the positive impact of the workplace pension reforms[14].

Pension participation is closely related to employer size. The highest levels are observed amongst the largest employers, increasing by nine percentage points, from 2012, to 78 per cent in 2013, coinciding with the staged introduction of automatic enrolment.

In 2013, there was a rise in pension participation levels across all lower earnings bands with the largest increase (five percentage points) amongst those earning between £10,000 and

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

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

11 DWP (2013). *Automatic Enrolment evaluation report 2013*. At: https://www.gov.uk/government/publications/automatic-enrolment-evaluation-report-2013

12 The Pensions Regulator (2014). *Automatic enrolment: monthly Declaration of compliance report*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-monthly-registration-report.pdf

13 Management information supplied by NEST at September 2014.

14 DWP (2014). *Official Statistics on workplace pension participation and saving trends of eligible employees*. At: https://www.gov.uk/government/collections/workplace-pension-participation-and-savings-trends

£20,000, which is just above the automatic enrolment earnings trigger. Increases were also found across all age groups, and while participation in workplace pensions increases with age, the largest increases have been amongst the lower age groups, with those aged 22 to 29 increasing to 41 per cent in 2013.

Increasing the amount of savings

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

In 2013, the annual total amount saved in workplace pensions was £77.6 billion, an increase of £4.3 billion from 2012. In the public sector this has increased by £2 billion to £37.9 billion, and in the private sector this has increased by £2.3 billion to £39.7 billion. Across both sectors, contributions by employees accounted for 29 per cent of saving, with employer contributions accounting for 61 per cent.

In order to manage the costs of automatic enrolment employers may choose to reduce contributions or outcomes for existing pension scheme members, known as 'levelling down'. DWP research with employers found limited evidence of levelling down, with employers rarely reducing contribution levels in existing schemes for new members. DWP analysis found that the level of eligible savers experiencing some form of levelling down has remained relatively consistent, increasing slightly to seven per cent in 2013.

The third wave of the Office for National Statistics (ONS) longitudinal Wealth and Assets Survey (WAS), carried out in 2010/12, gave updated baseline measures for the distribution of the total stock of household wealth for eligible employees[15]. The total stock of net wealth for all eligible employees was around £3.2 trillion, with private pension wealth (excluding State Pensions) accounting for around half of the total.

The median total net wealth of all eligible employees in 2010/12 was £80,100. Median private pension wealth was £20,000, with up to 25 per cent of eligible employees having no private pension wealth at all.

Opt out rates

Once automatically enrolled into a workplace pension scheme, individuals have the right to opt out within a specified period of one month. This preserves individual responsibility for the decision about whether to save in a workplace pension. Workers can also choose to cease active membership of the pension scheme after the opt out period has closed. DWP research with employers found that overall, the level of opt out has been broadly consistent since automatic enrolment began in 2012[16]. The Employers' Pension Provision Survey 2013 (EPP 2013) found that the proportion of employees who had opted out of, or left, a scheme after being automatically enrolled was between nine and ten per cent[17].

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15 DWP estimates derived from the ONS Wealth and Assets Survey – Wave 3 – 2010/12. DWP (2014). *Statistics on household wealth*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/359271/household-wealth.pdf

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

17 DWP (2014). *Employers' Pension Provision Survey 2013*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/330512/rr881-employers-pension-provision-survey-2013.pdf

DWP qualitative research with 50 employers who staged between January 2014 and July 2014[18] showed an average opt out rate of 12 per cent, with the opt out rate for most individual employers ranging between five and 15 per cent[19]. The average ceasing active membership rate over the two to three months following the closure of the opt out period, was two per cent. Within the employers who took part in the research it is estimated that, as a result of automatic enrolment, the overall participation in a workplace pension increased from 44 per cent to 76 per cent.

The characteristic that had the largest effect on opt out rates was age, with older employees being more likely to opt out than younger employees. Workers aged 50 and over had a greater average opt out rate (23 per cent) than workers aged 30 to 49 (nine per cent) and under 30 (seven per cent). The reasons given all related to the workers' personal situations, with most relating to their financial position at different stages in their life course.

Individual awareness and attitudes

To assist the delivery of the reforms, DWP has been undertaking communication activity to raise awareness and understanding of automatic enrolment among individuals. The impacts of the campaigns are monitored through an independent tracking survey[20]. Findings from the March 2014 survey showed that campaign recognition is at its highest ever level at 85 per cent. Advert recognisers are substantially more aware of automatic enrolment than non-recognisers (79 per cent compared with 45 per cent) and also were twice as likely to intend to stay enrolled (50 per cent compared with 25 per cent).

The DWP is working with its delivery partners, the Money Advice Service (MAS) and The Pensions Advisory Service (TPAS), to provide accessible and effective information for individuals. The information is provided online, in keeping with the Government's digital by default approach, with telephony support also available. Between October 2013 and September 2014, there were more than 4.6 million page views of these organisations' websites, the vast majority of which were to GOV.UK pages[21].

Employer awareness, understanding and activity

In order to be able to comply with their duties, employers need to be aware of and understand how to discharge them. The Pensions Regulator supports compliance by raising employers' awareness and understanding of their responsibilities, through direct and indirect engagement. It does this via multiple channels and adapts its communication activities to make it as easy as possible for employers to comply with their duties. This also includes activity with intermediaries who play an important role in supporting employers with their automatic enrolment duties. The regulator monitors levels of awareness and understanding

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18 Employers who took part in the research ranged in size between 90-499 employees.

19 DWP (2014). *Automatic enrolment opt out rates: findings from qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/publications/automatic-enrolment-opt out-rates-findings-from-qualitative-research-with-employers-staging-in-2014

20 DWP (2014). *Pensions portfolio: Automatic enrolment communications tracking research March 2014*. At: https://www.gov.uk/government/publications/pensions-portfolio-automatic-enrolment-communications-tracking-research-march-2014

21 Source: Data supplied to DWP by its partners for the period October 2013 to September 2014.

of automatic enrolment using a biannual and monthly tracker survey[22].

Surveys with employers two months before their staging date have consistently reported high levels of awareness and understanding, showing appropriate levels of preparation by these employers for automatic enrolment and complying with their duties. In the most recent survey, 99 per cent of employers staging between August and October 2014 were aware of their duties and 92 per cent said they understood how to discharge their duties.

Across employers of all sizes, and excluding those who have already staged or are four months from their staging date, the levels of awareness and understanding measured in spring 2014 were high. Awareness was highest for medium size employers[23] (97 per cent) and lowest for micro employers (70 per cent).

Awareness of the specific features of the employer duties also remains high across all employer sizes. The feature with the lowest level of understanding continues to be the need to complete a declaration of compliance with the appropriate Government body, i.e. the regulator. Awareness of this feature ranged from 90 per cent of medium employers to 63 per cent of micro employers.

Levels of awareness remained high among all five intermediary groups interviewed. Awareness ranged from being lowest among accountants and bookkeepers at 92 per cent, compared with 100 per cent amongst Human Resources (HR) professionals. Awareness of specific features of employer duties was highest for financial advisers. However, most intermediary groups showed improvement from previous waves of the survey. As with employers, the least well known aspect of understanding was the need to complete a declaration of compliance with the regulator.

Impact on employers

Minimising the burden and costs of automatic enrolment on employers will be a key factor in its success. Qualitative research with employers who staged between January 2014 and July 2014 found that they rarely incurred substantial ad hoc costs as a result of implementing automatic enrolment, with the average implementation cost being between £200 and £700. Many of these employers were comfortable with the administrative costs of implementation, as they had tended to be low. Generally employers stated that their most significant cost had been in the time taken to complete tasks.

Contribution costs were a key factor for employers, particularly affecting employers who were automatically enrolling a large proportion of their workforce. Employers who had existing pension provision tended to offer contribution rates above the statutory minimum, whereas employers who offered no previous schemes or stakeholder schemes tended to offer the statutory minimum contribution. In some cases, employers did offer more than the minimum employer contribution in exchange for increased contributions from workers.

Whilst many of the employers who staged in 2014 had a pension scheme prior to automatic enrolment, most of them were unable to use this scheme for automatic enrolment and

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22 The Pensions Regulator (2014). *Employer automatic enrolment research Spring 2014* and *Intermediaries' awareness, understanding and activity in relation to automatic enrolment Spring 2014*. At: http://www.thepensionsregulator.gov.uk/doc-library/research-analysis.aspx

23 Medium employers who took part in the spring 2014 tracker survey ranged in size between 50 and 60 employees.

therefore had to choose a pension scheme for those being automatically enrolled. Master trusts were commonly used by these employers.

Lessons for smaller employers were to start preparing early, between six and nine months in advance, making time to fully understand the requirements of the automatic enrolment legislation, prepare management databases, and research different pension schemes and payroll software.

Understanding the wider context

Data published by the regulator[24] shows the majority of employers (72 per cent) enrolled eligible workers into Defined Contribution (DC) schemes, representing 82 per cent of those enrolled. Of those employers who automatically enrolled their workers into a DC scheme, around 28 per cent chose to use a master trust, which equates to around a fifth (20 per cent) of all employers and a quarter (25 per cent) of all automatically enrolled workers.

The large number of savers being automatically enrolled into DC schemes means that the standards of governance and administration of these arrangements is very important for savers' outcomes. Therefore the regulator's Code of Practice and the Government's *Better workplace pensions: further measures for savers* publication set out scheme governance requirements[25].

Long-term impact of the reforms

Automatic enrolment is predicted to significantly reduce the number of people facing inadequate retirement incomes. It largely removes the problem of people not saving for a pension whilst in work and it is estimated that over 5.5 million more individuals will spend over 70 per cent of their working lives contributing to a workplace pension after the reforms[26].

DWP analysis estimates that automatic enrolment is expected to halve the number of people retiring with no private pension income at all from 27 per cent to 12 per cent in 2050. Automatic enrolment is also expected to reverse the trend of falling private pension income over time. Without the reforms the median private pension income is expected to fall from around £4,000 a year in 2018 to around £2,200 a year in 2050 (in constant earnings terms). However, automatic enrolment reverses the trend; by 2050 the median private pension income is expected to be around £3,700.

Improvements in private pension incomes are largely concentrated amongst low to median earners who are expected to see a higher proportional increase in their private pension income, due to automatic enrolment, than high earners. While such long-term projections are subject to uncertainty the reforms will potentially have a sizeable effect on private pension incomes and the number of undersavers in the long-term.

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24 The Pensions Regulator (2014). *Automatic enrolment: Commentary and analysis*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2014.pdf

25 DWP (2014). *Better workplace pensions: Further measures for savers*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/298436/better-workplace-pensions-march-2014.pdf

26 Source: DWP estimates derived from the Pensim2 model.

1 Introduction

Millions of people in the UK are not saving enough for retirement. The legislative changes set out in the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011 and 2014) and the packages of associated regulations aim to increase private pension saving in the UK. They form part of a wider set of pension reforms designed to ensure that the UK has a pension system that enables individuals to save towards achieving the lifestyle they aspire to in retirement while minimising the burden on employers and the industry[27].

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme. The automatic enrolment duties are being staged in between October 2012 and February 2018 by employer size, starting with the largest employers. Workers will be eligible provided they are aged at least 22 and under State Pension age (SPa), and earn over £10,000 per year in 2014/15 terms[28]. Once fully phased in, in October 2018, a minimum contribution of eight per cent on a band of earnings (£5,772 to £41,865 per year in 2014/15) must be paid in respect of the member, of which at least three per cent must come from the employer and one per cent will come from the Government in the form of tax relief. However, the initial contribution has been set at a minimum of one per cent employer contribution as part of a total minimum contribution of two per cent until September 2017[29].

Once fully implemented, automatic enrolment aims to increase the number of individuals newly saving or saving more in a workplace pension by around nine million, within a range of eight to nine million[30], and increase the amount that is being saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion[31].

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

28 These thresholds are reviewed annually.

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

30 These estimates were updated in 2014, following the revision to the programme's opt out rate assumption being reduced from around 30 per cent to 15 per cent for the lifetime of the programme. DWP (2014). *Department for Work and Pensions Annual Report & Accounts 2013-14*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323953/dwp-annual-report-accounts-2013-2014.PDF

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

1.1 Evaluation strategy

The Department for Work and Pensions (DWP) is committed to fully evaluating the effects of the workplace pension reforms, as set out in its evaluation strategy[32], with the evaluation structured around eight evaluation questions (see Appendix A).

Following on from the strategy, DWP published the baseline evaluation report which described the landscape before the implementation of automatic enrolment and set out the key indicators against which progress will be measured[33].

Evaluation reports will be published on an annual basis, the first of these was the 2013 report[34], showing updates and progress against the baseline, using the latest available research and analysis from a range of information sources (see Appendix B). The DWP, The Pensions Regulator and National Employment Savings Trust (NEST) will also publish related research and analysis throughout the year[35]. It is important to note that owing to time lags the latest research and analysis in this report will capture different stages of automatic enrolment implementation, but the period being captured is noted in the supporting commentary.

1.2 Report structure

The report is structured in a consistent format to the other reports in this series to enable readers to monitor progress across the following key themes:

Delivery of reforms (Chapter 2)

This chapter describes key activities by the DWP, The Pensions Regulator and NEST, including latest research findings on employer and intermediary groups' awareness, understanding and activity relating to their duties under, or in relation to, the reforms.

Increasing the number of savers (Chapter 3)

This chapter updates indicators monitoring trends in the number of individuals saving in a workplace pension; their persistency to save and latest research on levels of opt out. The chapter also examines the effectiveness of the Government's communication campaigns regarding automatic enrolment and how information is provided, through DWP and its partner organisations, for individuals about the reforms and the benefits of saving.

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

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

34 DWP (2013). *Automatic Enrolment evaluation report 2013*. At: https://www.gov.uk/government/publications/automatic-enrolment-evaluation-report-2013

35 See DWP research at: https://www.gov.uk/government/organisations/department-for-work-pensions/about/research
TPR research at: http://www.thepensionsregulator.gov.uk/doc-library/research-analysis.aspx
NEST research at: http://www.nestpensions.org.uk/schemeweb/NestWeb/public/whatIsNEST/contents/research-and-insights.html

Increasing the amount of savings (Chapter 4)

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

Understanding the wider context (Chapter 5)

This chapter covers the wider context in which the outcomes of the reforms are achieved. It considers the potential costs of the reforms for employers based on evidence from qualitative research with employers staging between January 2014 and July 2014 and updates indicators monitoring trends in the pensions landscape.

Long-term impact of the reforms (Chapter 6)

This chapter uses the latest modelled analysis to assess the impact of the workplace pension reforms on private pension participation and income, the proportion of working years individuals spend saving into a workplace pension scheme, and the level and depth of undersaving amongst individuals.

2 Delivery of the reforms

Summary

- Since the start of automatic enrolment more than 4.7 million workers have been automatically enrolled, to the end of September 2014, by nearly 34,000 employers. Current National Employment Savings Trust (NEST) membership stands at 1.5 million members, with around 9,000 employers.
- Levels of awareness and understanding among employers two months from their staging date have been consistently high, showing appropriate levels of preparation for automatic enrolment and compliance with their duties.
- Most employers understood how to discharge their duties and understanding has also remained high, ranging from 82 per cent in February 2014 and May 2014 to 92 per cent in July 2014.
- Across employers of all sizes, and excluding those who have already staged or are four months from their staging date, the levels of awareness and understanding measured in spring 2014 were high. Awareness was highest for medium size employers (97 per cent) and lowest for micro employers (70 per cent).
- Awareness of the specific features of the employer duties also remains high across all employer sizes. The feature with the lowest level of understanding continues to be the need to complete a declaration of compliance with the appropriate Government body, i.e. The Pensions Regulator. Awareness of this feature ranged from 90 per cent of medium employers to 63 per cent of micro employers.
- Levels of awareness remained high among all five intermediary groups interviewed. Awareness ranged from being lowest among accountants and bookkeepers at 92 per cent, compared with 100 per cent amongst Human Resources (HR) professionals.
- As of September 2014, the regulator has closed 1,280 cases investigating possible non-compliance by employers. In the majority of these cases the regulator was able to engage with the employer and close the case through education and guidance.

2.1 Introduction

This chapter outlines the key activities being undertaken by the Department for Work and Pensions (DWP), The Pensions Regulator and NEST to ensure the reforms are delivered to planned timescales. Additionally this chapter provides information on NEST’s operations and performance since automatic enrolment began and information from the regulator and the DWP Employers’ Pension Provision Survey (EPP 2013 and EPP 2011) on the understanding and awareness of employers and intermediaries, as well as employer compliance.

2.2 Commencement of automatic enrolment

The implementation of automatic enrolment began as planned in October 2012 starting with the largest employers[36]. DWP estimates that there will be ten million workers eligible for automatic enrolment between October 2012 and the end of staging in February 2018[37].

2.2.1 Monthly declaration of compliance data

The regulator publishes monthly information about the number of employers who have complied with their duties by completing the declaration of compliance ('registration') and reporting on the number of eligible jobholders automatically enrolled. Since July 2012, up to the end of September 2014, 33,660 employers had registered their compliance with the duties with over 4.7 million workers automatically enrolled. The data also shows that over 9.5 million workers were not automatically enrolled because they were already active members of a qualifying workplace pension scheme or had the Defined Benefit (DB) or hybrid scheme transitional arrangements applied to them[38]. A further 4.9 million workers were not automatically enrolled as they did not meet the eligibility criteria at the time (for example, workers with part-time contracts for more than one employer whose earnings within each employer do not meet the earnings trigger for automatic enrolment)[39].

Additionally detailed analysis of declaration of compliance data is available in the regulator's *Automatic enrolment: Commentary and analysis* report published in July 2014[40].

2.3 NEST

As part of the reforms NEST was introduced, as a new workplace pension scheme aimed particularly at low to moderate earners and employers of all sizes. NEST launched on a voluntary basis in 2011 and was fully ready for the onset of employer duties from September 2012. NEST has a Public Service Obligation (PSO) to accept all employers that want to use the scheme to fulfil either all or part of their employer duties.

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

37 DWP (2013). *Review of the automatic enrolment earnings trigger and qualifying earnings band for 2014/15: supporting analysis*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266348/review-of-ae-earnings-trigger.pdf

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

39 The Pensions Regulator (2014). *Automatic enrolment: monthly declaration of compliance report*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-monthly-registration-report.pdf

40 The Pensions Regulator (2014). *Automatic enrolment: Commentary and analysis*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2014.pdf

The NEST Corporation's annual report 2013 to 2014 (published in July 2014) highlighted the Corporation's key milestones achieved during this period including[41]:

- transitioning from a small pension provider with 80,000 members and £3.8 million assets under management (AUM) in March 2013 to a large pension provider with one and a half million members and £215 million AUM;
- reaching around 9,000 employers using NEST, plus over 800 self-employed members[42];
- moving headquarters and implementing a major internal audit and review programme to improve controls and processes;
- continued compliance with investment policies in line with Trustee members' statement of investment principles;
- running a series of NEST Live events to engage with employers and publishing NEST insight research[43];
- improvement of online services for employers to enrol members and employees to interact with the scheme and launch of a web chat service.

The European Commission published confirmation that the removal from 1 April 2017 of NEST's annual contribution limit and the restrictions on transfers is compatible with the State aid measure afforded to NEST[44].

During October 2014, DWP consulted on draft regulations that will remove the annual contribution limit and the transfer restrictions imposed on NEST from 1 April 2017.

2.4 Role of The Pensions Regulator

The role of the regulator is to maximise compliance with the employer duties and safeguards set out in the legislation, using a risk-based approach to deter, prevent or address non-compliance.

The following section outlines the regulator's approach to communicating the new duties to employers as well as compliance and enforcement activities.

2.4.1 Communicating reforms to employers

The regulator supports employer compliance by prompting them to achieve specific milestones during their preparations and by raising awareness and understanding of their responsibilities, through direct and indirect engagement. It does this via multiple channels and adapts its communication activities to make it as easy as possible for employers to understand how to comply with their duties.

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41 NEST (2014). *NEST Corporation Annual Report and accounts 2013-2014*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328365/nest-annual-report-and-accounts-2014.PDF

42 Management information supplied by NEST at September 2014.

43 NEST (2014). *NEST insight – Taking the temperature of automatic enrolment*. At: https://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-insight-2014,PDF.pdf

44 Full details of the Commission's decision can be found at: http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_36410

In alignment with the Government's 'digital by default' strategy, the regulator's primary communications channel is its website. It contains focused areas dedicated to employers, intermediaries, pensions professionals, trustees and individuals to help employers comply with their obligations. It provides information and web tools to address all main activities required, including informing when the new duties come into force for an employer ('staging date tool'), supporting their planning ('online planning tool'), how to select a pension scheme and declaring their compliance through the online portal. It also provides detailed guidance.

The regulator has issued over 115,000 letters to employers between April 2013 and March 2014 to ensure they are aware of what they need to do, and by when. This approach is based on evidence that sending letters is more effective, in some instances, especially for making employers aware of how to comply with their automatic enrolment duties[45]. As well as key communications via post, employers receive a number of regular email communications highlighting key activities during their compliance journey, with signposting given to the regulator's website.

In 2013/14 the regulator received over 1.2 million unique visitors to the automatic enrolment web landing page, with over 190,000 unique browsers having used the staging tool and more than 100,000 creating an employer action plan. Between 1 April 2013 and 31 March 2014 the regulator received more than 55,000 automatic enrolment related enquiries.

2.4.2 Compliance and enforcement

The Pensions Act 2008 gives the regulator its statutory objective 'to maximise employer compliance' with automatic enrolment duties and employment safeguards. Its approach to maximising compliance is set out in its compliance and enforcement strategy and policy[46].

The regulator publishes information quarterly about its cases and the powers it has used relating to automatic enrolment and associated employer duties[47]. As of 30 September 2014, the regulator has closed 1,280 cases investigating possible non-compliance by employers. In the majority of these cases the regulator has been able to engage with the employer and close the case through education and guidance. However, there were 197 occasions where the regulator has had to make use of the formal powers available to them with a Compliance Notice being issued in all but 20 of these cases.

The regulator believes that most employers will want to meet their obligations and to do the right thing for their workers. As the number of employers subject to their duties increases, the regulator does expect to see the number of breaches to continue to rise. In addition, as the regulator deals with smaller employers, it expects to see more who, despite its message to prepare early, leave it too late or do not intend to comply.

As the regulator's knowledge of employer behaviour has developed over the past two years so has its intelligence and resource allocation in relation to tackling non-compliance. Although the number of investigations has risen, the regulator has been very successful

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45 This is based on findings from interviews conducted by the regulator with medium employers, where 70 per cent recalled receiving such a letter.

46 http://www.thepensionsregulator.gov.uk/docs/pensions-reform-compliance-and-enforcement-strategy.pdf; http://www.thepensionsregulator.gov.uk/docs/pensions-reform-compliance-and-enforcement-policy.pdf

47 http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-use-of-powers-september-2014.pdf

in working with employers, in the majority of cases, to remedy breaches where they have occurred, without using its statutory powers.

2.5 Employer awareness, understanding and activity

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

The regulator classes employers as having awareness of the workplace pension reforms if they have sufficient knowledge of what the main requirements and implications are of automatic enrolment[48]. Employers' understanding of how to discharge their duties is defined as an employer knowing all of the awareness definition plus knowing two additional features when prompted[49].

An important stage at which to assess employer understanding of how to discharge their automatic enrolment duties is two months before their staging date[50]. Just prior to this period, employers will have been sent a letter reminding them about their duties. This monthly tracker survey acts as a check that employers have understood what is required of them.

The DWP Employers' Pension Provision survey (EPP) also monitors employer awareness of the specific features of automatic enrolment and findings from this research have been incorporated where relevant.

2.5.1 Awareness and understanding among employers two months prior to staging

The monthly staging tracker has consistently reported high levels of awareness and understanding among employers. The level of awareness and understanding shows appropriate progression towards these employers being able to prepare for automatic enrolment and comply with their duties.

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48 To assess awareness employers are prompted on whether they know that they have to do all of the following: automatically enrol UK workers; provide a pension scheme for automatic enrolment; and, have to contribute to their employees' pensions.

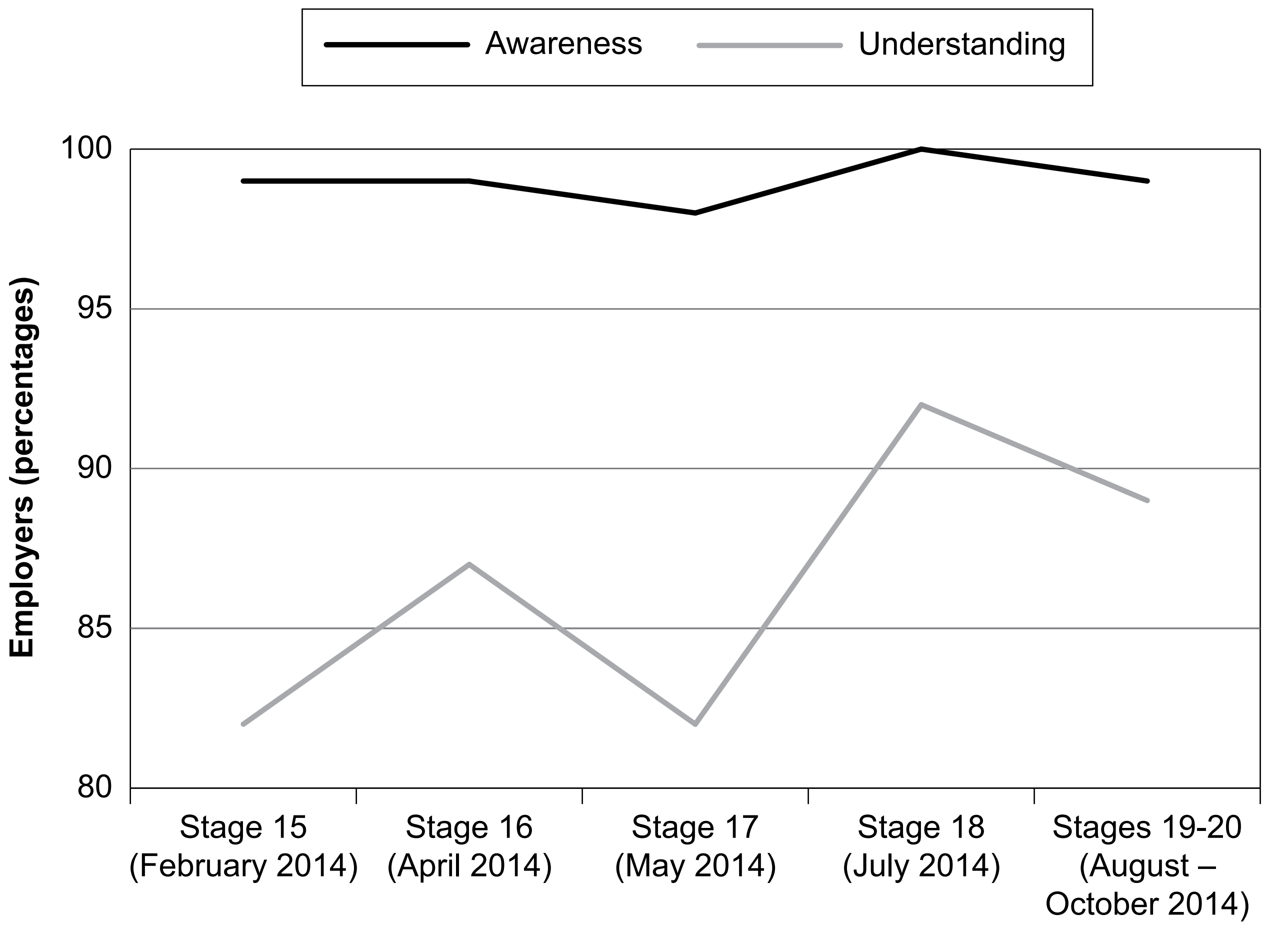
49 Employer understanding of how to discharge their duties is defined by whether they know enough about their legal requirement to proceed to plan for, and take action towards, compliance. Specifically, knowing all three elements of the awareness definition plus two additional features, when prompted, which are that employers: will have to complete a declaration of compliance with the appropriate Government body; and need to communicate to UK workers on an individual basis.

50 Initial waves of the survey were carried out four months prior to staging in order to allow sufficient time for additional interventions if necessary. As a letter is sent out to employers three months prior to their staging date, for those staging in August 2014 onwards, it was decided to move the timing of the survey until after this intervention i.e. two months before.

Figure 2.1 shows that between 98 per cent and 100 per cent of employers in all staging months, surveyed between February 2014 and October 2014, were aware of automatic enrolment.

Most employers understood how to discharge their duties and understanding has been high among all staging months. Understanding has ranged between 82 per cent for those staging in February 2014 and May 2014 and 92 per cent among those staging in July 2014.

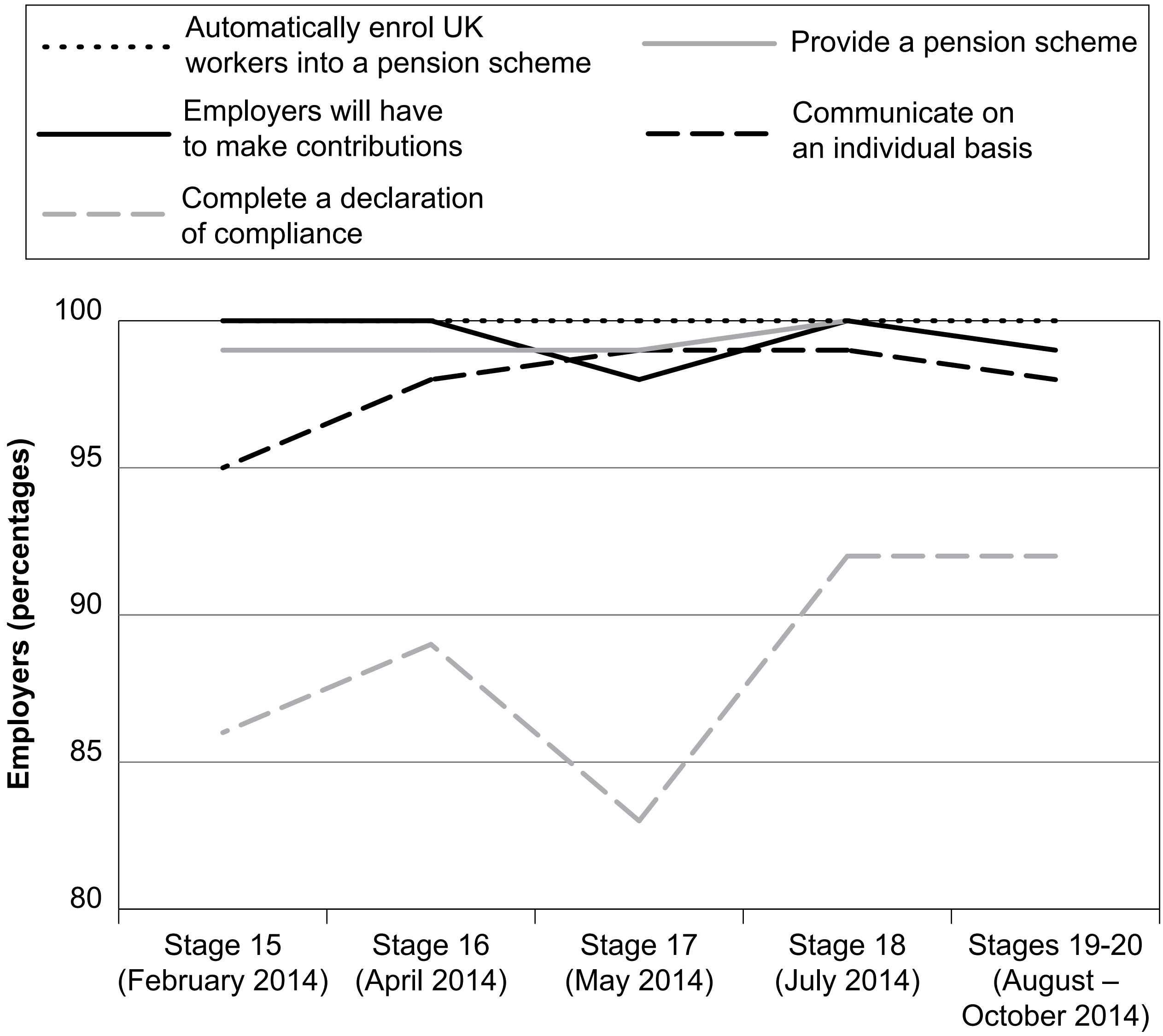
Figure 2.1 Employer awareness and understanding of automatic enrolment prior to staging, by staging date



Source: The Pensions Regulator, staging tracker survey.
Note: Unweighted base sizes: Stage 15 – 171 employers; Stage 16 – 171 employers; Stage 17 – 200 employers; Stage 18 – 200 employers; Stages 19-20 – 141 employers (combined due to low individual base sizes).

Figure 2.2 shows that awareness of four of the five specific features of automatic enrolment has been at or above 95 per cent for employers at all stages. The element that is least well known by employers continues to be the need to complete a declaration of compliance with the appropriate Government body, i.e. the regulator. Awareness of this element fell to a low of 83 per cent among those due to stage in May 2014 but among those due to stage in July, August and October 2014, awareness of this has been higher, at 92 per cent.

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



Source: The Pensions Regulator, staging tracker survey.
Note: Unweighted base sizes: Stage 15 – 171 employers; Stage 16 – 171 employers; Stage 17 – 200 employers; Stage 18 – 200 employers; Stages 19-20 – 141 employers (combined due to low individual base sizes).

2.5.2 Employer awareness and understanding across all employer sizes

In addition to the monthly staging tracker, the regulator continues to run its regular biannual tracker survey to monitor employer awareness and understanding of automatic enrolment across different employer sizes[51]. Large employers, and medium employers with more than

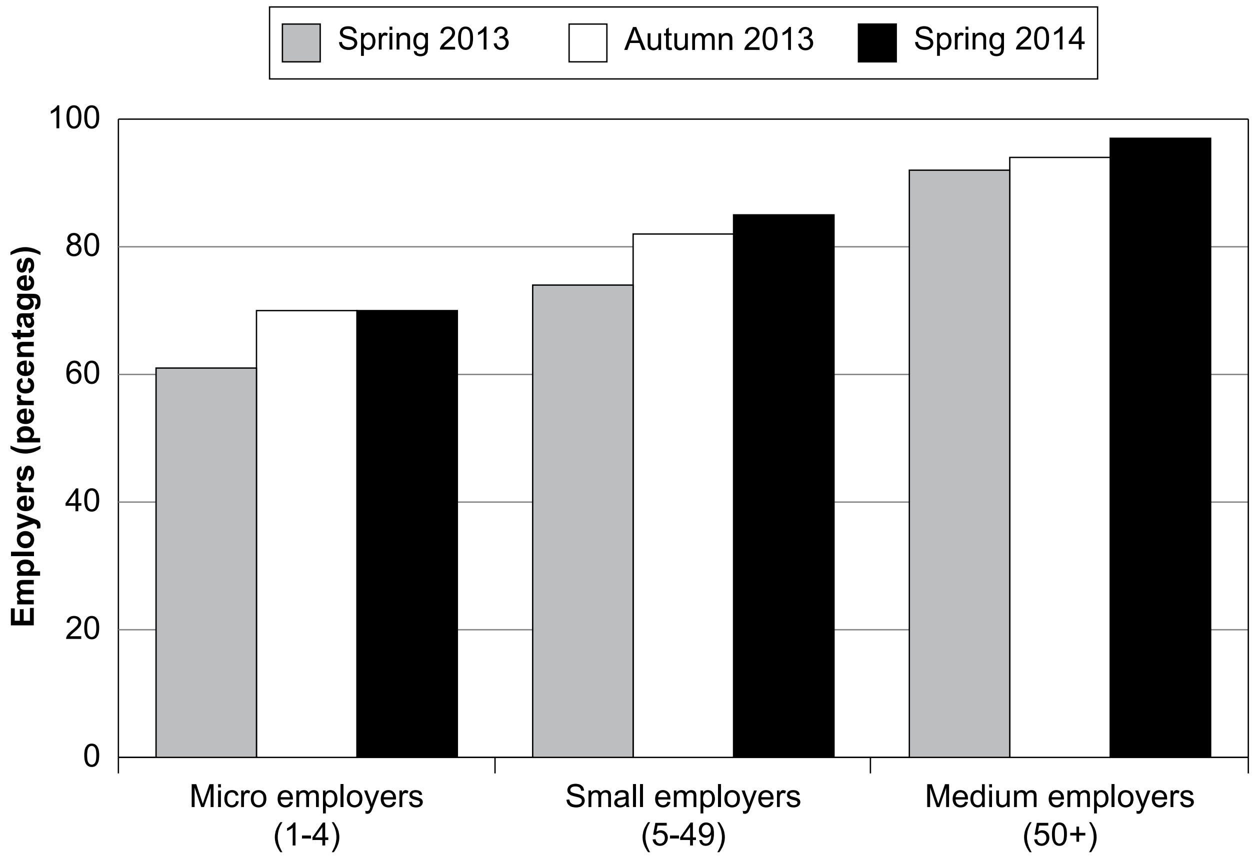
[51] The Pensions Regulator (2014). *Employer Automatic Enrolment research Spring 2014*. At: http://www.thepensionsregulator.gov.uk/docs/employer-automatic-enrolment-research-technical-spring-2014.pdf

60 employees, were excluded from the most recent survey wave (spring 2014) on the basis that they have already staged or their staging date was within four months[52].

Awareness of automatic enrolment remained high among all employer sizes. Awareness was highest among medium employers (97 per cent) and lowest amongst micro employers (70 per cent). Consistent with this, levels of awareness were highest among those with a staging date in the following 12 months (97 per cent) and were lowest among those with a staging date furthest away, i.e. between January and November 2016 where it was 75 per cent.

As shown in Figure 2.3, levels of awareness were largely unchanged compared with autumn 2013.

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



Source: The Pensions Regulator, tracker survey, spring 2013, autumn 2013 and spring 2014.
Notes:
1 Unweighted base sizes: spring 2013 – 489 employers; autumn 2013 – 575 employers; spring 2014 – 808 employers.
2 Medium employer bandings: spring 2013 – 50-99 employees; autumn 2013 – 50-89 employees; spring 2014 – 50-60 employees.

52 Earlier waves of the tracker survey have also seen employers excluded under this methodology.

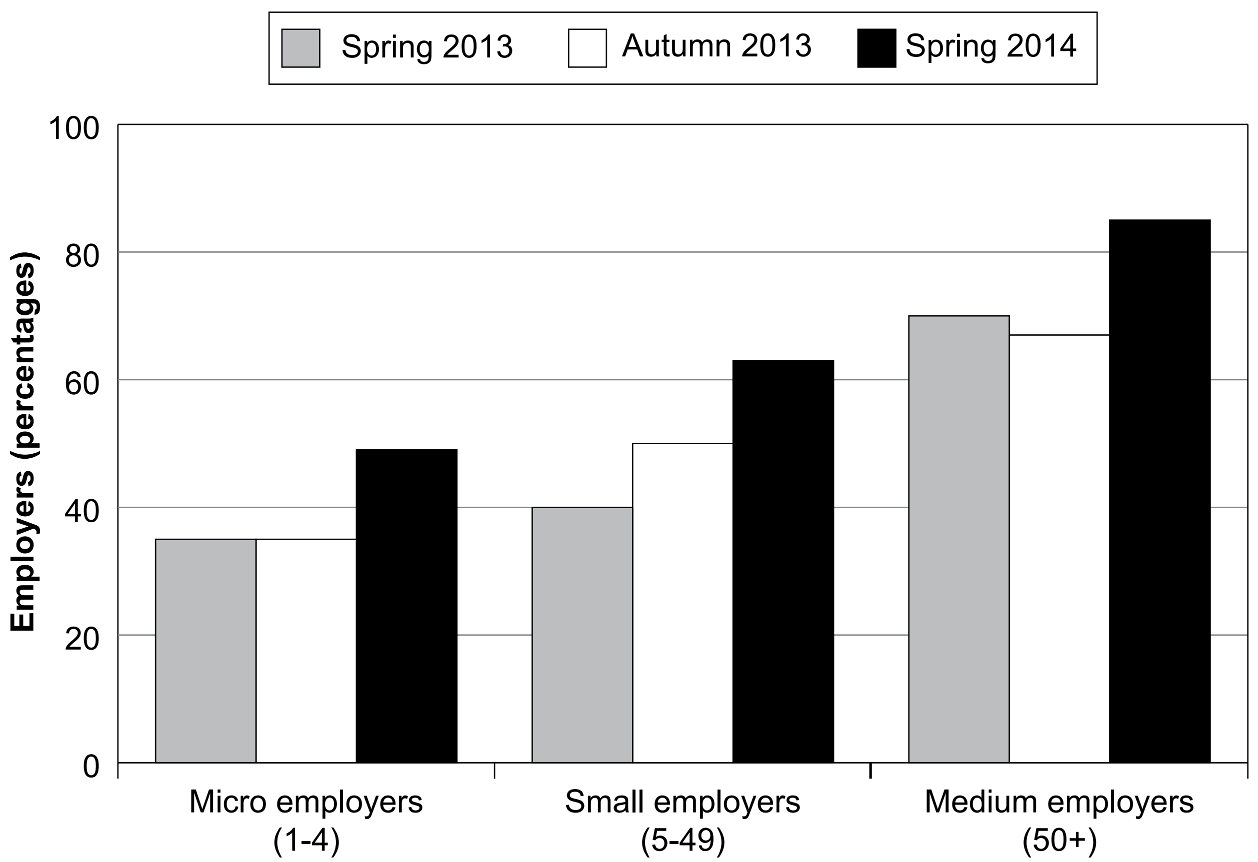
As illustrated in Figure 2.4, levels of understanding of the reforms increased significantly among all employer sizes. This was largely due to a larger proportion of employers being aware of the need to complete a declaration of compliance.

Medium employers had the greatest level of understanding (85 per cent), while half of micro employers understood the five key features of the reforms (49 per cent).

When comparing medium employers interviewed in this survey wave with large employers (with 250+ employees) at a similar distance from their respective staging date (interviewed in a previous survey wave), medium employers had similar levels of awareness and understanding (97 per cent and 85 per cent respectively) as large employers (99 per cent and 85 per cent respectively).

As with awareness, levels of understanding were highest among those with staging dates in the following 12 months (85 per cent), but lower among those with staging dates between January and November 2016 (54 per cent).

Figure 2.4 Understanding of the workplace pension reforms, by employer size

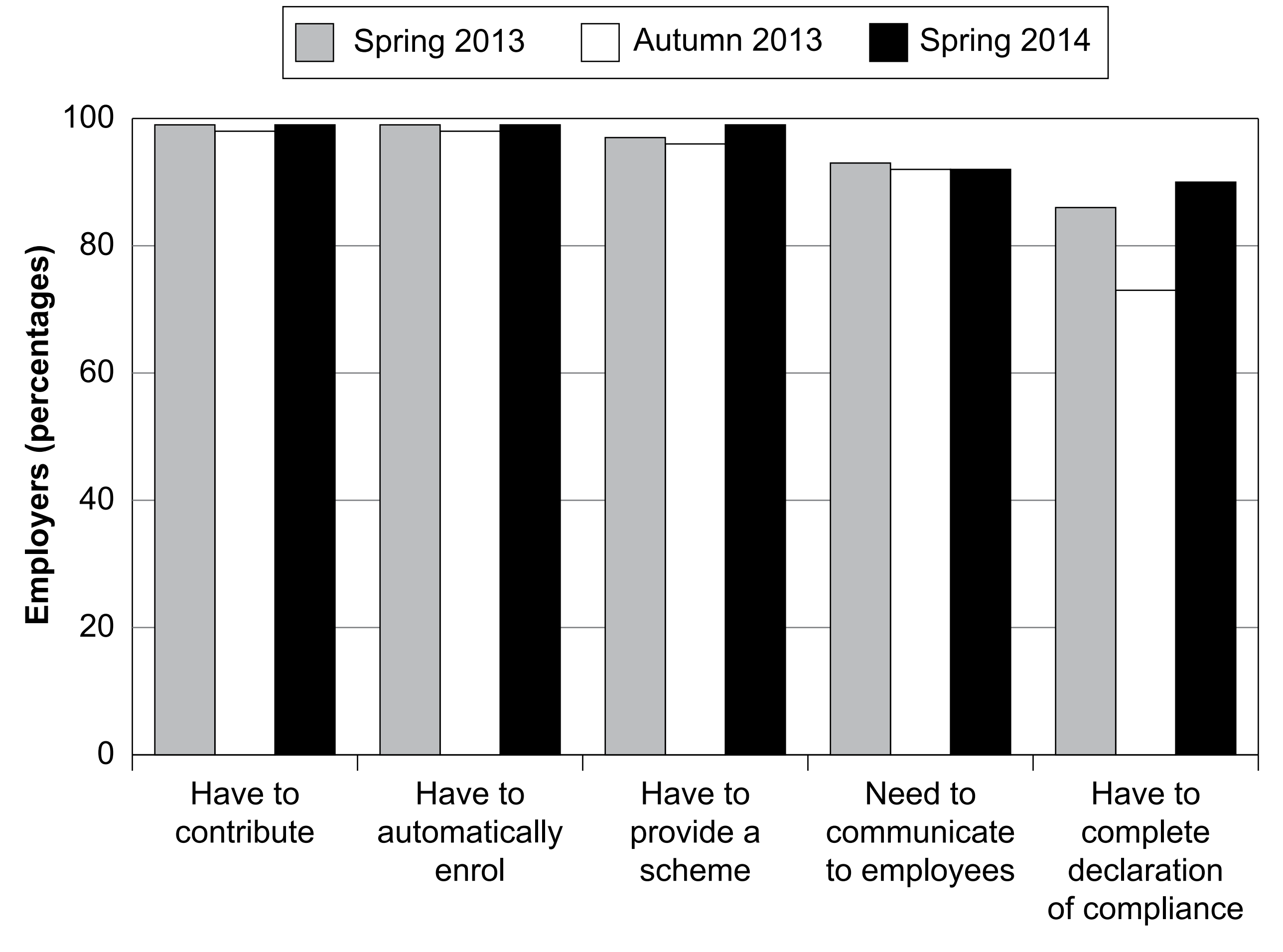


Source: The Pensions Regulator, tracker survey, spring 2013, autumn 2013 and spring 2014.
Notes:
1 Unweighted base sizes: spring 2013 – 489 employers; autumn 2013 – 575 employers; spring 2014 – 808 employers.
2 Medium employer bandings: spring 2013 – 50-99 employees; autumn 2013 – 50-89 employees; spring 2014 – 50-60 employees.

2.5.3 Employer awareness and understanding of specific features of automatic enrolment

Medium size employers began to stage from April 2014[53]. Figure 2.5 shows that levels of awareness of each of the specific features of automatic enrolment remain high amongst medium employers. There was near universal awareness among medium employers that employers would have to provide a pension scheme for automatic enrolment (99 per cent), automatically enrol UK workers (99 per cent) and contribute to their workers' pension (99 per cent). Awareness of the need to communicate to UK workers on an individual basis stood at 92 per cent, unchanged since autumn 2013. The feature with lowest awareness was the need to declare compliance with the appropriate Government body (90 per cent) but this has increased 17 percentage points since autumn 2013.

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



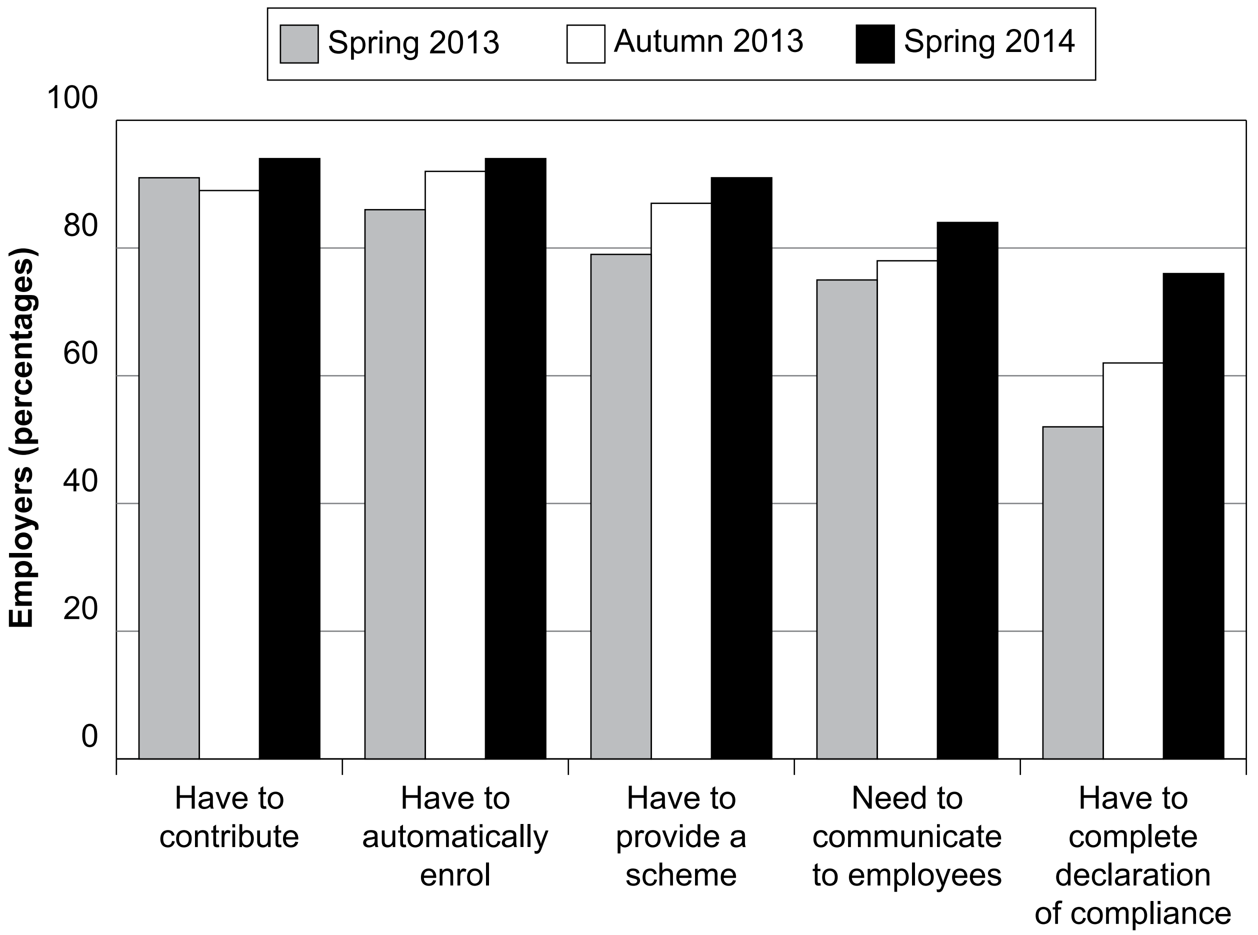
Source: The Pensions Regulator, tracker survey, spring 2013, autumn 2013 and spring 2014.
Notes:
1 Unweighted base sizes: spring 2013 – 170 employers; autumn 2013 – 180 employers; spring 2014 – 408 employers.
2 Medium employer bandings: spring 2013 – 50-99 employees; autumn 2013 – 50-89 employees; spring 2014 – 50-60 employees.

53 Employers can choose to bring forward their staging date but must inform the regulator.

Small and micro employers are not due to be subject to automatic enrolment until June 2015 at the earliest. This is reflected in lower levels of awareness among these employer groups.

Figure 2.6 shows the level of awareness of each of the specific features of automatic enrolment amongst small employers. Awareness of the need to contribute to workers' pensions stood at 94 per cent, with 94 per cent aware that they would have to automatically enrol UK workers and 91 per cent were aware they must provide a pension scheme. Awareness remained lower of the need to communicate to UK workers on an individual basis (84 per cent). In common with other employer sizes, the feature with the lowest level of awareness was the need to declare compliance with the appropriate Government body, i.e. the regulator, which stood at 76 per cent. However, this also has risen significantly from 62 per cent in autumn 2013.

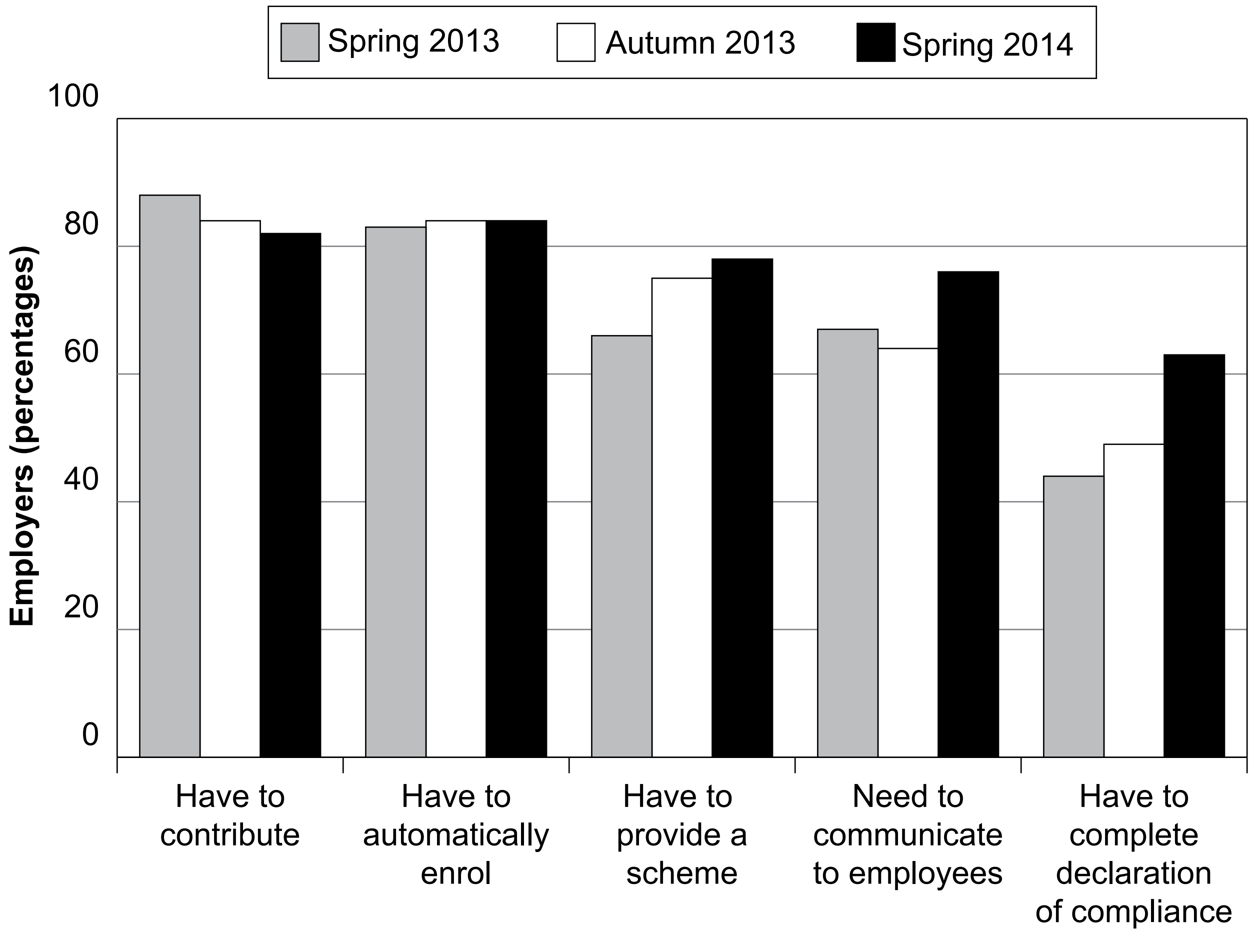
Figure 2.6 Awareness of the specific features of the workplace pension reforms among small employers (5-49 employees)



Source: The Pensions Regulator, tracker survey, spring 2013, autumn 2013 and spring 2014.
Note: Unweighted base sizes: spring 2013 – 168 employers; autumn 2013 – 197 employers; spring 2014 – 225 employers.

Figure 2.7 shows the level of awareness of each of the specific features of automatic enrolment amongst micro employers who are furthest from their staging dates. While awareness levels among micro employers were the lowest of all employer sizes across each of the specific features, they followed a similar pattern, with awareness of the need to declare compliance with the appropriate Government body, i.e. the regulator, the least well known feature at 63 per cent. As in the case of medium and small employers awareness of this aspect has increased, from 49 per cent in autumn 2013.

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



Source: The Pensions Regulator, tracker survey, spring 2013, autumn 2013 and spring 2014.
Note: Unweighted base sizes: spring 2013 – 151 employers; autumn 2013 – 198 employers; spring 2014 – 175 employers.

Employers are permitted to bring their staging date forward if this enables them to manage the implementation of automatic enrolment more easily. EPP 2013[54] found use of early staging dates was not widespread; only ten per cent of automatically enrolling employers had applied for an earlier staging date. A further 69 per cent had not done so, and the remaining 22 per cent were unsure whether they had applied for an earlier staging date or not. The practice was more commonly reported among larger organisations than smaller ones; 38 per cent of staged organisations with 5,000 or more employees reported that they had applied

[54] DWP (2014). *Employers' Pension Provision Survey 2013*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/330512/rr881-employers-pension-provision-survey-2013.pdf

for an early staging date[55]. The actual use of early staging by employers who have started automatic enrolment is similar to the intentions reported by employers in EPP 2011.

This is supported by findings reported by the regulator that as of 31 March 2014, 2,070 employers had chosen to bring forward their staging date. This represents about 19 per cent of all employers that had completed their declaration of compliance with the regulator[56].

2.5.4 Employer attitudes to automatic enrolment

As found in previous waves of the regulator's tracker survey, most employers were likely to believe that automatic enrolment was a 'good idea' for their workers. Figure 2.8 shows that medium employers were more likely to believe this than micro employers (80 per cent compared with 75 per cent)[57].

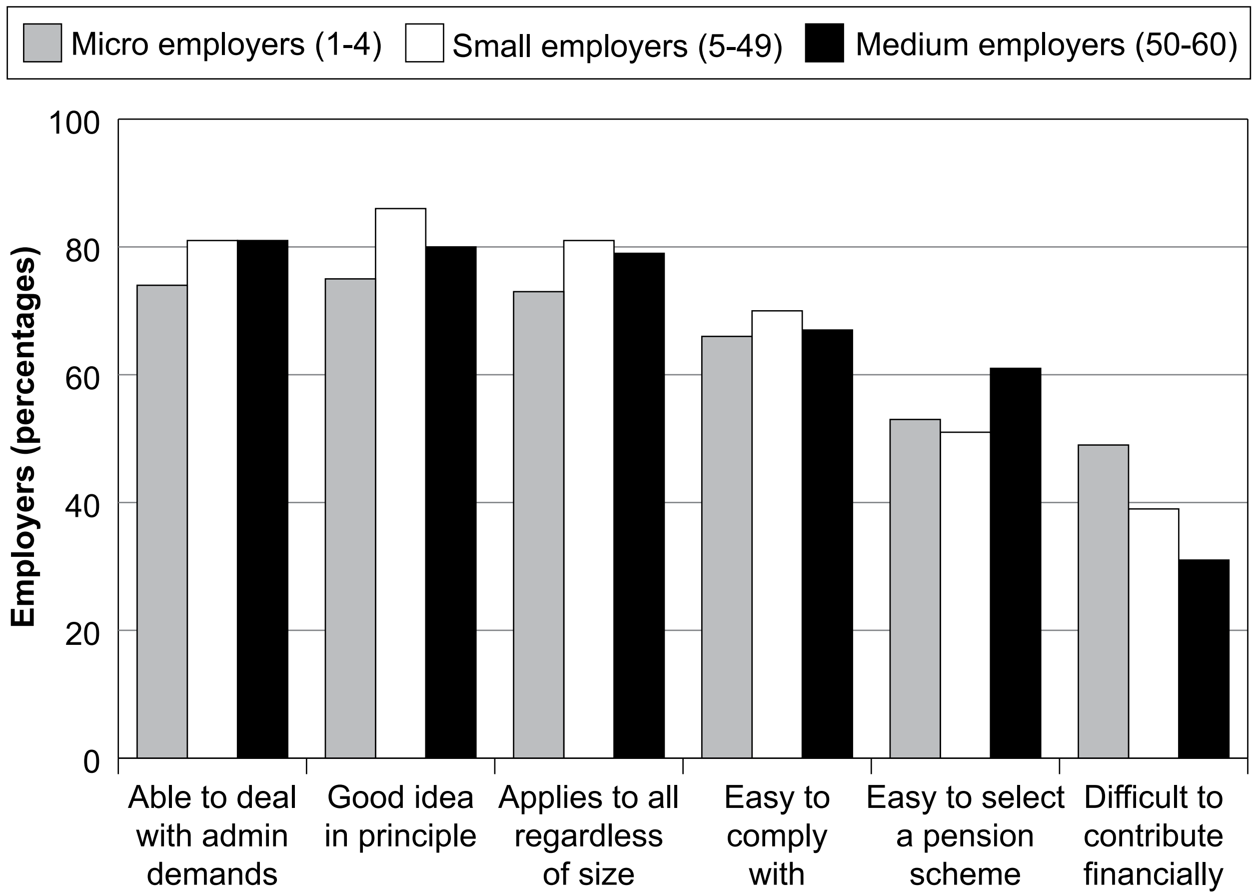
Micro employers continued to feel less confident about dealing with the administrative burden of automatic enrolment (74 per cent) and were the most likely to say they would find it difficult financially to contribute to a pension (49 per cent). Around half of small (51 per cent) and micro employers (53 per cent) thought it would be easy to select a pension scheme.

55 Only eight per cent of staged employers with fewer than 5,000 employees reported that they had applied for an earlier staging date, although a further 23 per cent did not know whether their organisation had applied for an earlier date or not.

56 At 31 March 2014, 10,817 employers had completed their declaration of compliance with the regulator according to the *Automatic enrolment: Commentary and analysis report 2014*, At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2014.pdf

57 The most recent survey was changed to also track the awareness and effectiveness of the regulator's advertising campaign. In order to incorporate this, the questionnaire order was changed and the attitude questions were placed after showing respondents stills of the adverts. Since we cannot be certain of the impact of this change, comparisons to the previous findings can not be made.

Figure 2.8 Attitudes towards automatic enrolment, by employer size



Source: The Pensions Regulator, tracker survey, spring 2014.
Note: Unweighted base sizes: micro employers – 175 employers; small employers – 168 employers; medium employers – 408 employers.

2.6 Intermediaries' awareness, understanding and activity

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

Awareness and understanding is measured using a biannual tracker survey, the latest results of which are provided below[58]. The survey includes the following audiences:

- financial advisers: Independent Financial Advisers (IFAs), who generally deal with small and medium employers, with between five and 249 employees;

[58] The Pensions Regulator (2014). *Intermediaries' awareness, understanding and activity in relation to automatic enrolment Spring 2014*. At: http://www.thepensionsregulator.gov.uk/docs/intermediary-automatic-enrolment-research-spring-2014.pdf

- business advisers, who generally provide employers with a range of business services, including automatic enrolment (payroll administrators and HR professionals who generally deal with all sizes of employers, and accountants and bookkeepers, who provide services mainly to micro and small employers).

EPP 2013 also monitored the use of intermediaries for advice by employers who have passed their staging date. Findings from this research have been incorporated where relevant.

2.6.1 Communication with intermediaries

A key focus of the regulator's approach to increasing awareness and understanding among intermediaries over the last year has been to work with the professional bodies and trade associations that represent them. In particular, the regulator has been working closely with member organisations across the financial sector, including those representing accountants, bookkeepers, IFAs and payroll professionals. These have been identified as being trusted sources of information for their members.

The regulator has been engaging directly with these organisations to identify opportunities to communicate to their members via their own channels, and to encourage them to play an active role in ensuring their members have information about the reforms and understand the role intermediaries may play in supporting their employer clients. This has resulted in a number of professional bodies and trade associations within these sectors holding events, roadshows and webinars, developing web content and downloadable leaflets, producing articles for their member newsletters and magazines, and developing bespoke learning materials for their members.

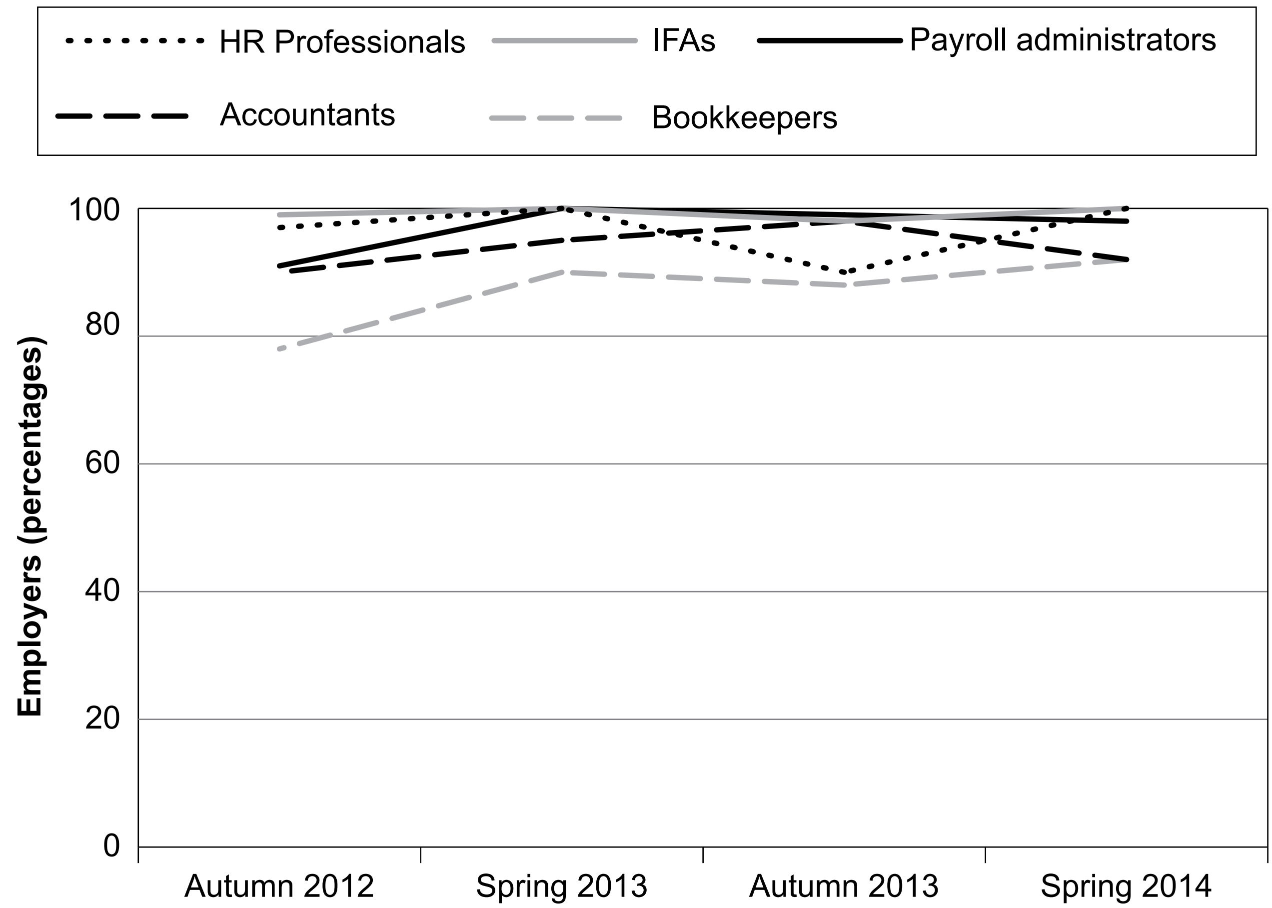
In addition, the regulator has been building up the level of direct engagement with major providers and advisers who offer automatic enrolment related products and services (including pension providers and administrators, payroll software providers and distributors, employee benefits consultants (EBC)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

The regulator has also been engaging directly with trustees to explain their role with regard to automatic enrolment. This has included promoting a five step checklist and a webinar on the role of trustees, to help them understand how automatic enrolment could impact on existing pension scheme provision.

2.6.2 Awareness and understanding of automatic enrolment

As shown in Figure 2.9, levels of awareness remained high among all five intermediary groups interviewed. Awareness was lowest among accountants and bookkeepers; although still at a high level (92 per cent) which is to be expected given their clients are most likely to be furthest away from their staging date. Awareness among accountants decreased from 98 per cent in autumn 2013 to 92 per cent in spring 2014, while among HR professionals it increased from 90 to 100 per cent.

Figure 2.9 Awareness of automatic enrolment, by intermediary type

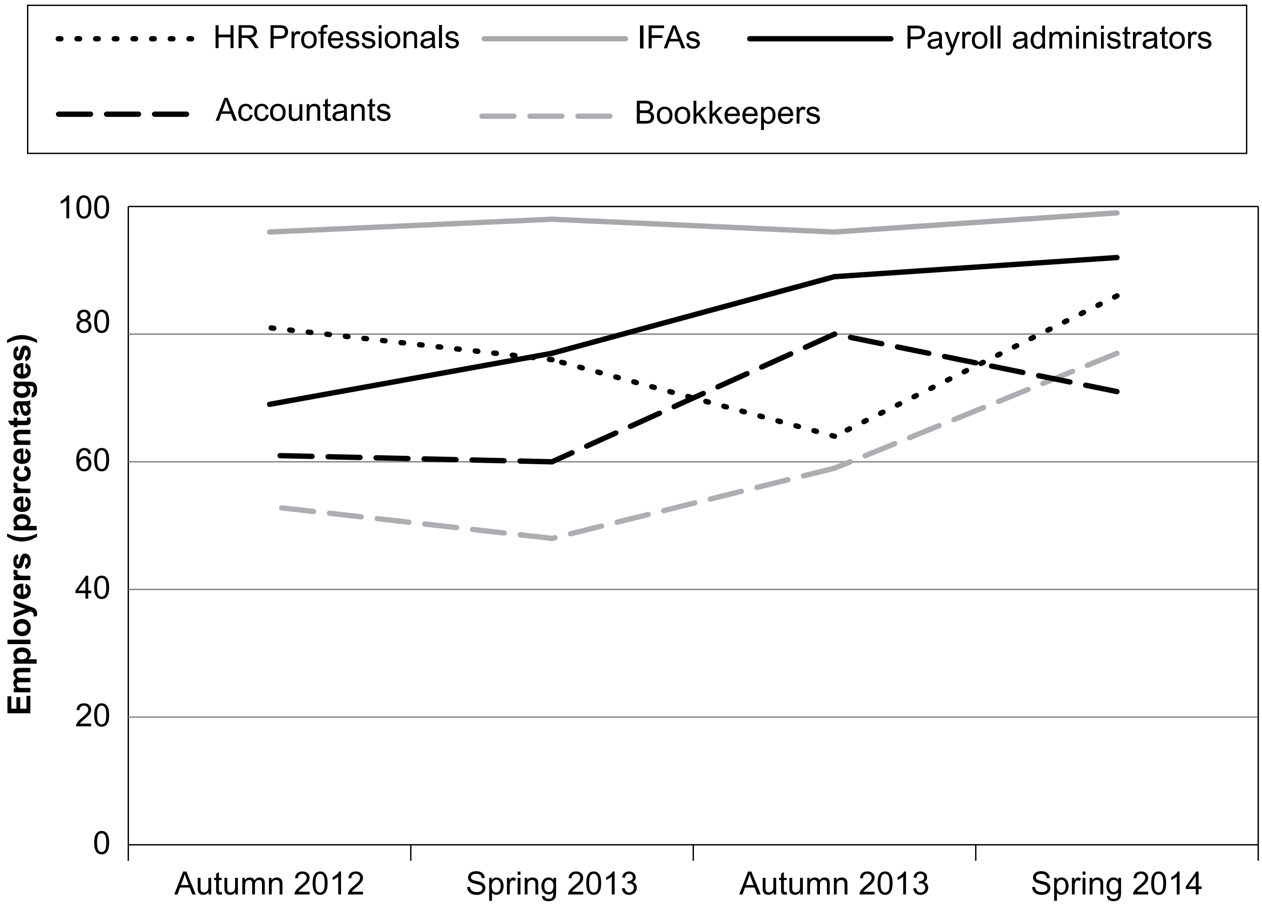


Source: The Pensions Regulator, intermediaries' tracker survey.
Note: Unweighted base sizes: autumn 2012 – 503; spring 2013 – 356; autumn 2013 – 469; spring 2014 – 575.

Figure 2.10 shows that financial advisers continued to have high levels of understanding of the reforms with 99 per cent of IFAs demonstrating this. Understanding has increased among most intermediary types since spring 2013, with the increases most marked among bookkeepers whose understanding has increased from 59 per cent in autumn 2013 to 77 per cent in spring 2014. However, as is the case for awareness, understanding decreased among accountants in spring 2014, from 80 per cent in autumn 2013 to 71 per cent, this remains higher than the level in spring 2013 (60 per cent).

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

Figure 2.10 Understanding of automatic enrolment, by intermediary type



Source: The Pensions Regulator, intermediaries' tracker survey.
Note: Unweighted base sizes: autumn 2012 – 503; spring 2013 – 356; autumn 2013 – 469; spring 2014 – 575.

2.6.3 Intermediaries' knowledge of more detailed aspects of automatic enrolment

Intermediaries were also asked a range of questions to determine levels of knowledge relating to more detailed aspects of automatic enrolment which these groups are likely to deal with. This includes eligibility criteria, communications requirements and other important aspects relating to advisers' tasks and activities with respect to automatic enrolment.

Financial advisers continued to display high levels of awareness, especially when compared with other types of business advisers.

The aspects that most intermediaries were aware of included the need to identify eligible workers and the need for employers to keep records of their workers. The aspects that most intermediaries continued to have lower awareness of included the types of workers and the types of earnings that need to be assessed for automatic enrolment.

However, levels of knowledge among some advisers increased significantly, with both payroll administrators and HR professionals becoming more aware of the communication requirements (i.e. the need to communicate to workers on an ongoing basis) than in autumn 2013.

2.6.4 Current and expected provision of assistance to clients

EPP 2013 found IFAs were the most popular source of advice, elected by 88 per cent of employers who had passed their staging date and had sought advice on their choice of provider or scheme type. The second most popular source of advice on these issues was EBCs, chosen by 80 per cent of employers. Other popular sources included The Pensions Regulator (65 per cent), accountants (64 per cent) and trade or industry bodies (50 per cent).

In the spring 2014 wave of the regulator's tracker survey most intermediaries continued to see themselves playing a role in automatic enrolment, with levels of planned involvement at a similar level to that seen in autumn 2013.

IFAs, payroll administrators and HR professionals were more likely to already be helping clients than accountants and bookkeepers, whose clients tended to be the furthest away from staging. Around two-thirds of IFAs (66 per cent), 59 per cent of payroll administrators and 56 per cent of HR professionals said that they were already helping their clients. Among those not already engaged in helping their clients or employers, the majority were either planning to do so or expected to have some involvement in automatic enrolment.

Compared to the autumn 2013 tracker, a higher proportion of bookkeepers expected to be involved in automatic enrolment (up by ten percentage points to 84 per cent).

The majority of intermediaries claimed to be intending to offer their services to all of their clients. IFAs and payroll administrators were most likely to report that they would either act on behalf of their clients or provide technical advice (79 per cent of IFAs and 66 per cent of payroll administrators).

Accountants were significantly less likely to say that they would provide this service for clients when compared to autumn 2013, with the proportion likely to do so (48 per cent) returning to the level seen in spring 2013. However, bookkeepers were significantly more likely to say that they will be acting on behalf of clients, compared to autumn 2013 (up 15 percentage points to 39 per cent).

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

Services which intermediaries were less likely to offer included choosing and reviewing pension schemes and choosing or configuring software for clients.

2.7 Changes to the legislative framework

Under the Pensions Act 2014, which received Royal Assent on 14 May 2014, further changes were made to the automatic enrolment legislation. These changes came into force in September 2014 and included;

- A measure removing the duty of the employer to automatically re-enrol an eligible individual if automatic enrolment has been postponed or deferred.

- An amendment to the 2008 Pensions Act allowing certain information requirements to be turned off to reduce burdens on business. Additionally the provision of a general power to create exceptions to the employer duties in relation to certain categories of worker, but not according to the size of employer.
- A power to prescribe alternative quality requirements for DB schemes.
- An amendment to the 2008 Pensions Act regarding transitional periods for hybrid schemes to close a potential loophole.
- An amendment to clarify the regulator's power in the 2008 Pensions Act to issue penalty notices for non-compliance with information notices.

An amendment to the Pensions Schemes Act 1993, regarding the payment of a limited amount of unpaid pension contributions from the National Insurance Fund where an employer becomes insolvent, extending the protection offered to all those who may become members of a pension scheme as a result of the workplace pension reforms.

3 Increasing the number of savers

Summary

- Once fully implemented automatic enrolment aims to increase the number of individuals newly saving or saving more in a workplace pension by around nine million, within a range of eight to nine million. Data collected with reference to April 2013, six months after the implementation of automatic enrolment began, shows that the number of eligible employees participating in a workplace pension increased by 0.9 million to 11.7 million (58 per cent) in 2013, reversing the downward trend and potentially showing the positive impact of the workplace pension reforms. Private sector pension participation increased from 5.9 million (42 per cent) to 6.7 million (46 per cent) over the same period.
- Pension participation is closely related to employer size. The highest levels are observed amongst the largest employers, increasing by nine percentage points, from 2012, to 78 per cent in 2013, coinciding with the staged introduction of automatic enrolment.
- In 2013, pension participation remained stable amongst the high earners, at 81 per cent, but all of the lower earnings bands saw increases. The largest increase (five percentage points) was amongst those earning between £10,000 and £20,000, which is just above the automatic enrolment earnings trigger.
- In general, participation in workplace pensions increases with age. However, in 2013, the largest increases have been amongst the lower age groups, with participation amongst those aged 22 to 29 increasing to 41 per cent.
- Department for Work and Pensions (DWP) research with employers staging between January 2014 and July 2014 found the average opt out rate was 12 per cent. Within these employers it is estimated that overall participation in a workplace pension increased from 44 per cent to 76 per cent.
- The characteristic that had the largest effect on opt out rates, was age, with older employees being more likely to opt out than younger employees. Workers aged 50 and over had a greater average opt out rate (23 per cent) than workers aged 30 to 49 (nine per cent) and under 30 (seven per cent). The reasons given all related to the workers' personal situations, with most relating to their financial position at different stages in their life course.
- Findings from the March 2014 DWP communications tracking survey showed that campaign recognition is at its highest ever level at 85 per cent. Advert recognisers are substantially more aware of automatic enrolment than non-recognisers (79 per cent compared with 45 per cent) and also were twice as likely to intend to stay enrolled (50 per cent compared with 25 per cent).

3.1 Introduction

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

3.2 Trends in workplace pension participation

This section focuses on measures to monitor whether automatic enrolment is increasing the number of savers within a workplace pension. Estimates of the pension participation trends of eligible employees[59] over time are derived, by DWP, from the Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE) data[60] for the public and private sector, and further breakdowns are shown here for employer size, employee earnings, age and gender[61]. The DWP Family Resources Survey (FRS)[62] can also supplement this analysis, by providing specific characteristic breakdowns not available from ASHE, participation by economic status is shown here, but can not be broken down by sector.

These annual surveys are used to monitor the shift in workplace pension participation brought about by the reforms. The latest release of ASHE[63] was collected with reference to April 2013, just six months after the implementation of automatic enrolment began and shows increases in participation. Whereas the FRS data is collected throughout the 2012/13 financial year and therefore any potential impact of automatic enrolment may be lessened and take longer to feed through into the data (see Appendix B for further information).

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59 An eligible employee is one who is not already in a qualifying pension arrangement, must be aged at least 22 but under State Pension age (SPa), earn more than £10,000 a year in 2014/15 earning terms and work, or usually work, in the UK. This earnings threshold is reviewed annually and was increased from £8,105 in 2012/13, to £9,440 in 2013/14.

60 Notes to accompany all ASHE analysis:
1 All analysis is based on eligible employees and adjusted to reflect the new SPa for women.
2 The £8,105 threshold has been applied to the 2013 data and Average Weekly Earnings (AWE) values used to uprate and deflate other year's data.
3 Gross annual earnings are derived using weekly pay and no filter has been included for loss of pay in the pay period.
4 Private sector includes those with an unclassified sector.

61 For further breakdowns consult the DWP (2014). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/collections/workplace-pension-participation-and-savings-trends

62 2012/13 FRS data was collected between April 2012 and March 2013 and published on 1 July 2014. At https://www.gov.uk/government/publications/family-resources-survey-2012-to-2013

63 Statistical bulletin: *2013 Annual Survey of Hours and Earnings: Summary of Pension Results* published on 14 March 2014. At: http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/2013-provisional-results/stb--2013-annual-survey-of-hours-and-earnings--summary-of-pensions-results.html?format=print

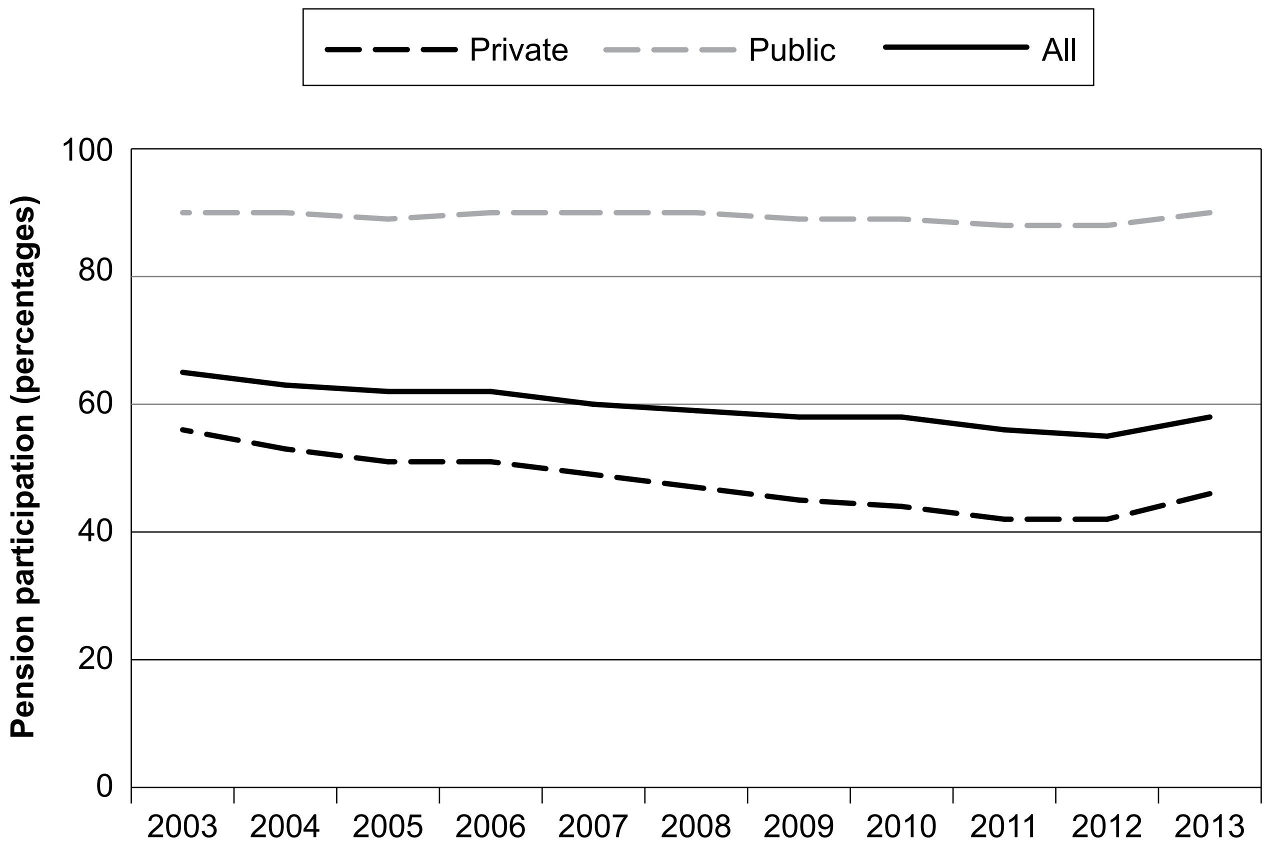
3.2.1 Overall number of savers

Overall, between 2003 and 2013, there has been a decline in the number of eligible employees participating in a workplace pension from 12.3 million (65 per cent) to 11.7 million (58 per cent). However, between 2012 and 2013 there was a significant increase of 0.9 million, potentially showing the positive impact of the workplace pension reforms[64].

Figure 3.1 shows trends in workplace pension participation for eligible employees by sector. Public sector pension participation remains high at 5.0 million (90 per cent) in 2013, which is the same level as it was in 2003.

Overall, private sector pension participation has fallen from 7.7 million (56 per cent) in 2003 to 5.9 million (42 per cent) in 2012. However, this has risen to 6.7 million (46 per cent) in 2013.

Figure 3.1 Eligible employees participating in workplace pensions, by sector



Source: DWP estimates derived from the ONS ASHE, GB, 2003 to 2013.

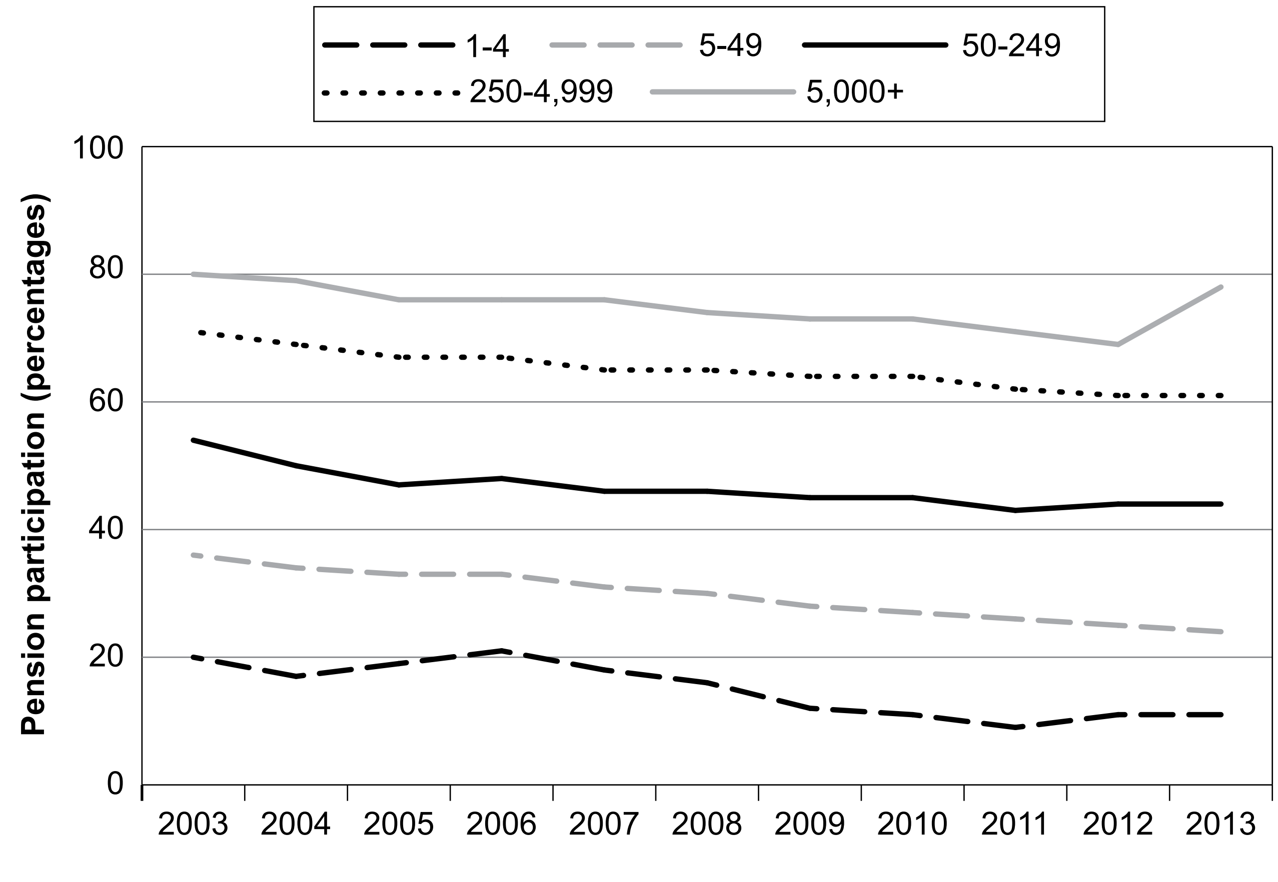
64 These high-level figures were also published within the DWP annual report and accounts; https://www.gov.uk/government/publications/dwp-business-plan-transparency-measures/dwp-business-plan-transparency-measures#number-of-employees-in-a-pension-scheme-sponsored-by-their-employer

3.2.2 Employer size

Figure 3.2 shows that workplace pension participation is closely related to employer size with the highest levels, in 2013, observed in largest employers (78 per cent) and the lowest in micro employers (11 per cent). This variation is partly explained by the higher proportion of employees working for large public sector employers where participation rates are high (see Figure 3.1) and coincides with the staged introduction of automatic enrolment which started with the largest employers.

In 2013, participation amongst employers with 250 to 4,999 employees was 61 per cent; 44 per cent within employers with 50 to 249 employees and 24 per cent for employers with 5 to 49 employees.

Figure 3.2 Eligible employees participating in workplace pensions, by employer size



Source: DWP estimates derived from the ONS ASHE, GB, 2003 to 2013.

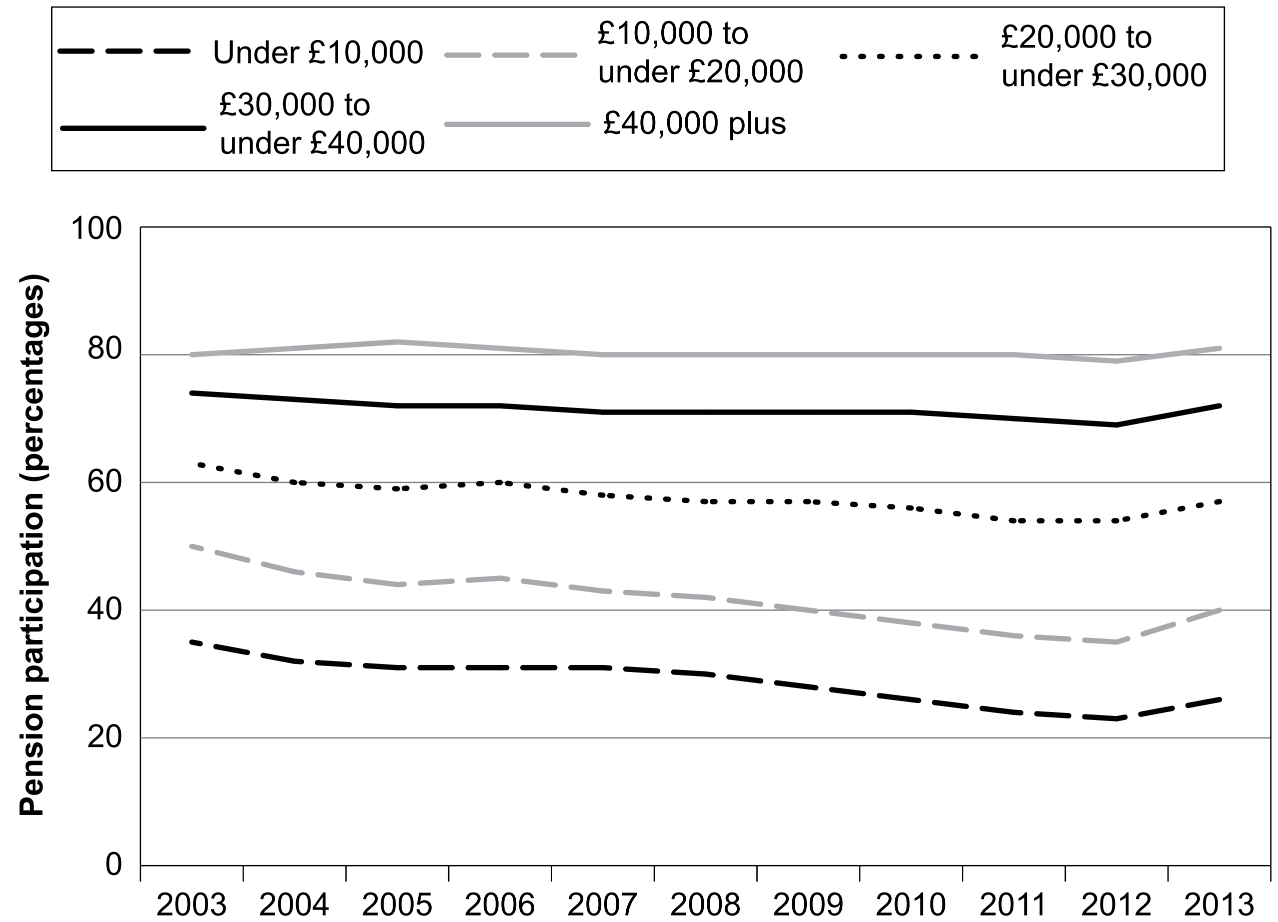
3.2.3 Earnings

Figure 3.3 shows the close relationship between pension participation and earnings. The highest earners (those earning over £40,000) have the highest participation levels, which has remained stable since 2003, with 81 per cent participating in 2013.

Between 2012 and 2013 participation by employees earning between £30,000 and under £40,000 has increased by three percentage points to 72 per cent. Overall, the lower earnings bands have tended to be on the decline, but all showed slight increases in 2013.

Participation increased by three percentage points to 57 per cent for those earning £20,000 to £30,000 and 26 per cent for those earning under £10,000. However, the largest increase, of five percentage points, was seen for those earning between £10,000 and under £20,000 as 40 per cent are now participating, and it is this earnings band that is just above the earnings trigger for automatic enrolment.

Figure 3.3 Eligible employees participating in workplace pensions, by gross annual earnings



Source: DWP estimates derived from the ONS ASHE, GB, 2003 to 2013.
Note: Gross annual earnings are uprated using AWE values[65].

3.2.4 Gender

Figure 3.4 shows pension participation levels by gender[66] and sector. In 2013, the gap between male and female participation, within sector, has continued to narrow, with 44 per cent of women compared with 47 per cent of men participating in a pension in the private

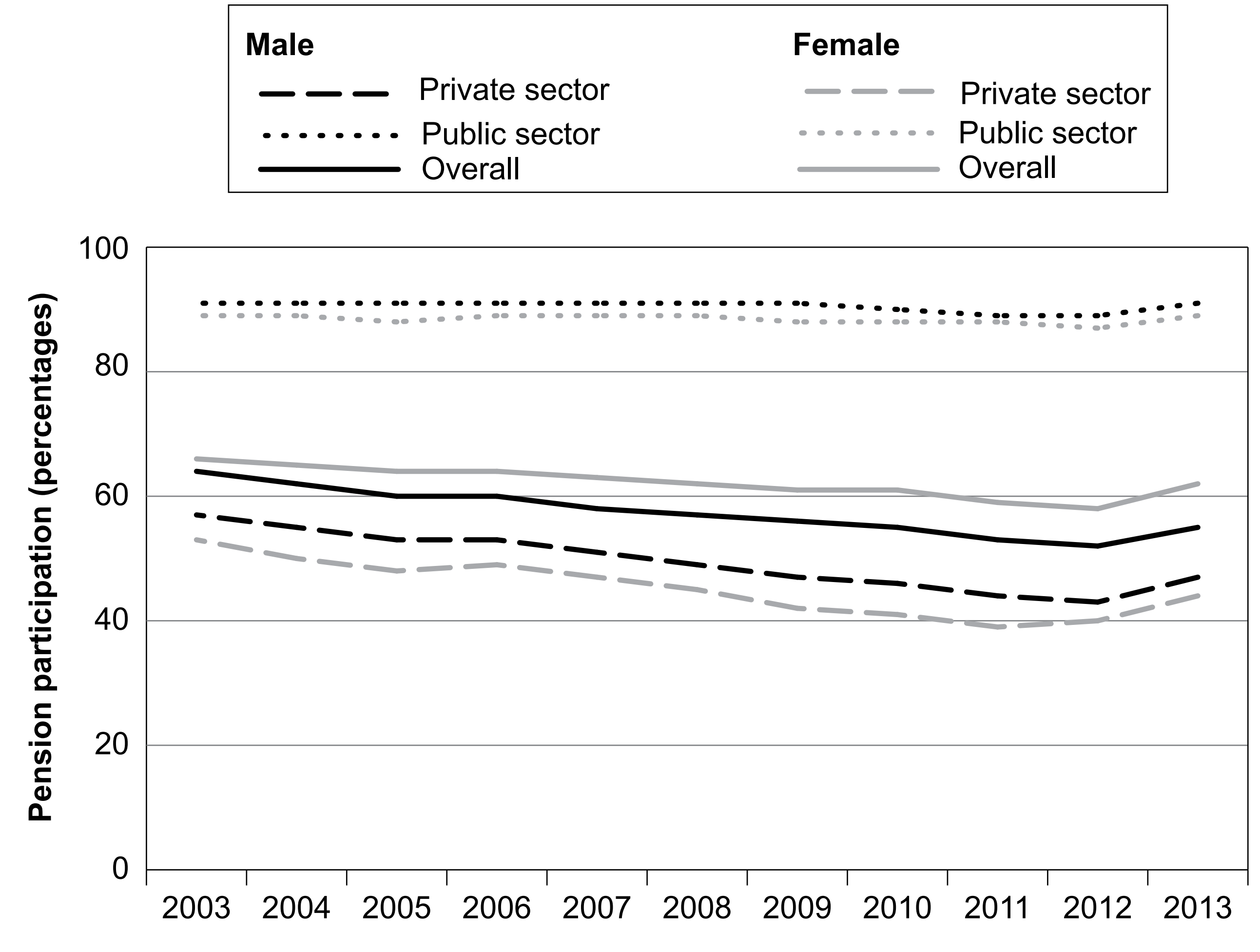
65 ONS Average Weekly Earnings Statistics, EARN01 (KAC3) series: http://www.ons.gov.uk/ons/rel/awe/average-weekly-earnings/index.html

66 The gender and age breakdown was also published as part of the equalities report to accompany the DWP annual report and accounts. At: https://www.gov.uk/government/publications/dwp-equality-information-2014-customer-data

sector. Whereas, in the public sector, 89 per cent of women compared with 91 per cent of men are participating in a pension.

However, across both sectors, participation by women is still higher, at 62 per cent, compared with men where only 55 per cent are participating, and this is due to the greater proportion of women working in the public sector[67], where participation is high.

Figure 3.4 Eligible employees participating in workplace pensions, by gender and sector



Source: DWP estimates derived from the ONS ASHE, GB, 2003 to 2013.

3.2.5 Age

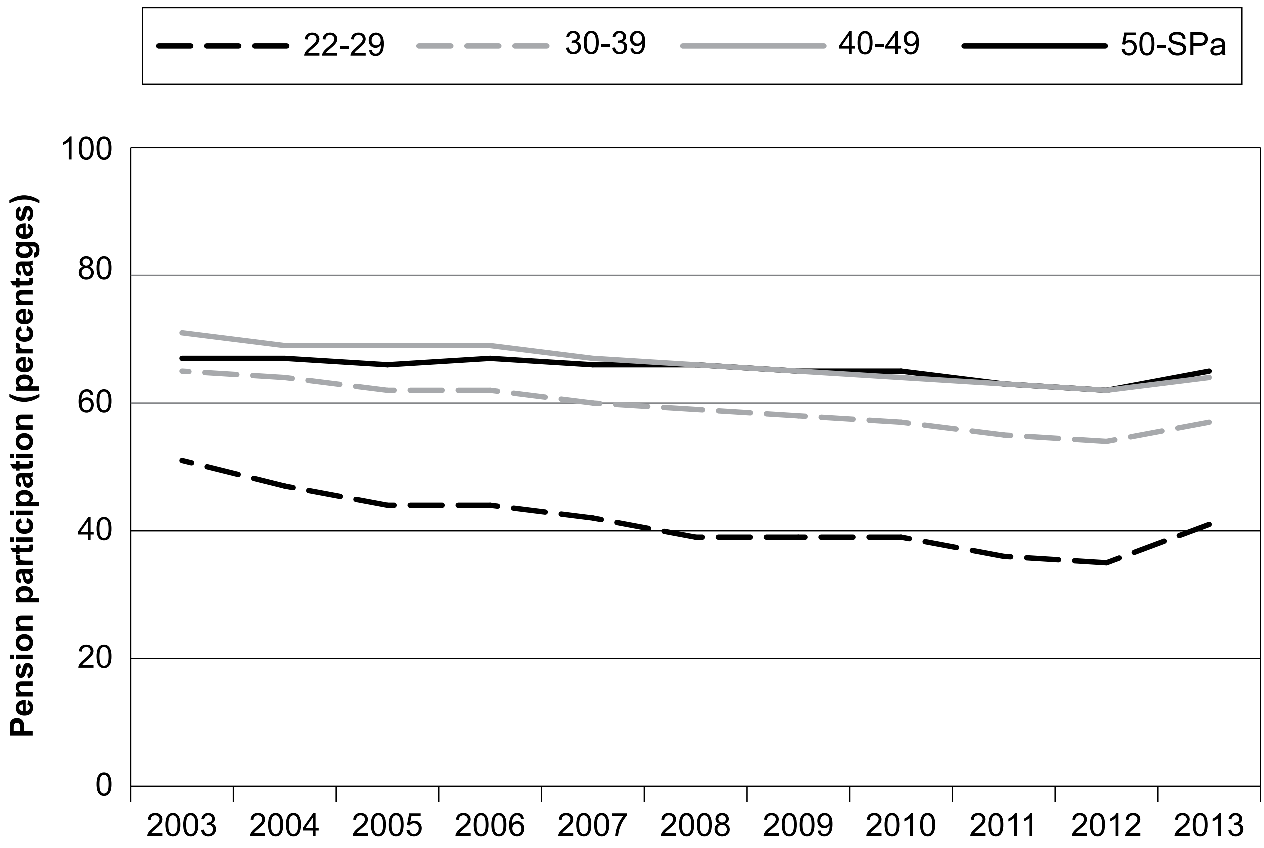
Figure 3.5 shows pension participation of eligible employees by age band. In general, participation in workplace pensions increases with age, and in 2013 the largest increases have been seen in the lower age groups.

The largest increase of six percentage points was in the 22 to 29 year old age group increasing from 35 per cent in 2012 to 41 per cent in 2013. Participation for the other age

67 DWP analysis of 2013 ASHE estimates that 39 per cent of female employees work in the public sector compared with 19 per cent of males.

groups is 57 per cent of those aged 30 to 39; 64 per cent for the 40 to 49 year olds and 65 per cent for the 50 to SPa group.

Figure 3.5 Eligible employees participating in workplace pensions, by age band



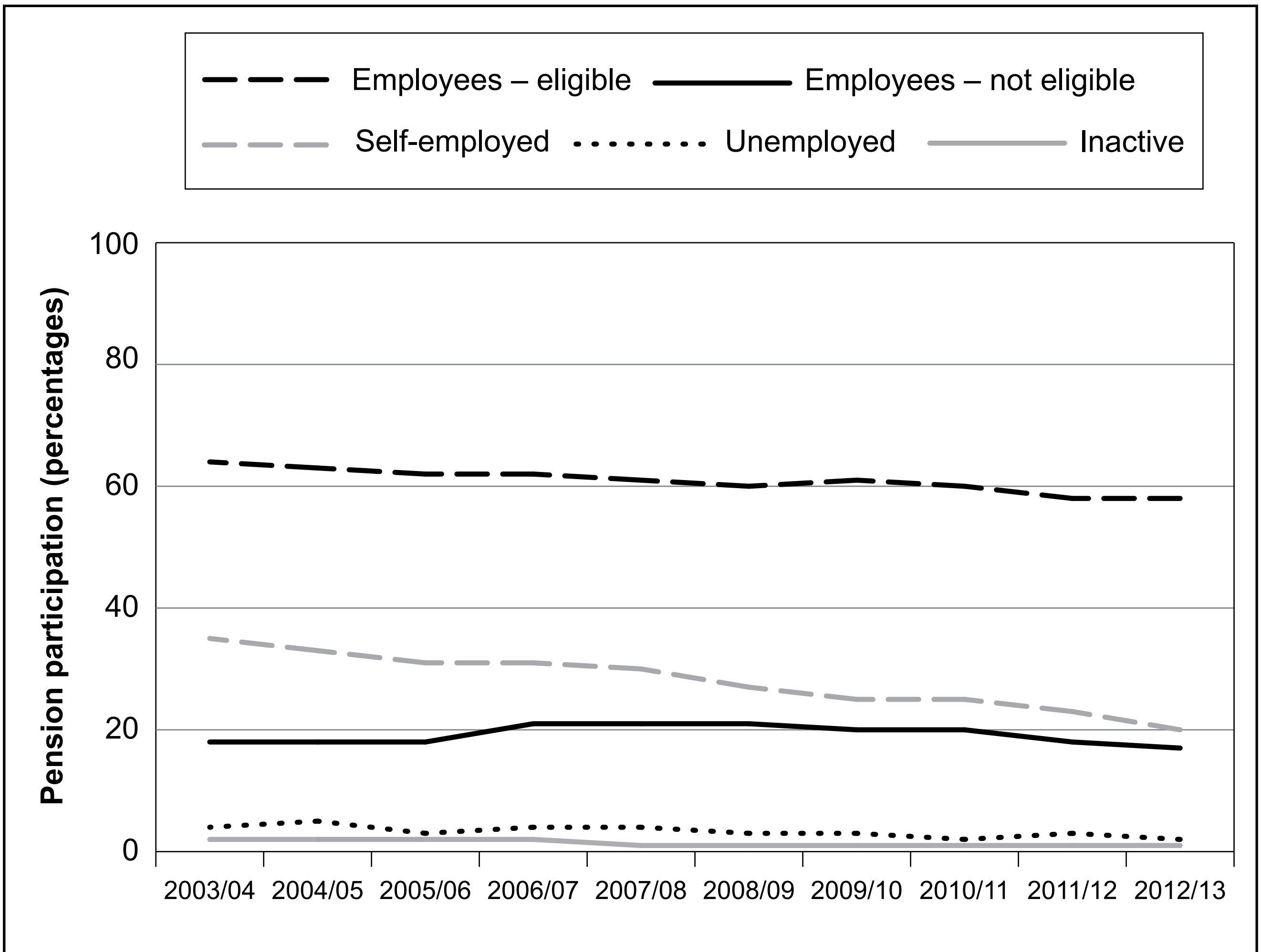
Source: DWP estimates derived from the ONS ASHE, GB, 2003 to 2013.

3.2.6 Economic status

Figure 3.6 updates the trends in pension participation by eligible employees compared with other economic status groups. Following continued decline, participation by eligible employees appears to have stabilised in 2012/13 at 58 per cent.

Participation has continued to fall, albeit slightly, for all other groups, with the non-eligible group falling from 18 per cent in 2011/12 to 17 per cent in 2012/13 and the self-employed group declining to 20 per cent in 2012/13.

Figure 3.6 Participation in all pensions, by economic status



Source: Modelled analysis derived from the Family Resources Survey, UK, 2003/04 to 2012/13.

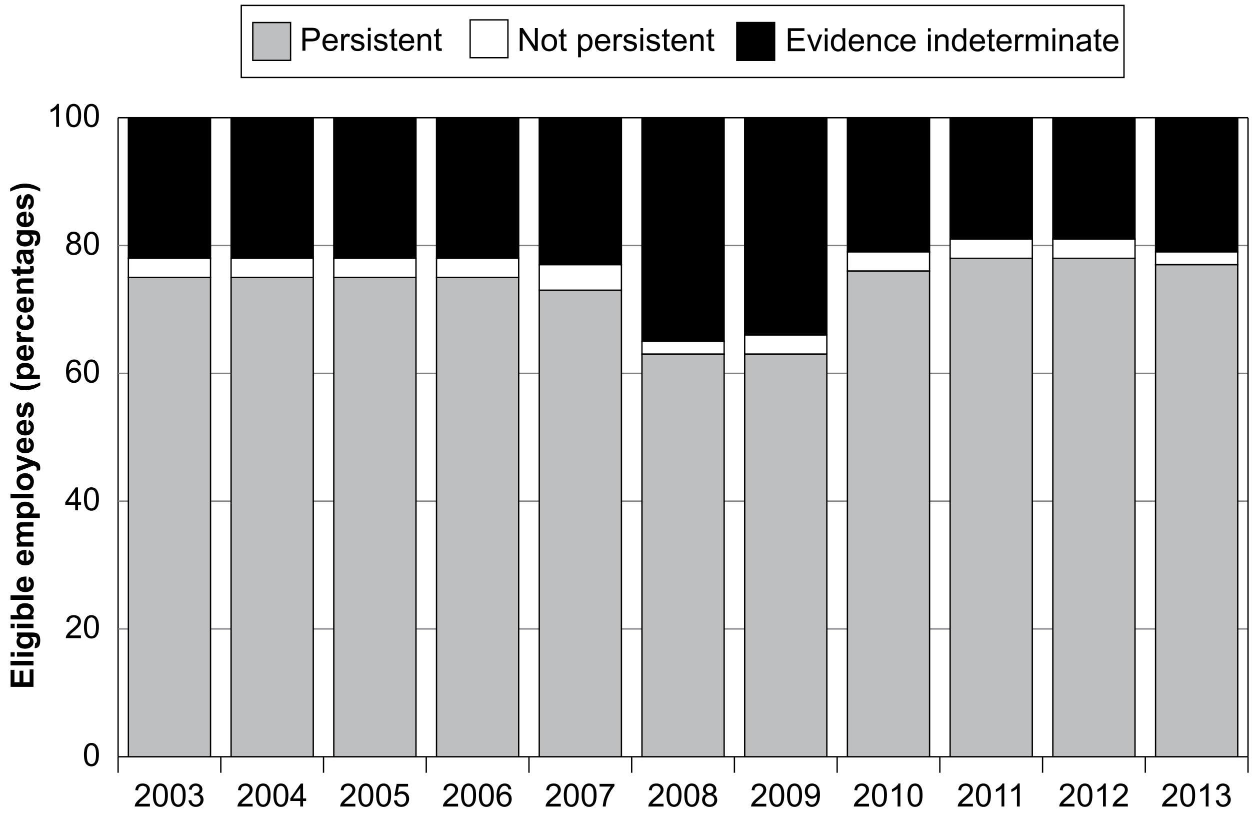
3.3 Persistency of saving

In this report, persistency of saving is defined as saving into a pension in three out of a period of four years. In Figure 3.7, the estimates shown are based on the number of years an eligible saver has been saving in a four-year period. For example, the 2013 estimate is based on the number of years saving between 2010 and 2013.

The latest analysis shows that overall eligible employees are continuing to save persistently, at 77 per cent. This has remained broadly consistent over the period shown (see note below on 2008 and 2009). The proportion of eligible savers not saving persistently was two per cent in 2013, and for the remaining 21 per cent there is an indeterminate amount of evidence to judge either way[68].

[68] For this analysis broken down by sector, consult the DWP (2014). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/collections/workplace-pension-participation-and-savings-trends

Figure 3.7 Persistency of eligible employees participating in workplace pensions



Source: DWP estimates derived from the ONS un-weighted longitudinal ASHE, GB, 2000 to 2013.

Notes:

1 The fall in persistency in 2008 and 2009 is the effect of the ASHE sample cut in the 2007 and 2008 surveys, which resulted in employees moving into the evidence indeterminate group in the persistency measure due to a lack of data.

2 An eligible employee can disappear from the cohort either through stopping saving, leaving the labour market, staying with or moving to an employer who does not return the ASHE questionnaire.

3.3.1 Survival analysis

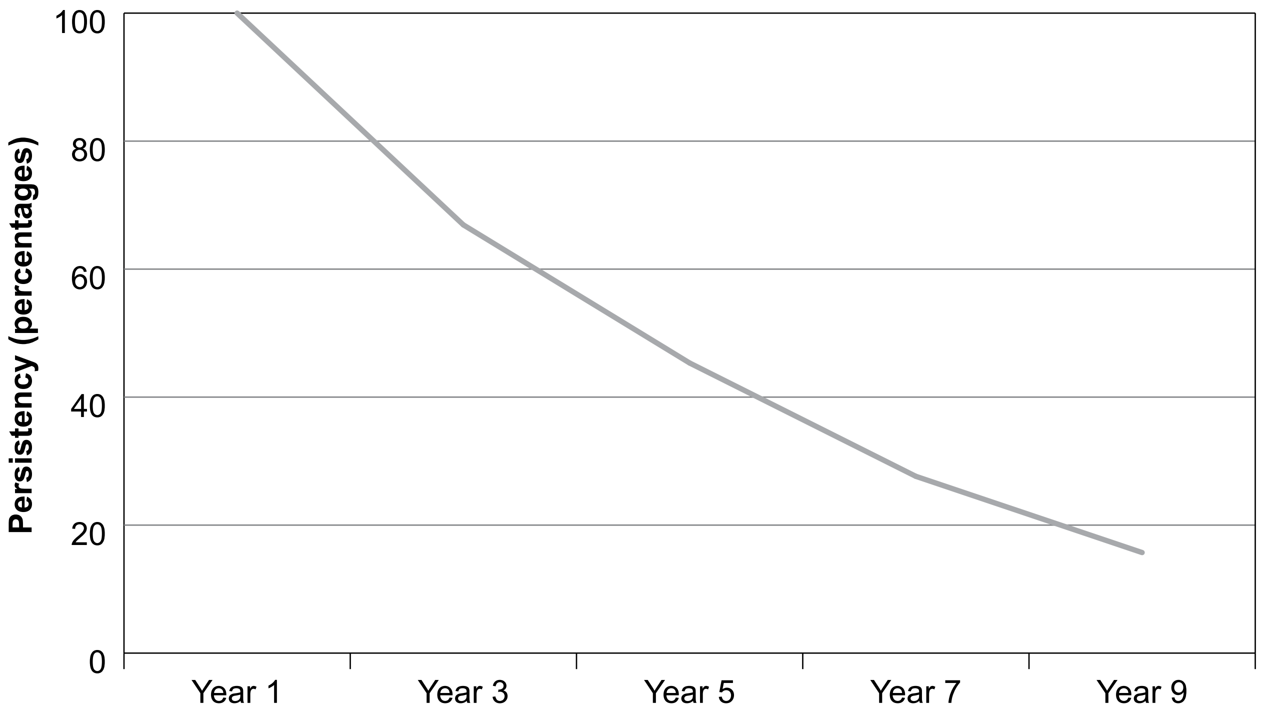
Survival analysis takes a cohort of eligible savers in each year and charts the survival rate of their pension participation year on year. Compared with the persistency of saving measure, which requires four years of data and subsequently a three-year lag before effects can be measured, survival analysis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

This report contains analysis from the English Longitudinal Study of Ageing (ELSA), and is restricted to those aged between 50 and SPa. ELSA is a key data source because it contains more detailed social, economic and health information about respondents than other surveys, such as ASHE. The ELSA data is also weighted, which enables results to be more accurately generalised to the wider population of workers aged 50 to SPa (see Appendix B for further information).

Updated analysis for this publication has involved an improved methodology which has increased the sample size available, alongside collaborative work with NatCen Social Research to enable the analysis to be weighted accordingly. The improved sample size should allow for more detailed future analysis of subgroups of interest from subsequent waves of data, for example, analysis segmented by age or birth cohort age, or by other demographic factors.

Figure 3.8 illustrates survival rates for those contributing to workplace pensions from ELSA from wave 1 (2002/03) through to wave 5 (2010/11).

Figure 3.8 Survival analysis results for workers aged 50 to State Pension age



Source: English Longitudinal Study of Ageing (weighted), England, 2002/03 to 2010/11.

3.4 Pension participation and opt out rates

Automatic enrolment aims to harness individuals' inertia in thinking about retirement and pension saving, while preserving individual responsibility for the decision about whether to save in a workplace pension by giving them the option to opt out. Opt out rates are important in providing an indication of how effective automatic enrolment is in increasing participation. A range of data sources are used to monitor opt out, including research and management information collected from employers and surveys of individuals (see Appendix B for more information).

3.4.1 Overall level of opt out

EPP 2013 has found that overall the level of opt out has been broadly consistent since automatic enrolment began in 2012[69]. The proportion of employees who had opted out of, or left, a scheme after being automatically enrolled was between nine and ten per cent.

DWP commissioned qualitative research with 50 employers staging between January 2014 and July 2014 in order to understand the extent of opt out and its effect on workplace pension participation levels[70]. A summary of results was published by DWP in November 2014, with the full report due to be published in December 2014.

Of the 7,200 workers represented in the study, around 44 per cent were already members of a pension scheme before automatic enrolment, and about 35 per cent were automatically enrolled (around 2,600 workers). The remaining 21 per cent included: those not eligible for automatic enrolment; those on the payroll but not currently working; and others who could not be categorised for the research[71].

Across the 46 employers in the study who provided detailed data, the average opt out rate was 12 per cent[72]. Most individual employers had an opt out rate ranging between five per cent and 15 per cent of the workers they had automatically enrolled. It is estimated that overall participation in a workplace pension increased from 44 per cent to 76 per cent (from around 3,300 workers to 5,600 workers). These opt out figures are comparable to those obtained from a similar study of large employers in 2012/13.

EPP 2013 found 57 per cent of employers who had passed their staging date said that employees who had opted out had done so as soon as they were able to and 33 per cent chose to leave the scheme between one to three months after automatic enrolment[73].

3.4.2 Factors influencing the level of opt out

The research with employers who staged in 2014 found that demographic characteristics had the most influence on the level of opt out. This is a difference from the previous large employer research where employers who already contractually enrolled their workers into a pension was the most influential factor on the level of opt out. This difference can be explained by contractual enrolment being far less common among employers who staged in 2014.

The demographic characteristic that had the largest effect on opt out rates, amongst employers staging in 2014, was age, with older employees being more likely to opt out than younger employees. Figure 3.9 below shows that based on the management information collected, workers aged 50 and over had a greater average opt out rate (23 per cent) than workers aged 30 to 49 (nine per cent) and under 30 (seven per cent).

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

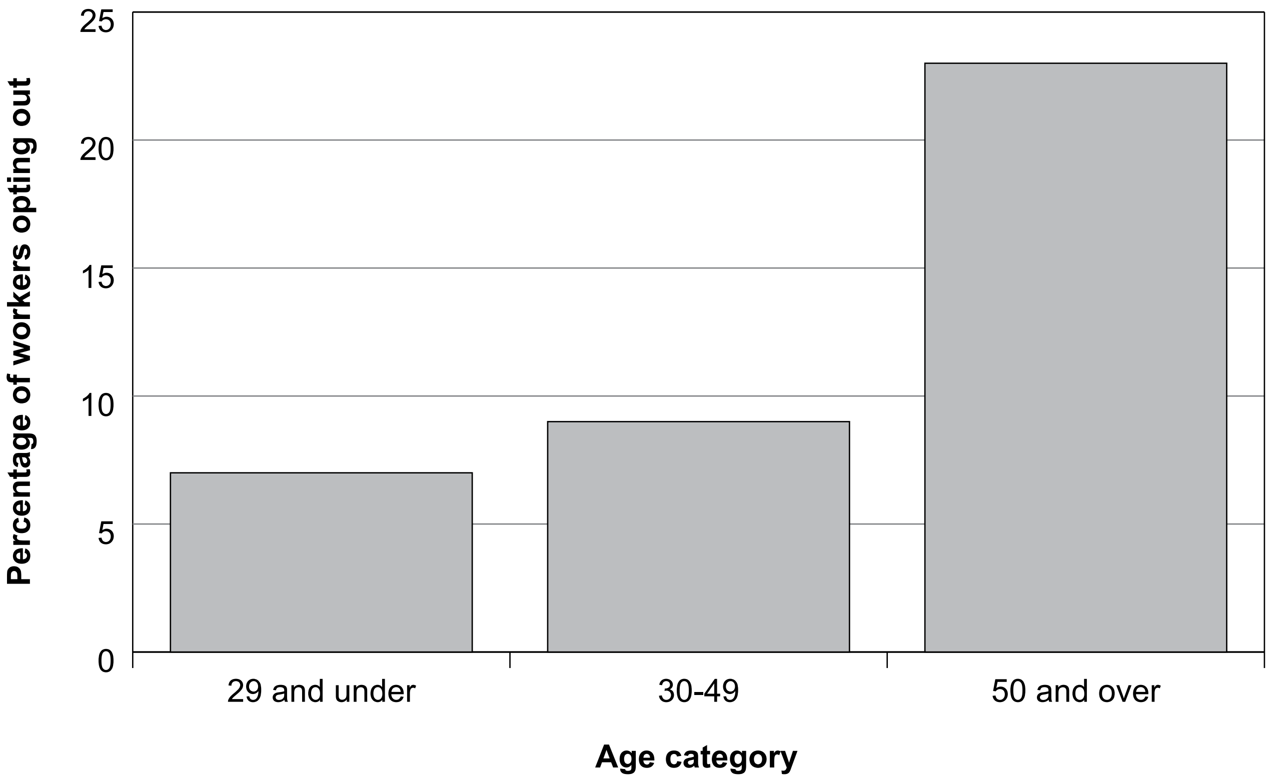
70 Employers who took part in the research ranged in size between 90-499 employees.

71 These figures are from qualitative research with employers who staged in 2014 and differ to The Pensions Regulator's monthly declaration of compliance data.

72 DWP (2014). *Automatic enrolment opt out rates: findings from qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/publications/automatic-enrolment-opt out-rates-findings-from-qualitative-research-with-employers-staging-in-2014

73 EPP 2013 analysis weighted by employees.

Figure 3.9 Worker opt out rates, by age category



Source: DWP ad hoc research release: *Automatic enrolment opt out rates: findings from qualitative research with employers staging in 2014*.
Note: Based on management information collected by 46 employers, representing roughly 7,200 workers of whom 2,600 were automatically enrolled.

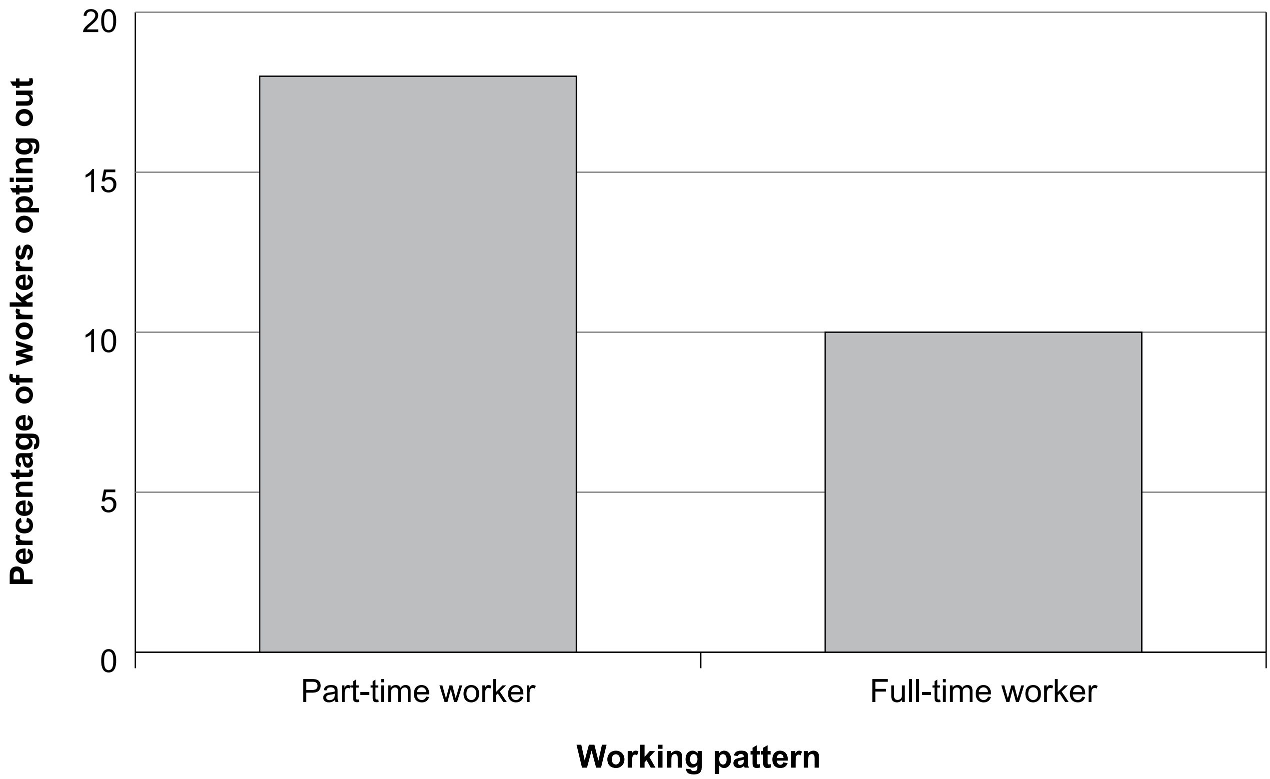
The working patterns of enrolled workers was also found to have a noticeable effect on opt out rates. Figure 3.10 shows that part-time workers were more likely to opt out than full-time workers (18 per cent compared with ten per cent).

A third demographic factor that showed some effect was gender, with the average opt out rate for women being slightly higher than the overall average figure (14 per cent compared with 12 per cent). However, as more women than men work part-time this may be the result of working patterns rather than a gender difference.

Other factors such as workers' salaries or contribution levels had no discernible effect on opt out rates.

In EPP 2013 employers were asked which type of employees had chosen to opt out, 28 per cent said this included low earners, 13 per cent said older employees, six per cent said this included young employees, four per cent said high earners, seven per cent said all employees and three per cent said it included those who already have a pension in place.

Figure 3.10 Worker opt out rates, by working pattern



Source: DWP ad hoc research release: *Automatic enrolment opt out rates: findings from qualitative research with employers staging in 2014*.
Note: Based on management information collected by 46 employers, representing roughly 7,200 workers of whom 2,600 were automatically enrolled.

3.4.3 Reasons for opting out

As part of the research with employers who staged in 2014, 100 workers who had opted out were interviewed about their reasons for doing so[74]. The reasons given all related to the workers' personal situations, with most relating to their financial position at different stages in their life course.

The most common reason given for opting out was that workers felt that they were unable to afford the worker contributions, generally citing day-to-day expenditure, housing costs or other types of saving as being of higher financial priority.

The second most common reason cited was that workers felt that they had already had sufficient provision in place for their retirement and did not need any additional provision. This tended to be cited by workers over 50, many of whom had workplace pensions from previous employment.

[74] DWP (2014). *Automatic enrolment opt out rates: findings from qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/publications/automatic-enrolment-opt out-rates-findings-from-qualitative-research-with-employers-staging-in-2014

Other reasons cited can be seen to stem from the belief that a workplace pension would not be an efficient means of saving for retirement at this stage because workers either; felt contributions to be too low, felt that they themselves were too close to retirement, were planning on moving to a different employer in the near-future or had concerns about pensions as a vehicle for saving.

3.4.4 Ceasing active membership

The research with employers who staged in 2014 sought to collect data on employees leaving workplace pension schemes for up to four months after being automatically enrolled by their employer. Over the two to three months following the closure of the opt out period, the average ceasing active membership rate was around two per cent. In other words, a 12 per cent opt out rate might increase to around 14 per cent when including all employees who left the scheme after two or three months of being automatically enrolled.

There were no measurable differences between different groups of employees ceasing active membership.

3.4.5 Opting in

Since the implementation of automatic enrolment, non-eligible jobholders have been able to opt in to a workplace pension scheme. In EPP 2013, this was found to be the case for 12 per cent of occupational schemes being used for automatic enrolment. Only one per cent of Stakeholder Pension (SHP) schemes and one per cent Group Personal Pension (GPP) schemes being used for automatic enrolment saw non-eligible employees opting in[75]. Employers were also asked for reasons why those who have opted in were not eligible. Among the reasons employers gave were: earnings below the National Insurance (NI) lower earnings limit (69 per cent); employees being below the minimum qualifying age of 22 (62 per cent); being over State Pension age (two per cent) and short-term/temporary contracts (one per cent)[76].

3.5 The effect of communication activity

To assist the delivery of the reforms, DWP has been undertaking communication activity to raise awareness and understanding of automatic enrolment among individuals.

In September 2012 the ‘I’m in’ campaign was launched and ran in three periods from September to November 2012, January to March 2013 and May to July 2013. One year on, in September 2013, the ‘We’re all in’ campaign was launched, designed to reflect the changing nature of the programme and leverage positivity around one million workers being automatically enrolled. It ran in three periods from October to December 2013, January to March 2014 and May to June 2014. Both iterations of the campaign ran across multiple channels, including television, video on demand, radio, press, digital and outdoor. As well as direct advertising, DWP also ran no-cost and paid-for partnerships with various media and brand partners. These partnerships targeted particular segments of the population that are less likely to have workplace pensions or to stay in once automatically enrolled.

75 The number of schemes, in EPP 2013 that had seen some opting in was relatively small and employers often were unable to report how many employees had opted in.

76 EPP 2013 analysis weighted by employees.

Through an independent tracking survey, the DWP has monitored the impact of the campaign through four Key Performance Indicators: awareness, positivity, social norms and intention. The March 2014 survey, carried out in March and April 2014, showed that campaign recognition was at its highest ever level at 85 per cent[77]. Most importantly, evidence suggests that the campaign is influencing individuals' intentions to stay enrolled, with those who had seen the adverts ('advert recognisers') being twice as likely to intend to stay enrolled as those who had not (50 per cent compared with 25 per cent).

3.5.1 Awareness of automatic enrolment

The communication activity to date has helped drive a strong awareness of automatic enrolment, with 74 per cent of all working-age adults interviewed being aware of automatic enrolment. Advert recognisers are substantially more aware than non-recognisers (79 per cent compared with 45 per cent). Awareness increases with how close individuals were to being automatically enrolled by their employers as they approach their staging date. Recall was greater among those who had seen multiple adverts (71 per cent among those who saw three or more adverts compared with 63 per cent of advert recognisers overall).

3.5.2 Positivity towards automatic enrolment

The vast majority of individuals interviewed view automatic enrolment and workplace pensions in a positive light, with 78 per cent saying that it is a good thing, 60 per cent saying that it makes sense to have a workplace pension if you have a job, and 49 per cent saying that a workplace pension was a good thing for them personally. As above, advert recognisers were more likely than non-recognisers to consider it to be a good thing (80 per cent compared with 66 per cent).

3.5.3 The social norms of workplace pension saving

A key indicator of the communication campaign's success is how much individuals see workplace pensions as something which their colleagues, friends and family participate in. For individuals who had not yet been automatically enrolled, 36 per cent expected that most employees in their workplace would stay enrolled; however, for those who had been enrolled, this doubled to 68 per cent.

The establishing of this social norm is partly due to word of mouth, with 30 per cent of individuals saying they had taken an action (such as speaking to other people about workplace pensions) as a result of seeing the campaign. Around a quarter (24 per cent) said they had talked about workplace pensions with friends, family or work colleagues in the last 12 months.

3.5.4 Intentions and outcomes

The tracking survey provides a strong correlation between the campaign and individuals' intentions to stay enrolled. For example, advert recognisers are twice as likely to intend to stay enrolled than those who have not seen any communications (50 per cent compared with 25 per cent). Across all those questioned, 45 per cent said they would stay in if enrolled, while 38 per cent were unsure and 17 per cent said they would opt out.

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[77] All findings within Section 5.3 are taken from DWP (2014). *Pensions portfolio: Automatic enrolment communications tracking research March 2014*. At:https://www.gov.uk/government/publications/pensions-portfolio-automatic-enrolment-communications-tracking-research-march-2014

Non-recognisers, those who say they have not seen the communication campaign, have become less likely to say they intend to stay in (from 48 per cent in July 2013 to 25 per cent in March 2014).

Individuals' actual actions once enrolled were more positive than their intentions: 80 per cent said they had stayed in after automatic enrolment, compared to 45 per cent who said they intended to stay in once enrolled. Just 15 per cent said they had opted out, which is broadly consistent with other reported findings on opt out rates (see Section 3.4.1).

3.6 Provision of information

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

The DWP is working with its delivery partners, the Money Advice Service (MAS) and The Pensions Advisory Service (TPAS), to provide accessible and effective information for individuals while the regulator is responsible for providing guidance for employers. The information is provided online, in keeping with the Government's digital by default approach, with telephony support also available. In the DWP's case, all digital content is hosted on the GOV.UK site in line with Government communications strategy.

3.6.1 Communications by employers to workers

Research with employers staging between January 2014 and July 2014[78] found that employers tended to use letter templates from The Pensions Regulator's website for their statutory written information to workers about automatic enrolment. Employers then often had to respond to employees' queries asking for clarification on how the process of automatic enrolment and opting out worked. Most employers were satisfied that these templates explained automatic enrolment well, although a small number felt that they were too verbose and difficult for their workers to understand.

Some employers made additional communication to their workers beyond the statutory minimum, using a range of methods such as posters, messages on the company intranet and information leaflets included with paper payslips. These strategies were often tailored to suit particular groups of workers.

[78] DWP (2014). *Automatic enrolment opt out rates: findings from qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/publications/automatic-enrolment-opt out-rates-findings-from-qualitative-research-with-employers-staging-in-2014

3.6.2 Enquiries from individuals about automatic enrolment

Individuals seeking information from DWP, MAS and TPAS about automatic enrolment were most likely to do so online. Between October 2013 and September 2014, delivery partner websites providing information about automatic enrolment had received more than 4.6 million total page views, the vast majority of which were to GOV.UK pages[79].

There were nearly 3,000 telephone enquiries and 429 written enquiries received from individuals across DWP, TPAS and MAS in this period. More than half of all telephone enquiries and nearly all of the written enquiries were received by TPAS. This is partly because DWP do not receive written enquiries, but also reflects TPAS's role in the delivery partnership, which is to handle any complex pension-related enquiries[80].

The increased number of enquiries from individuals, particularly website visits, reflects the increased number of people automatically enrolled in this period compared to the period covered in the last report. Despite this, there were still relatively few telephone and written enquiries, indicating that individuals generally did not feel the need to seek much information beyond the communications they received from their employers and what they could find online.

79 This figure is not representative of the number of unique users to the websites, as each user is likely to have visited several pages across DWP, MAS and TPAS websites. Data unavailable for TPAS page visits between March 2014 and September 2014 and MAS from June 2014.

80 Data supplied to DWP by its partners, TPAS data covers the period October 2013 to the end of September 2014 and MAS data covers the period October 2013 to the end of June 2014.

4 Increasing the amount of savings

Summary

- Once fully implemented, automatic enrolment aims to increase the amount being saved in workplace pensions by around £11 billion a year, within a range of £8 to £12 billion. In 2013, the annual total amount saved was £77.6 billion, an increase of £4.3 billion from 2012. In the public sector this has increased by £2 billion to £37.9 billion and increased by £2.3 billion to £39.7 billion in the private sector.
- Across both sectors, contributions by employees accounted for 29 per cent of saving, with employer contributions accounting for 61 per cent and tax relief the remaining ten per cent.
- In terms of the amount saved per eligible saver there has been a slight decline, in 2013, in the private sector. This is likely to be a result of the increased number of savers but the majority of contributions currently being at the minimum level prior to increasing as a result of phasing. In the public sector this has been increasing gradually.
- In order to manage costs employers may choose to reduce contributions or outcomes for existing pension scheme members, known as 'levelling down'. Department for Work and Pensions (DWP) research with employers found limited evidence of levelling down, with employers rarely reducing contribution levels in existing schemes for new members.
- DWP analysis found that the level of eligible savers experiencing some form of levelling down has remained relatively consistent, increasing slightly to seven per cent in 2013.
- Private pension wealth is the largest component of household wealth. Analysis of the 2010/12 Wealth and Assets Survey (WAS) shows that the total stock of net wealth for all eligible employees was around £3.2 trillion, with private pension wealth (excluding State Pensions) accounting for around half of the total. Net property wealth (including main and other properties) accounts for around 35 per cent, while net financial wealth accounts for around 15 per cent of the total.
- The median total net wealth of all eligible employees in 2010/12 was £80,100. Looking at the three components, net property wealth had the highest median value of £39,500. Median private pension wealth was lower at £20,000, with median net financial wealth considerably lower at £1,400. Up to 25 per cent of eligible employees had no private pension wealth at all.

4.1 Introduction

This chapter updates the baseline indicators designed to monitor trends in workplace pension saving, showing recent trends in the amount being saved, trends in employer contributions and household saving. Latest available results are only starting to reflect the impact of automatic enrolment implementation and as more individuals are enrolled the information sources in this chapter will provide evidence of any shift in workplace pension saving brought about by the reforms.

4.2 Trends in pension saving

Table 4.1 shows trends in the amount being saved in workplace pensions by eligible employees, by sector, using the 2013 Annual Survey of Hours and Earnings (ASHE) data.

The annual total amount saved across both sectors stands at £77.6 billion in 2013 which is an increase of £4.3 billion from 2012. The amount saved and this increase is split roughly half and half between the public and private sector, with the amount saved, in 2013, in the public sector increasing by £2 billion to £37.9 billion and in the private sector increasing £2.3 billion to £39.7 billion.

Across both sectors contributions by employees accounted for 29 per cent of saving, with employer contributions accounting for 61 per cent and tax relief the remaining ten per cent.

In terms of the amount saved per eligible saver this has been gradually increasing, since 2006, in the public sector. However, there has been a slight decline in the amount saved per eligible saver, in the private sector, in 2013. This is likely to be a result of the increased number of savers in the private sector (see Chapter 3) but the majority of contributions currently being at the statutory minimum level of two per cent prior to increasing as a result of phasing[81].

[81] The Government has set a minimum amount of money that has to be put into the pension by an employer and in total (i.e. employer and worker's contribution). This starts low and increases gradually over a number of years. The total minimum contribution will remain two per cent of the worker's salary of which the employer must contribute at least one per cent until 30 September 2017. From October 2017, the minimum contribution rises to five per cent of which the employer must contribute at least two per cent, and then rises again to a total of eight per cent of which the employer must contribute at least three per cent from 1 October 2018.

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

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public sector									
Total saved (£ billions)	**38.4**	**31.7**	**33.4**	**34.9**	**35.8**	**38.5**	**36.9**	**35.9**	**37.9**
Employee contributions	10.8	8.3	8.6	9.1	9.0	9.9	9.5	9.9	11.2
Employer contributions	24.4	21.0	22.4	23.2	24.3	25.9	24.6	23.1	23.1
Tax relief	3.0	2.4	2.4	2.5	2.5	2.8	2.8	3.0	3.6
Per eligible saver (£s)	*7,941*	*6,592*	*6,805*	*7,077*	*7,007*	*7,170*	*7,105*	*7,453*	*7,582*
Private sector									
Total saved (£ billions)	**44.0**	**41.3**	**41.3**	**41.6**	**38.6**	**37.7**	**36.4**	**37.4**	**39.7**
Employee contributions	11.1	10.3	10.3	10.8	10.2	10.0	9.5	9.9	11.3
Employer contributions	29.6	27.8	27.6	27.4	25.3	24.5	23.8	24.2	24.5
Tax relief	3.4	3.2	3.2	3.4	3.1	3.1	3.1	3.3	3.9
Per eligible saver (£s)	*6,157*	*5,746*	*5,799*	*6,043*	*6,095*	*6,287*	*6,282*	*6,323*	*5,965*
All employees									
Total saved (£ billions)	**82.4**	**73.1**	**74.7**	**76.3**	**74.4**	**76.2**	**73.3**	**73.3**	**77.6**
Employee contributions	21.9	18.6	18.8	19.9	19.2	19.9	19.0	19.7	22.5
Employer contributions	54.0	48.8	50.2	50.5	49.5	50.5	48.5	47.3	47.6
Tax relief	6.4	5.6	5.7	5.9	5.7	5.8	5.8	6.2	7.5
Per eligible saver (£s)	*6,878*	*6,085*	*6,210*	*6,465*	*6,501*	*6,704*	*6,670*	*6,831*	*6,659*

Source: DWP estimates derived from the ONS ASHE, GB, 2005 to 2013.
Notes:
1 Contribution information is only collected from 2005 onwards.
2 Annual earnings are uprated using Average Weekly Earnings values.

4.3 Employer contributions and levelling down

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

4.3.1 Employer responses to the costs of automatic enrolment

Since the introduction of automatic enrolment in October 2012, DWP has conducted research with a range of employers; qualitative research with large employers in 2012/13 and employers staging between January and July 2014; and the quantitative Employers’ Pension Provision survey in 2013 (EPP 2013); that have provided evidence of employers’ actual response to these costs.

According to the qualitative research, it was common for both large employers[82] and employers who staged in 2014[83] to set their contributions at the minimum level required for automatically enrolled workers (i.e. initially one per cent employee contribution matched by one per cent employer contribution). The main reason for this was to minimise costs. In some cases, employers offered to match higher contribution levels subject to the employee also contributing a higher amount themselves.

It was very rare for employers to reduce contribution levels in existing schemes for new members, though in some instances existing schemes were offered to non-members for a limited period, with those who would not opt in to these schemes being automatically enrolled into a master trust with lower contribution rates. EPP 2013 found that the majority of employers who had passed their staging date (92 per cent) chose not to alter their contribution rates for existing members of their workplace pension scheme.

EPP 2013 also found that 61 per cent of employers who had passed their staging date reported that the reforms had led to an increase in their total contributions. These employers responded to these costs in different ways. Most frequently they reported addressing this increase through an increase in their overheads (84 per cent) or through a reduction in their profits (64 per cent). Increasing prices was mentioned by 38 per cent of employers or changing the organisation's existing pension scheme by 15 per cent. Smaller employers were more likely than larger employers to increase the prices of their goods; whereas larger employers were more likely to report changing their existing pension scheme.

Few employers used postponement as a means of reducing the costs of automatic enrolment, with just one per cent of employers, who had opted to use postponement, reporting they had done so to save on contribution costs.

4.3.2 Levelling down strategies

Box 4.1 shows the nine different levelling down strategies that will be monitored throughout the evaluation[84]. In analysing the data, eligible employees who are existing members of a workplace pension can be placed in one of six 'destinations' as described in Box 4.2.

In this analysis each year shown represents the difference between that year and the previous year. For example, 2013 shows the differences between 2012 and 2013.

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

[83] DWP (2014). *Automatic enrolment opt out rates: findings from qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/publications/automatic-enrolment-opt out-rates-findings-from-qualitative-research-with-employers-staging-in-2014

[84] The Office for National Statistics (ONS) ASHE will be used to measure strategies 'a' to 'e', ONS Occupational Pension Schemes Survey (OPSS) will be used to measure strategies 'f' and 'g' and the DWP Employers' Pension Provision survey will be used to measure 'h' and 'i'.

Box 4.1 Strategies employers could use to level down contributions

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

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

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

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

e) Freeze the level of pensionable pay for employees.

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

g) Accrual rates of DB schemes could be lowered.

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

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

Box 4.2 Employee destinations for ASHE analysis of levelling down

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

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

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

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

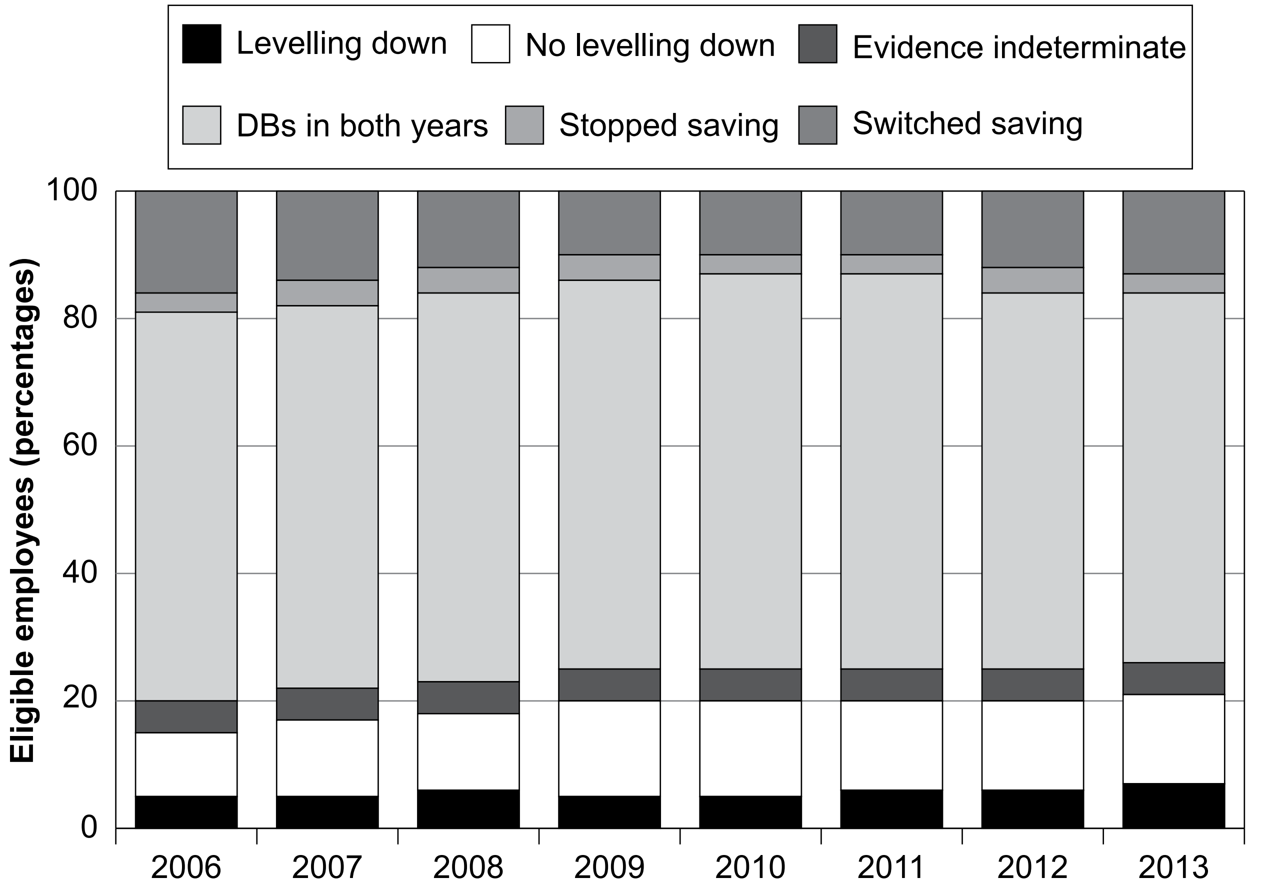
Pension type switched: Employees in this group must be saving in a workplace pension in Year 1 and saving in a different type of workplace pension in Year 2.

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

4.3.3 Levelling down for all eligible savers

Figure 4.1 shows a consistent level of levelling down over the period 2005 to 2013; around six per cent. However, there has been a marginal increase to seven per cent between 2012 and 2013. The main change has been a small drop in the proportion of eligible savers with DB schemes in both years from 62 per cent in 2011 to 58 per cent in 2013. This is observed as an increase in the proportion of those who have switched saving from ten per cent to 13 per cent in the same period.

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

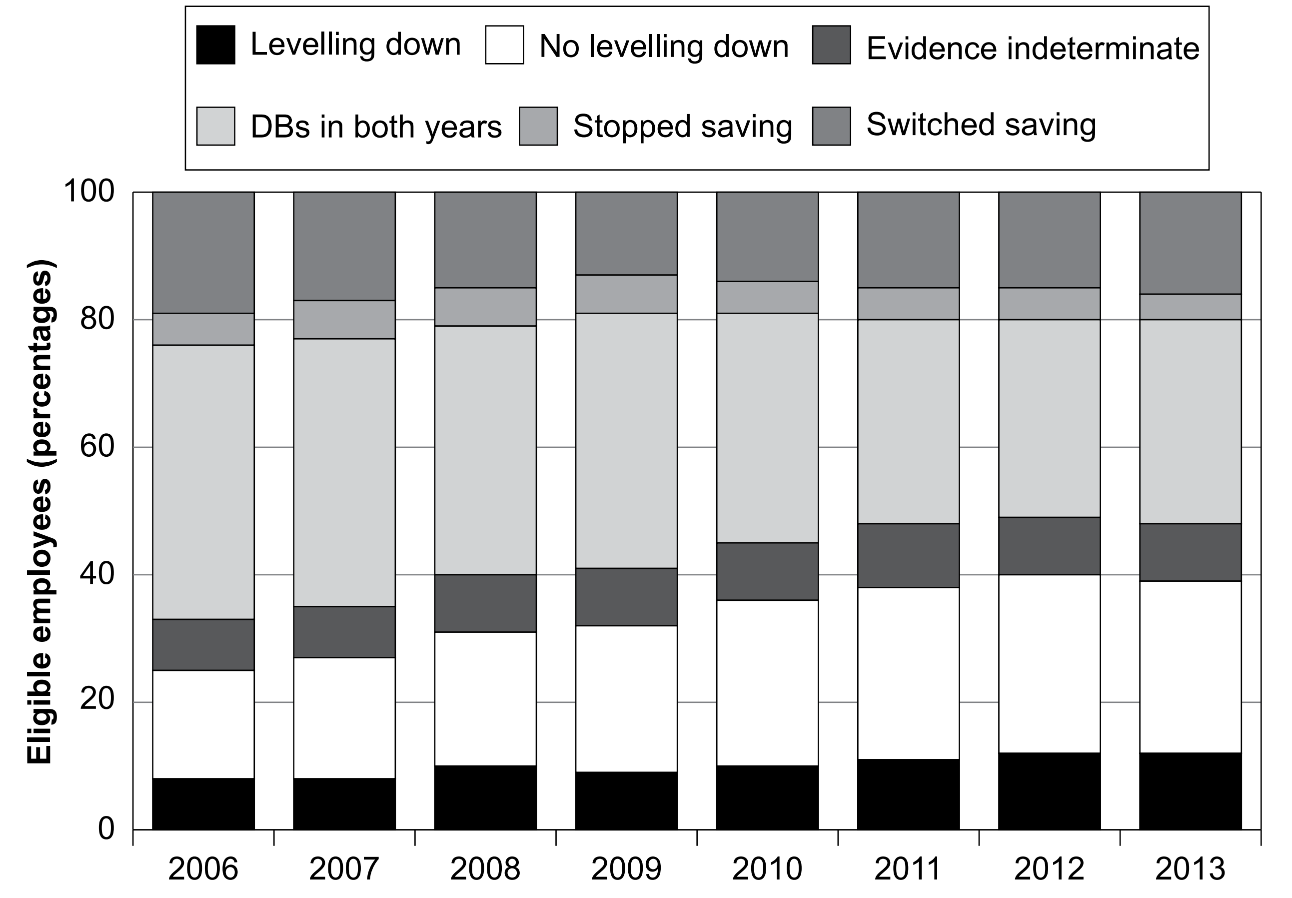


Source: DWP analysis of ONS unweighted longitudinal ASHE, GB, 2005 to 2013.

4.3.4 Levelling down by sector

Analysis of levelling down in the private sector in Figure 4.2 shows no change between 2012 and 2013, remaining at 12 per cent. The decline in the proportion of eligible savers in DB schemes in both years has stabilised at 32 per cent in 2013. The proportion of those who have switched saving has been increasing since 2009 from 13 per cent to 16 per cent in 2013.

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



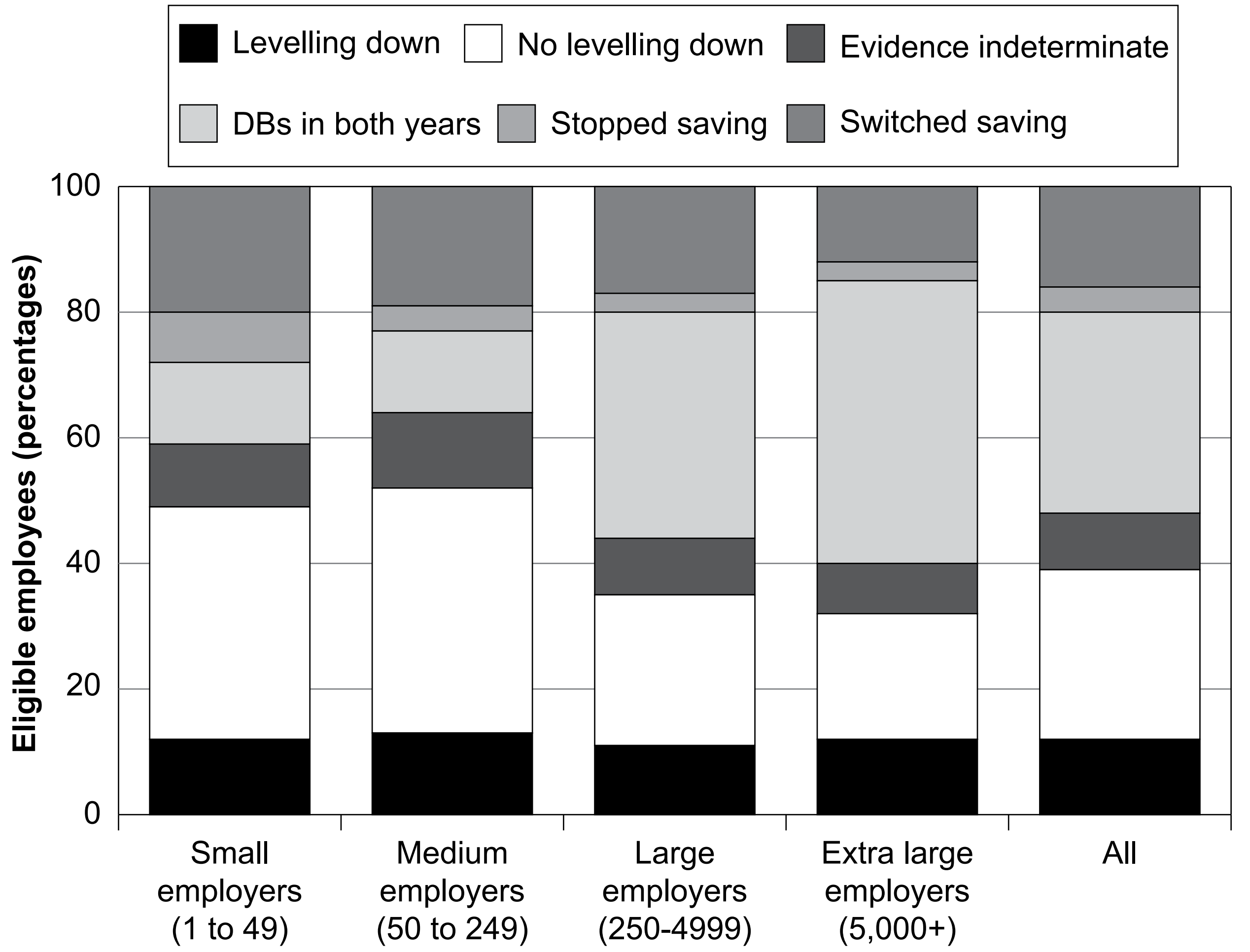
Source: DWP analysis of ONS unweighted longitudinal ASHE, GB, 2005 to 2013.

4.3.5 Levelling down by employer size

Figure 4.3 shows levelling down is broadly consistent across all employer sizes between 2012 and 2013, ranging from 12 per cent in small and extra large employers to 13 per cent in medium employers. Overall the average level of levelling down is 12 per cent across all employer sizes. The key difference by employer size is observed in the proportion of those in DB schemes in both years. This is much higher in large employers (37 per cent for large and 44 per cent for extra large) than in small and medium employers (both 13 per cent)[85].

[85] Employer size is defined as small: 0-49 employees, medium: 50-249 employees, large: 250-4,999 employees and extra large: 5,000+ employees.

Figure 4.3 Levelling down eligible savers employer contributions in the private sector, by employer size in 2013



Source: DWP analysis of ONS unweighted longitudinal ASHE, GB, 2012 to 2013.

4.3.6 Levelling down by industry

The industry with the highest prevalence of levelling down in the private sector, between 2012 and 2013, is ‘Distribution, Retail and Hotels’ with 20 per cent, closely followed by ‘Banking, Finance and Insurance’ with 14 per cent. The lowest prevalence is ‘Public Admin, Education and Health’ with four per cent; this sector also has the highest prevalence of DB schemes in both years (66 per cent).

4.3.7 Retirement benefits of DB schemes

Table 4.2 shows the different options for calculating retirement benefits of DB schemes. In the private sector a final salary scheme could potentially be levelled down to a career average, hybrid or DC scheme. Average of best year’s earnings saw the biggest drop between 2012 and 2013 to 0.5 million members. After falling by half in 2012, Best year’s earnings saw a slight recovery in 2013 to 0.5 million members.

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

					Millions
	2009	**2010**	**2011**	**2012**	**2013**
Earnings in period or point in time up to 12 months before retirement	0.7	0.6	0.5	0.6	0.5
Best year's earnings in last X years	0.8	0.7	0.8	0.4	0.5
Average year's earnings in last X years	0.3	0.3	0.2	0.2	0.2
Average of best Y years' earnings in last Z years	0.9	0.9	0.8	0.7	0.5
Average earnings over whole career revalued in line with prices	0.5	0.5	0.5	0.3	0.4
Average earnings over whole career revalued in line with earnings	0.0	0.0	0.0	0.0	0.0

Source: ONS Occupational Pension Schemes Survey (OPSS) Table 15, UK, 2009 to 2013.

Notes:

1 Data excludes schemes with fewer than 12 members.

2 Members may appear in more than one category.

3 The last two categories listed are career average schemes.

4.3.8 Membership by accrual rate of DB schemes

Table 4.3 shows the trend in the number of active members in private sector DB schemes by different accrual rates. While the number of members in schemes with accrual rates of 50ths or better and between 60ths and 80ths have not changed, there was an increase in a number of scheme types with 80ths showing the largest rise to 0.2 million members. There was a slight decrease in active membership within schemes with accrual rates of 60ths, from 0.7 million to 0.6 million.

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

				Millions
	2010	**2011**	**2012**	**2013**
50ths or better	0.1	0.1	0.1	0.1
Between 50ths and 60ths	0.1	–	–	0.1
60ths plus an additional lump sum	0.1	0.0	0.0	0.0
60ths	0.9	0.7	0.7	0.6
80ths plus 3/80ths lump sum	0.3	0.5	0.1	0.2
Between 60ths and 80ths	0.2	0.3	0.1	0.1
80ths	0.2	–	–	0.2
Less generous than 80ths	0.0	0.0	–	0.1

Source: ONS Occupational Pension Schemes Survey (OPSS), Table 12, UK, 2010 to 2013.

Notes:

1 – indicates cells that have been suppressed to protect confidentiality.

2 Excludes schemes with fewer than 12 members.

3 Excludes non-response.

4.4 Household wealth

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

The previous evaluation reports used the first and second wave of the ONS longitudinal Wealth and Assets Survey (WAS) to show the distribution of the total stock of household wealth for all eligible employees[86]. The analysis below updates the baseline measures with information from the third wave of the survey, carried out in 2010/12, and now provides information on private pension saving before the introduction of automatic enrolment[87].

4.4.1 Net wealth

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

In 2010/12 the total stock of wealth for all eligible employees was around £3.2 trillion. Pension wealth is the largest contributor and accounts for £1.5 trillion, around half of the total. Net property wealth (including main and other properties) accounts for £1.2 trillion, around 35 per cent, while net financial wealth accounts for £0.5 trillion, around 15 per cent of the total.

Table 4.4 shows that the median total net wealth for all eligible employees was £80,100. The 25th and 75th percentile values show considerable spread in net wealth, ranging from £25,800 to £188,600. When looking at the three key components of wealth, net property wealth for all eligible employees has the highest median value of £39,500. Median private pension wealth was lower at £20,000 with median net financial wealth considerably lower at £1,400.

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

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86 Improvements have been made to the wave 1 (2006/08) and wave 2 (2008/10) data included in previous reports based on the wave 3 data, as has the methodology for estimating private pension wealth, more information, available at: DWP (2014). *Statistics on Household Wealth* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/359271/household-wealth.pdf

87 Notes to accompany all WAS analysis:
1 An eligible employee is one who is not already in a qualifying pension arrangement, is aged 22 or over and under State Pension age, earns more than a specific threshold relevant to the survey year and works or ordinarily works in the UK.
2 The mean and other summary estimates are expressed to the nearest £100.

Table 4.4 Net wealth for all eligible employees

						£s
	Mean	**10th percentile**	**25th percentile (1st quartile)**	**50th percentile (Median)**	**75th percentile (3rd quartile)**	**90th percentile**
Private pension wealth	82,200	0	0	20,000	80,200	216,700
Financial wealth (net)	25,200	-7,500	-700	1,400	12,800	44,000
Property wealth (net)	62,100	0	8,000	39,500	80,000	140,000
Main property wealth (net)	51,900	0	3,500	35,000	72,000	123,000
Other property wealth (net)	10,200	0	0	0	0	17,500
Total wealth (net)	169,500	700	25,800	80,100	188,600	380,300

Source: DWP estimates derived from the ONS WAS, GB, 2010/12.
Notes:
1 These figures are for all eligible employees, including those with no savings.
2 Private pension wealth excludes accrued rights to State Pensions and pensions in payment.
3 Financial wealth excludes children's assets and trusts.
4 Some financial wealth and property tend to be held jointly by members of the same household. Such wealth has therefore been split equally among the number of adults in the household.

4.4.2 Private pension wealth

Table 4.5 shows three-quarters (75 per cent) of eligible employees had some level of private pension wealth (that is all pension wealth excluding accrued rights to State Pensions and pensions in payment). Median private pension wealth for all eligible employees still accumulating in 2010/12 was £20,000[88].

Looking in detail at private pension wealth (excluding those expected from a former spouse or partner), households can have both DB and DC types of pension wealth. In 2010/12, 53 per cent of eligible employees had occupational DB pension wealth and 39 per cent had DC pension wealth (excluding personal DC pensions). Mean DB pension wealth was £66,800, much higher than the equivalent for DC pensions which is £15,200. Likewise, the mean current DB wealth was £58,000 for eligible employees and is much higher compared to that for the current DC pensions of £5,100. The difference between DB and DC pension wealth occurs because DB pensions have been around for longer than their DC equivalents.

[88] Decreases in private pension wealth since last year's evaluation report (from WAS wave 2) are due to improvements to the financial assumptions underpinning private pension wealth calculations for wave 3 (2010/12). See *Chapter 7: Technical details, Wealth in Great Britain 2010-12*. At : http://www.ons.gov.uk/ons/dcp171776_362830.pdf

Table 4.5 Private pension wealth for all eligible employees

							£s
	%	**Mean**	**10th percentile**	**25th percentile (1st quartile)**	**50th percentile (Median)**	**75th percentile (3rd quartile)**	**90th percentile**
DB pension wealth, of which:	53	66,800	0	0	4,200	52,700	186,100
Current occupational DB pensions	44	58,000	0	0	0	37,900	160,600
Retained rights in DB pensions	15	8,800	0	0	0	0	12,400
DC pension wealth, of which:	39	15,200	0	0	0	8,400	40,000
Current occupational DC pensions	17	5,100	0	0	0	0	9,200
Retained rights in DC pensions	13	4,500	0	0	0	0	2,600
Personal pensions	15	5,100	0	0	0	0	8,200
AVCs	2	400	0	0	0	0	0
Total private pension wealth (excluding pensions in payment)	75	82,200	0	0	20,000	80,200	216,700

Source: DWP estimates derived from the ONS WAS, GB, 2010/12.

Notes:

1 These figures are for all eligible employees, including those with no pension saving.

2 The pension wealth values at the lower end of the distribution are mostly zeroes.

3 An individual may appear in more than one category as individuals may have more than one type of pension.

4 DC pension wealth also includes remaining value of pension funds for drawdown; results are not shown separately due to small sample size.

4.4.3 Financial wealth

Net financial wealth for all eligible employees has been calculated by deducting any financial liabilities from financial assets. Table 4.6 shows the mean value of net financial wealth was £25,200 and the median value of their net financial wealth was £1,400[89].

89 Mean estimates for financial wealth have been impacted by a significant outlier in the WAS 2010/12 sample. Users are advised not to interpret these estimates in isolation, but in the context of the percentile distribution provided. Median values are the preferred measure of the average for skewed distributions such as financial wealth.

Table 4.6 Net financial wealth for all eligible employees

							£s
	%	**Mean**	**10th percentile**	**25th percentile (1st quartile)**	**50th percentile (Median)**	**75th percentile (3rd quartile)**	**90th percentile**
Financial assets	94	28,400	0	300	2,700	14,500	45,800
Financial liabilities	49	3,200	0	0	0	3,300	10,400
Net individual financial wealth	99	25,200	-7,500	-700	1,400	12,800	44,000

Source: DWP estimates derived from the ONS WAS, GB, 2010/12.

Notes:

1 These net financial wealth estimates are for all eligible employees, including those with no or negative financial wealth.

2 Financial assets include current accounts (excluding overdrawn accounts), savings accounts, ISAs, National Savings certificates and bonds, shares, insurance products, fixed term bonds, Personal Equity Plans, employee shares and share options, unit/investment trusts and bonds/gilts.

3 Joint accounts were split equally among the number of adults in the household to calculate individual financial wealth.

4 Financial liabilities comprise overdrawn current accounts, non-mortgage borrowing and arrears on household bills. Non-mortgage borrowing comprises credit or store cards that are not settled in full each month, overdrafts and all forms of fixed-term loans. Arrears are defined as falling behind with household bills, mortgages or non-mortgage borrowing repayments.

5 The 99 per cent estimate of ‘net individual financial wealth’ refers to the 69 per cent of individuals with net assets and 30 per cent with net liabilities.

4.4.4 Property wealth

The distinction between main residence and other property is important as individuals may not be willing or able to extract wealth from their current home (to support future retirement income) but additional properties may be indicative of second homes or buy-to-let properties. Table 4.7 shows 80 per cent of eligible employees have net property wealth. When disaggregating the property wealth into main and other, 78 per cent had main net property wealth and 14 per cent had other property wealth. The median value of property wealth, when including both main and other property, was £39,500.

Table 4.7 Net property wealth for all eligible employees

							£s
	%	Mean	10th percentile	25th percentile (1st quartile)	50th percentile (Median)	75th percentile (3rd quartile)	90th percentile
Main net property wealth	78	51,900	0	3,500	35,000	72,000	123,000
Other net property wealth	14	10,200	0	0	0	0	17,500
Total net property wealth	80	62,100	0	8,000	39,500	80,000	140,000

Source: DWP estimates derived from the ONS WAS, GB, 2010/12.
Notes:

1 These figures are for all eligible employees, including those with no property wealth.
2 Respondents tend to over report the value of their property in the surveys. The point of reference is likely to be asking prices which they have seen advertised rather than ‘sold prices’, which reflect true market value.
3 Net property wealth is calculated as the sum of the values for the main residence plus any other property, minus the value of mortgage liabilities and equity release.
4 Property wealth held at household level were split equally among the number of adults in the household to calculate individual property wealth.
5 The 80 per cent with total net property wealth is smaller than the sum of proportions with main and other property wealth as some individuals own both types of property and are counted twice.

5 Understanding the wider context

Summary

- Qualitative research with employers staging between January 2014 and July 2014 found that they rarely incurred substantial ad hoc costs as a result of implementing automatic enrolment, with the average implementation cost being between £200 and £700. Generally employers stated that their most significant cost had been in the time taken to complete tasks.
- Employers staging in 2014 that had existing pension provision tended to offer contribution rates above the statutory minimum, whereas employers who offered no previous schemes or stakeholder schemes tended to offer the statutory minimum contribution. In some cases employers offered higher matched contributions subject to the worker also contributing a higher amount.
- Whilst many of the interviewed employers staging in 2014 had a pension scheme prior to automatic enrolment, most of them were unable to use this scheme for automatic enrolment and therefore had to choose a pension scheme for those being automatically enrolled. Master trusts were commonly used by these employers.
- Lessons for smaller employers were to start preparing early, between six and nine months in advance, making time to fully understand the requirements of the automatic enrolment legislation, prepare management databases and research different pension schemes and payroll software.
- Data published by The Pensions Regulator shows the majority of employers (72 per cent) enrolled eligible workers into Defined Contribution (DC) schemes, representing 82 per cent of those enrolled. Of those employers who automatically enrolled their workers into a DC scheme, around 28 per cent chose to use a master trust, which equates to a fifth (20 per cent) of all employers and a quarter (25 per cent) of all automatically enrolled workers.
- The large number of savers being automatically enrolled into DC schemes means that the standards of governance and administration of these arrangements is very important for savers' outcomes. Therefore the regulator's Code of Practice and the Government's *Better workplace pensions: further measures for savers* publication set out scheme governance requirements.

5.1 Introduction

This chapter updates the wider context in which the outcomes of the reforms are achieved by considering the impact on employers, the pensions industry and landscape.

5.2 Impact on employers

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

• administrative costs;

• contribution costs;

• pension scheme choice; and

• views and attitudes on the level of burden.

In order to assess the impact on employers and to identify lessons for other employers yet to stage, the Department for Work and Pensions (DWP) commissioned qualitative research with 50 employers with staging dates between January 2014 and July 2014. The research aims to build on a similar study of large employers who implemented automatic enrolment in 2012 and 2013[90], to provide detailed evidence of the impact on employers in the four areas listed above. It is important to note that the findings reported here are based on employers staging in 2014[91] who will have different characteristics to small employers who have yet to start automatic enrolment. While it is not possible to generalise findings to the whole employer population, the research has identified some issues that would be relevant to all employers. Findings from the quantitative 2013 Employers' Pension Provision survey (EPP 2013), which surveys all employer sizes, have been incorporated where relevant.

5.2.1 Administrative costs for employers

In general, employers staging in 2014 rarely incurred substantial ad hoc costs as a result of implementing automatic enrolment, with the average implementation cost being between £200 and £700. In this, they differed from the large employers who staged in 2012/13 and incurred substantial costs.

This difference in cost can be explained by the large employers' use of paid external advisers, which many employers staging in 2014 did not see as necessary. This is not to say that these employers did not seek external advice, but rather that these employers tended to seek free informal advice such as through existing relationships with payroll advisers or communications with other employers. For the small number of employers staging in 2014 that did pay for external advice their costs rose substantially, with most having costs in the low thousands and a few having costs in excess of £10,000.

Many of the employers staging in 2014 were comfortable with the administrative costs of implementation, as they had tended to be low. Generally employers stated that their most significant cost had not been in money but in time taken to complete tasks. This is because those responsible for automatic enrolment, usually teams of just one or two people, were undertaking this work in addition to their usual duties, with some working additional hours to complete implementation. This is again different to the large employers, who tended to manage implementation as they would other projects by assigning a dedicated project team to work on it.

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

91 Employers who took part in the research ranged in size between 90-499 employees.

In EPP 2013, of the employers that had started automatic enrolment, 26 per cent found that the reforms had led to an increase in administrative costs, with larger employers more likely to have reported an increase. Processing opt outs and communicating automatic enrolment were considered administratively burdensome activities[92]. Larger employers (those with 5,000 or more employees) found the administrative tasks most burdensome, with an average rating of seven out of ten given to processing opt outs and six out of ten given to communicating automatic enrolment. This can be compared to ratings of two and three among organisations with less than 5,000 employees. Declaring compliance with The Pensions Regulator and processing opt ins were considered less administratively burdensome, resulting in an average rating of one out of ten for each, across all employers interviewed.

5.2.2 Ongoing costs

As with employers staging in 2012 and 2013, it was common for employers staging in 2014 to expect that ongoing administration will require relatively little work and cost. Most felt that they now had the expertise and resources to cope in the future, with many citing that repeated practice made administrative tasks much easier. This was often aided by increased expertise with pension-related functions of payroll software.

5.2.3 Contribution costs for employers

Contribution costs were a key factor for employers, particularly affecting employers who were automatically enrolling a large proportion of their workforce. Employers who had existing pension provision tended to offer contribution rates above the statutory minimum, whereas employers who offered no previous schemes or stakeholder schemes tended to offer the statutory minimum contribution of two per cent (split between one per cent from the worker and one per cent from the employer).

In some cases, employers did offer more than the minimum employer contribution in exchange for increased contributions from workers. It was rare for employers with existing pension schemes to offer reduced rates to automatically enrolled workers, although there were some cases where employers offered new workers the chance to join an existing scheme with higher contributions, with those declining being automatically enrolled at the minimum contribution rate.

In EPP 2013 the majority of employers who had passed their staging date (92 per cent) chose not to alter their contribution rates for existing members of their workplace pension scheme. Across all schemes used for automatic enrolment the average contribution received by active members was seven per cent[93]. In occupational schemes, the average contribution rate was nine per cent; in Stakeholder Pensions (SHP) five per cent and in Group Personal Pensions (GPP) six per cent.

Contribution costs were a factor in the use of postponement for some employers staging in 2014 seeking to delay having to make contribution costs. Some of these employers sought to postpone particular groups of their workforce, such as those on zero-hours contracts, whose eligibility may have been difficult to determine.

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92 Employers were asked to rate the burden arising from each of these tasks on a scale from one to ten, where one equated to ‘not burdensome’ and ten equated to ‘very burdensome’.

93 This is the mean average contribution. The median average was six per cent.

Many employers staging in 2014 felt that the current statutory minimum contribution costs were manageable, however, many expressed concerns about the rising costs of employer contributions. Those that felt that this would pose a financial challenge to the company discussed potential strategies for dealing with this such as reassessing salary increases, reassessing future worker recruitment and increasing prices or fees.

In EPP 2013, 61 per cent of employers who had passed their staging date reported that the reforms had led to an increase in their total contributions[94], see Section 4.3.1 for more information about employers' actual response to the costs of automatic enrolment and any levelling down strategies. Phasing in contributions for new members was reported by 19 per cent of employers, and it was more common among employers who either had a pension scheme with no members or no pension scheme prior to passing their staging date (27 per cent combined). Only 18 per cent of employers who had employees in a workplace pension scheme before passing their staging date reported they would be phasing in contributions for new members.

Among employers who had started automatic enrolment, 61 per cent had opted to phase in contributions for all employees. The most likely contribution rate for this group was less than three per cent. Around three-quarters (76 per cent) of employers who had passed their staging date planned a contribution rate after the phasing in period of three per cent, 22 per cent planned between three per cent and six per cent; and three per cent planned on a contribution rate of over six per cent (EPP 2013).

The majority of employers (89 per cent) anticipated that once phasing was completed, all members would receive the same rate. Larger employers were more likely than smaller employers to be planning to implement variable contribution rates. Among the small proportion (11 per cent) of employers who were planning variable rates the most popular ways they are likely to be implemented are; by date of employment (31 per cent), employee grade (27 per cent) and scheme (16 per cent).

DWP analysis of EPP 2013 has explored likely contribution rates after any phasing in periods have passed. It estimated that 44 per cent of eligible employees in automatically enrolling organisations would receive an employer contribution of three per cent; 29 per cent are likely to receive between three and six per cent; and, 28 per cent are likely to receive six per cent or more[95].

5.2.4 Pension scheme choice

Whilst many of the employers staging in 2014 had a pension scheme prior to automatic enrolment, most of them were unable to use this scheme for automatic enrolment and therefore had to choose a pension scheme for those being automatically enrolled.

Master trusts, such as National Employment Savings Trust (NEST), the People's Pension and Now: Pensions, were commonly used for employers setting up new pension schemes. This was due to some employers having been rejected by traditional providers, on the grounds of insufficient size, and knowing other similarly-sized employers were using them. Some employers cited the positive features of master trusts, such as their low cost

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94 EPP 2013 fieldwork undertaken between June and November 2013 when employers with 800-4,999 employees were passing their staging date for automatic enrolment.

95 These estimates should be treated with some caution, however, as it was possible to make such calculations among only three-quarters of all automatically enrolling firms.

structures. Another welcomed feature, for employers with high levels of staff turnover, was the portability of individual pension funds, as this would make it easier for workers to keep track of their pensions. NEST was perceived to be ‘the Government pension scheme’, from which employers inferred that it was reliable, with some employers believing that they had to place automatic enrolment pension funds in NEST.

In EPP 2013, among employers who had passed their staging date, 55 per cent sought information or advice on the choice of scheme, 47 per cent had sought information or advice when reviewing their current provision, whilst 29 per cent had sought information or advice when choosing a provider.

Across employers who have passed their staging date, a range of schemes have been used to meet their automatic enrolment requirements, with 12 per cent of occupational schemes being used for automatic enrolment in 2013. One in ten SHP schemes were also being used for automatic enrolment and 26 per cent of GPP schemes.

5.2.5 Employer views and attitudes on the level of burden

Research conducted with employers staging in 2014 describes in detail the challenges and issues they faced in planning for and implementing automatic enrolment. These employers generally began preparing for automatic enrolment three to six months before implementation, a much shorter period than found in previous research conducted with large employers who began preparations one to two years in advance. Those responsible for implementation were not usually pension specialists.

Unlike the large employers, employers staging in 2014 did not face significant challenges in assessing their workforce’s eligibility, except in cases of particular populations such as those on zero-hours contracts. This can be attributed to the reduced complexity of administering smaller populations of workers, often using a much simpler payroll software package. The main challenge faced by these employers was making time to administer the implementation of automatic enrolment as this was expected to be done on top of usual duties, with many of those responsible for implementation not being pensions specialists and reporting that they worked additional hours to complete tasks.

5.2.6 Lessons for smaller employers

The most common advice that the employers staging in 2014 would give to other employers implementing in the future was to start early. This was also advised by the large employers, although it is interesting that their definitions of ‘early’ were quite different, with large employers recommending between 12 and 18 months to prepare, and the employers staging in 2014 advising between six and nine months. The most important reasons given for starting preparations early were to fully understand the requirements of the automatic enrolment legislation and to prepare management databases to ease the assessment of workers’ eligibility. They also advised to use this time to research different pension schemes available and to determine what payroll software could be most easily added to facilitate pension contributions.

However, employers also stressed that there was a limit to what could be done more than a month in advance of staging, especially for those employers whose workers had variable earnings, who found it counter-productive to try to assess their workforce’s eligibility far ahead of the staging date.

The final piece of advice given by employers staging in 2014 was to openly communicate automatic enrolment to workers in an appropriate and accessible way. This involved giving workers time to develop an understanding of how it would affect them and leaving an 'open door' to answer any workers' queries.

5.3 Pensions landscape

This section monitors trends in private and occupational pension scheme provision, using a number of key sources, throughout the implementation of automatic enrolment. However, it should be noted that it may not be possible to directly attribute changes to the workplace pension reforms because of being unable to formulate a robust industry level counterfactual (a view of the landscape in which the reforms did not happen). Changes to pension legislation that are relevant to automatic enrolment are also covered in this section.

5.3.1 Employer sponsored schemes

Three sources are used in Table 5.1 to illustrate trends in the number of private sector occupational Defined Benefit (DB) and Defined Contribution (DC) schemes and their status: the Occupational Pension Schemes Survey (OPSS), Purple Book and DC Trust publications. While a direct comparison between the sources is not possible due to differences in the way in which schemes are counted, all sources show a general decline in open DB schemes with OPSS showing a slight increase in open DC schemes.

Section 5.2.3 mentions EPP findings on pension scheme choice, and data published by the regulator[96] shows the range of scheme types being used by employers for automatic enrolment up to 31 March 2014. The majority (72 per cent) enrolled eligible workers into DC schemes, representing 82 per cent of those enrolled. Of those employers who automatically enrolled their workers into a DC scheme, around 28 per cent chose to use a master trust, which equates to a fifth (20 per cent) of all employers and a quarter (25 per cent) of all automatically enrolled workers.

Previously the regulator reported[97] that the majority of employers (79 per cent) were enrolling their eligible workers into existing DB schemes, whereas in this year's report this stood at only 17 per cent of employers. The earlier figures were based on predominately large employers, where DB schemes are most prevalent, so it was to be expected that this percentage would drop as smaller employers began staging.

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96 The Pensions Regulator (2014). *Automatic enrolment: Commentary and analysis*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2014.pdf

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

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

Number

	OPSS									Purple Book	DC Trust
Year	Open DB	Closed DB	Frozen DB	Winding up DB	Open DC	Closed DC	Frozen DC	Winding up DC	Total	DB	DC
2009	2,180	4,690	1,740	1,690	22,500	11,630	2,260	1,420	48,110	n/a	48,820
2010	1,480	4,000	3,320	770	19,900	8,850	5,040	480	43,850	6,850	44,420
2011	2,930	2,830	2,820	960	19,480	9,520	4,080	1,080	43,690	6,550	41,890
2012	2,690	3,320	3,600	1,150	19,640	8,070	4,660	600	43,730	6,460	38,690
2013	2,500	2,660	2,980	680	19,890	7,910	4,270	230	41,110	6,225	37,690

Sources: ONS Occupational Pension Schemes Survey (OPSS), The Pensions Regulator (TPR)/ Pension Protection Fund (PPF) Purple Book and information from The Pensions Regulator's DC Trust publication, 2009 to 2013.

Notes:

1 OPSS data as at 6 April 2013.

2 TPR/PPF data as at end 31 March 2013, excludes hybrid schemes. The Purple Book 2013 amended the estimated eligible DB universe figures to exclude schemes in assessment but comparative figures for 2009 are not available.

3 Since the baseline report, DC Trust figures are calculated on different time periods and the table has been updated to reflect this.

4 Figures for scheme numbers based on OPSS have always been weaker than other OPSS estimates as the survey is designed primarily to measure membership numbers. A review in 2011 improved the methodology for weighting estimates of scheme numbers, but the problem of sampling variability was not solved by the new methodology – the sample size remains smaller than that required to produce reliable estimates for scheme numbers.

5 There was an alteration in the processing for the 2013 OPSS results that may have resulted in a break in the time series, therefore any change between 2012 and 2013 should be treated with caution.

6 OPSS figures only count DB and DC schemes with one section and will therefore not be representative of counts of all benefit types. Therefore caution should be exercised in comparing counts with other sources shown.

7 Totals may not sum to the nearest 10 due to rounding.

5.3.2 Non-employer sponsored schemes

In addition or as an alternative to workplace pension saving, individuals may also be members of non-employer sponsored schemes in the form of personal pensions or SHPs. Table 5.2 shows the trend in the number of active non-employer sponsored pension schemes and average contributions made into those schemes, including any employer contributions. The number of non-employer schemes has declined steadily over time, however, average contribution levels have continued to increase.

Table 5.2 Number of non-employer sponsored pension schemes being contributed into and the average contribution

	Personal Pension		Stakeholder Pension		All	
	Number (000s)	Average Contribution £s	Number (000s)	Average Contribution £s	Number (000s)	Average Contribution £s
2006/07	6,120	1,574	850	2,047	6,970	1,631
2007/08	5,940	1,758	870	2,241	6,810	1,819
2008/09	5,590	1,678	890	1,933	6,480	1,713
2009/10	5,310	1,565	850	1,953	6,160	1,619
2010/11	4,870	1,542	740	2,162	5,610	1,624
2011/12	4,680	1,812	740	2,162	5,420	1,869
2012/13	4,270	1,836	680	2,235	4,950	1,891

Source: HMRC Tables Pen2.1 and 2.2, 2006/07 to 2012/13
http://www.hmrc.gov.uk/statistics/pension-stats.htm
Notes:
1 Includes employer and individual contributions, tax relief paid to pension schemes and minimum contributions received by members who have contracted out of the State Pension.
2 Number of members for contracted-out plans may include members with zero earnings who will not receive minimum contributions.
3 Average contributions are derived by DWP and calculated by dividing total amount of contributions by number of members.
4 Totals may not sum to the nearest 10 due to rounding.

5.3.3 Principles for good quality employer sponsored workplace DC schemes

The majority of employers that have already staged have chosen a DC arrangement for automatic enrolment (see Section 5.3.1) and we expect this trend to continue. The large number of savers being automatically enrolled into DC schemes means that the standards of governance and administration of these arrangements is very important for savers' outcomes. In November 2013, The Pensions Regulator's *Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes* came into force. Based on a number of specified DC quality features, the Code and accompanying regulatory guidance set out the legal requirements and standards of governance and administration that trustees of occupational DC trust-based schemes need to attain[98].

The regulator has been monitoring the presence of the DC quality features in single-employer and master trusts. Its 2014 annual DC features survey showed some encouraging improvements, with schemes being used, or planned to be used, for automatic enrolment showing a greater number of key governance and administration standards present. The key findings were as follows:

98 The Pensions Regulator (2013). *Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes*. At: http://www.thepensionsregulator.gov.uk/docs/code-13.pdf

Master trusts

- All master trusts surveyed (17) were aware of the DC quality features. Eight master trusts had reviewed their scheme against them, six had plans to review in the next year and three were unsure of what their plans were.
- Eleven master trusts stated they were being used for automatic enrolment – of these, all had either reviewed their feature presence or planned to in the next six months.
- On average all master trust schemes had 22 of the 29 features measured present. The figure was higher for master trusts being used for automatic enrolment, with 25 present on average.

DC and hybrid schemes

- Awareness of the features was highest among large DC and large hybrid schemes (98 per cent and 100 per cent) and lowest among small DC schemes (68 per cent).
- There was variation in presence of the DC quality features by scheme size. Among the 30 features measured, large hybrid schemes had 25 on average, DC large schemes had 24, medium schemes had 21, and small schemes had 15 features present on average. Only seven per cent of small DC schemes had 24 or more of the features present.

Additionally, in March 2014, the DWP consulted on a number of minimum governance standards for workplace DC pensions to support automatic enrolment and announced a cap on member-borne charges for default funds in qualifying schemes. The minimum standards build on the regulator's DC quality features, and require schemes to have a chair of trustees who must report annually on how the scheme meets the governance standards and charge cap. There are also new requirements to strengthen the independent governance of master trusts, including that independent trustees must make up the majority of the board. DWP consulted, between 17 October and 14 November 2014, on the draft regulations that will bring these standards into operation in occupational schemes. Subject to Parliamentary approval, regulations will come into force on 6 April 2015. The regulator will incorporate the new requirements into its regulatory activities.

Financial Conduct Authority (FCA) consulted, between 6 August and 10 October 2014, on new rules to introduce Independent Governance Committees to provide oversight on behalf of members of contract-based schemes from April 2015.

5.3.4 Defined Ambition pension schemes

The Government introduced the Pension Schemes Bill in the House of Commons on 26 June 2014[99]. The Bill introduces new legislation to set out definitions of shared risk (or 'Defined Ambition' (DA) pensions) to encourage schemes with greater risk sharing between parties which offer members more certainty during the accumulation phase than traditional DC schemes. DA pensions are those in which employers and providers share risks with savers – while collective pension arrangements allow members to share or pool risks between themselves to potentially provide a more stable outcome than traditional DC[100]. DA schemes and collective benefits pension arrangements can be used for automatic enrolment, provided they meet the automatic enrolment qualifying criteria.

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99 Pension Schemes Bill 2014 to 2015. At: https://www.gov.uk/government/collections/pension-schemes-bill-2014-to-2015#shared-risk-also-known-as-defined-ambition

100 DWP (2014). *Reshaping workplace pensions for future generations*. At https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/322647/reshaping-workplace-pensions-for-future-generations-response.pdf

5.4 Charge structures

In March 2014, the Government published *Better workplace pensions: further measures for savers*[101]. This formed the response to its summer 2013 Call for Evidence on minimum quality standards and its autumn 2013 consultation on charges in workplace DC pension schemes.

As well as measures on scheme governance and transparency, the March command paper announced a 0.75 per cent cap on charges in the default funds of DC schemes used for automatic enrolment from April 2015. This cap will apply to all member-borne deductions, excluding transaction costs. It also provided detail on combination charges which would be permitted under the cap.

The Command Paper also announced that: from April 2015 the existing ban on consultancy charges would be extended to all DC schemes used for automatic enrolment; and that from April 2016 no DC scheme used for automatic enrolment should contain an Active Member Discount or similar mechanism which results in higher charges for deferred members, or member-borne commission payments to an adviser. Between April 2015 and April 2016, commission payments and charges for deferred members will be subject to the default fund charge cap.

In October 2014 DWP published *Better workplace pensions: putting savers' interests first*[102] which included proposed regulations to bring the charges measures into operation for occupational schemes. Subject to Parliamentary approval, regulations will come into force from 6 April 2015. The regulator will incorporate the new requirements into its regulatory activities. FCA are consulting on equivalent rules for members of contract-based schemes between 30 October and 31 December 2014.

Finally, the March Command Paper also announced that the Government would examine, in 2017, whether some or all transaction costs should be included in the default fund charge cap, and whether the level of the cap should be lowered.

5.4.1 Pension Landscape and Charges Survey results

The baseline report showed annual management charge (AMC) levels for trust-based and contract-based schemes using the DWP's Pension Landscape and Charges Survey last carried out in 2011. The latest results are from research carried out during spring 2013[103]. Overall, there has been little change in the average AMC levels recorded in the 2011 survey. Charge levels in trust-based pension schemes increased slightly from 0.71 per cent in 2011 to 0.75 in 2013. In contrast, charge levels in contract-based schemes have fallen slightly from 0.95 per cent in 2011 to 0.84 per cent in 2013.

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101 DWP (2014). *Better workplace pensions: Further measures for savers*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/298436/better-workplace-pensions-march-2014.pdf

102 DWP (2014). *Better workplace pensions: Putting savers' interests first*. At: https://www.gov.uk/government/consultations/better-workplace-pensions-putting-savers-interests-first

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

5.5 Wider impacts of the reforms

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

6 Long-term impacts of the reforms

Summary

- In the long-term automatic enrolment is expected to halve the number of people retiring with no private pension income at all from 27 per cent to 12 per cent in 2050.
- Automatic enrolment is also predicted to significantly reduce the number of people of people facing inadequate retirement incomes. It largely removes the problem of people not saving for a pension whilst in work, it is estimated that over 5.5 million more individuals will spend over 70 per cent of their working lives contributing to a workplace pension after the reforms. Inadequate incomes, in this sense, are where an individual's retirement income is lower than their income prior to retirement to such a degree that they are unlikely to maintain their standard of living.
- Modelling shows that without automatic enrolment the median private pension income is expected to fall from around £4,000 a year in 2018 to around £2,200 a year in 2050. However, automatic enrolment reverses the trend; by 2050 median private pension income with automatic enrolment is expected to be around £3,700.
- The improvement is largely concentrated on low to median earners who are expected to see a higher proportional increase in their private pension income due to automatic enrolment than high earners. While such long-term projections are subject to uncertainty, the reforms will potentially have a sizeable effect on private pension incomes and the number of undersavers in the long-term.

6.1 Introduction

The baseline report used modelled analysis to estimate the long-term impact of the workplace pension reforms. In order to do this it established two versions of the pension landscape; one with automatic enrolment and one without, known as the counterfactual. The evaluation report 2013 used updated modelled analysis to reassess the potential impact on the number of individuals participating in workplace pensions and future pension incomes[104].

The Department for Work and Pensions (DWP) published *Scenario analysis of future pension incomes* in August 2014 which built on previous work using improved modelling assumptions to update undersaving estimates and investigate the impact that certain levers could have on pension adequacy. The main changes to the assumptions were an improvement in the determination of the likelihood of employment for older workers, improvement of the distribution of scheme charges for private pensions, the introduction of a 0.75 per cent charge cap and the introduction of the new lower programme opt out rate assumption for automatic enrolment. This work has been used as the basis for updating the

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

work presented in the last evaluation report and to also explore the effect of the reforms on the level of undersavers[105].

6.2 Impact on participation

Once fully implemented, in October 2018, automatic enrolment aims to transform the culture of saving, increasing the number of individuals newly saving or saving more in a workplace pension by around nine million, within a range of eight to nine million[106]. The new modelled analysis shows that in the longer-term automatic enrolment is also expected to halve the number of people retiring with no private pension at all from 27 per cent to 12 per cent in 2050, as illustrated in Figure 6.1[107].

Automatic enrolment is also predicted to significantly reduce the number of people facing inadequate retirement incomes, broadly eliminating the problem of people not saving for a pension whilst in work. Inadequate incomes, in this sense, are where an individual's retirement income is lower than their income prior to retirement to such a degree that they are unlikely to maintain their standard of living[108].

Figure 6.2 shows the distribution of the number of working years contributing to a workplace pension scheme for all individuals both with and without the reforms. The 'with reforms' model sees over 5.5 million more individuals spending over 70 per cent of their working lives contributing compared to the 'no reforms' model. After automatic enrolment, of those who remain on inadequate retirement incomes and have worked for more than 35 years, just five per cent (falling from around 46 per cent) will have been saving for less than 20 years.

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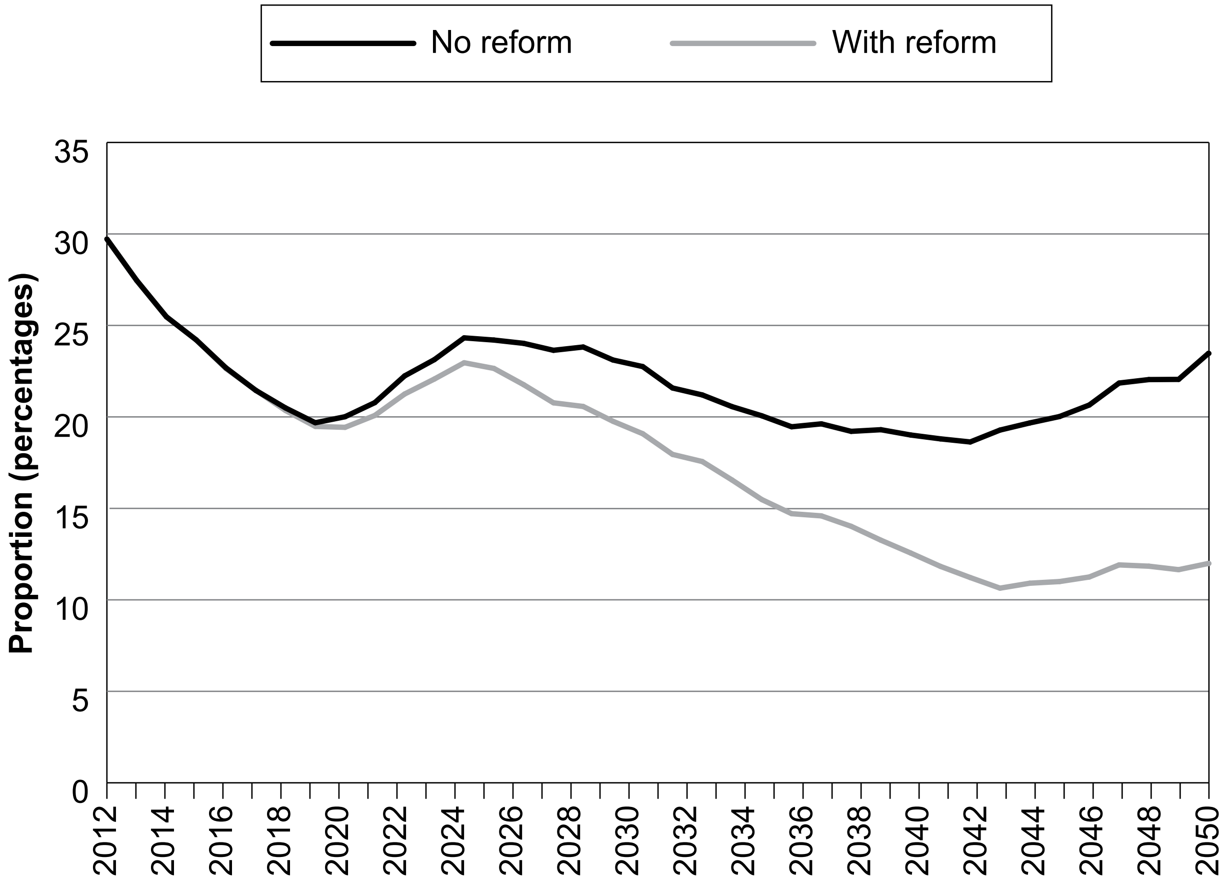
105 Analysis is consistent with the DWP (2014). *Scenario analysis of future pension incomes*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341655/Scenario_analysis_of_future_pension_incomes.pdf

106 DWP (2014). *Department for Work and Pensions Annual Report & Accounts 2013-14*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323953/dwp-annual-report-accounts-2013-2014.PDF

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

108 DWP (2013). *Framework for the analysis of future pension incomes*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254321/framework-analysis-future-pensio-incomes.pdf

Figure 6.1 Proportion of individuals reaching State Pension age with no private pension income with and without automatic enrolment



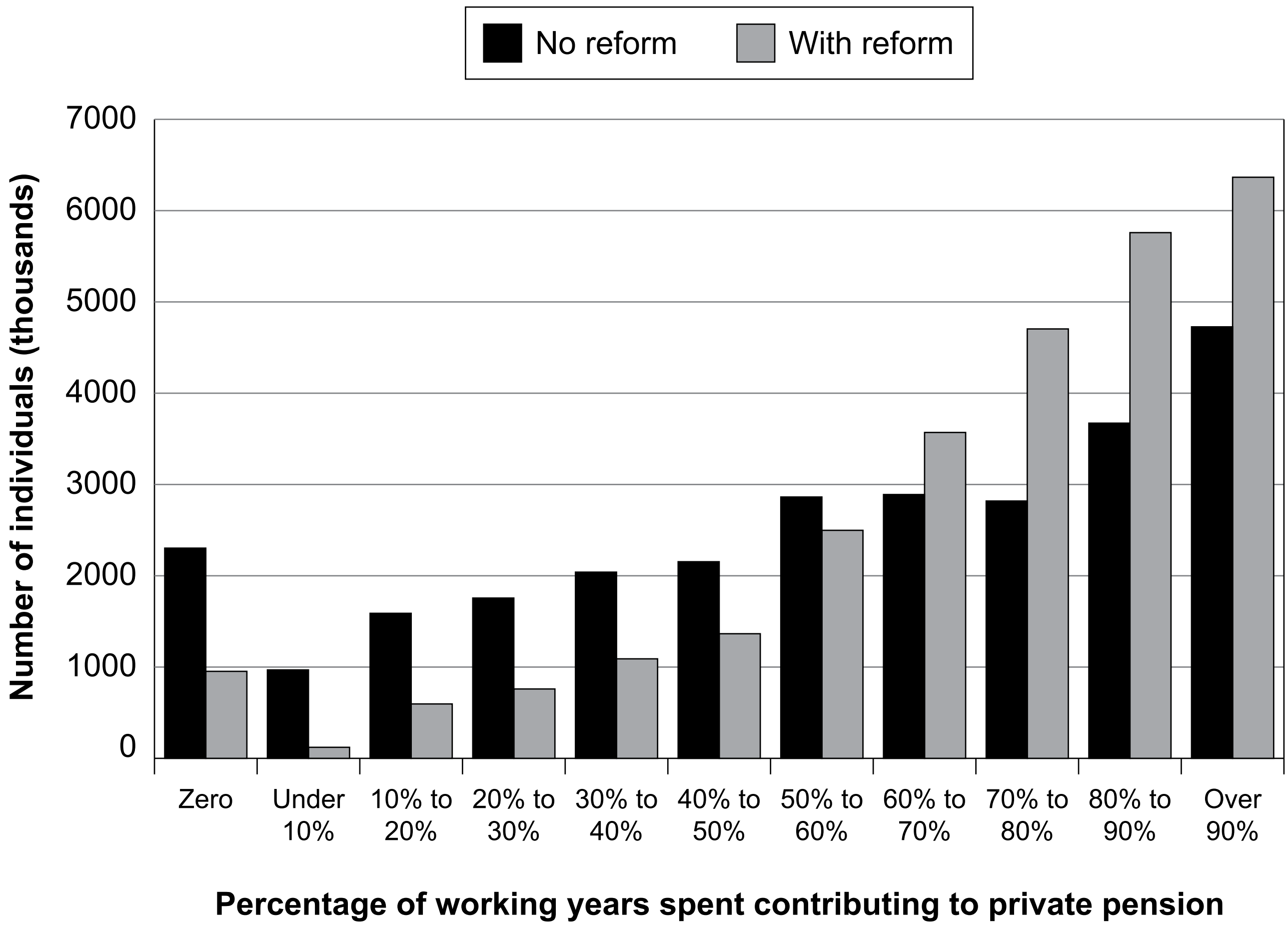
Source: DWP estimates derived from the Pensim2 model.

Notes:

1 During the period between 2010 and 2020 women's SPa is being equalised with men's. This results in uneven numbers of men and women in each year. In the period 2012 to 2022 we expect more women, relative to men, to be reaching SPa. As women are more likely then their male counterparts to not have a private pension, this increases the trend in the graph during this period.

2 Data used are based on five-year moving averages.

Figure 6.2 Proportion of working years spent contributing to a workplace pension scheme with and without automatic enrolment



Source: DWP estimates derived from the Pensim2 model.
Notes:
Individuals within this analysis reach SPa between 2014 and 2059 with non-zero average earnings between age 50 and SPa (at a household level) that are higher than the Pension Credit minimum guarantee.

6.3 Impact on private pension income

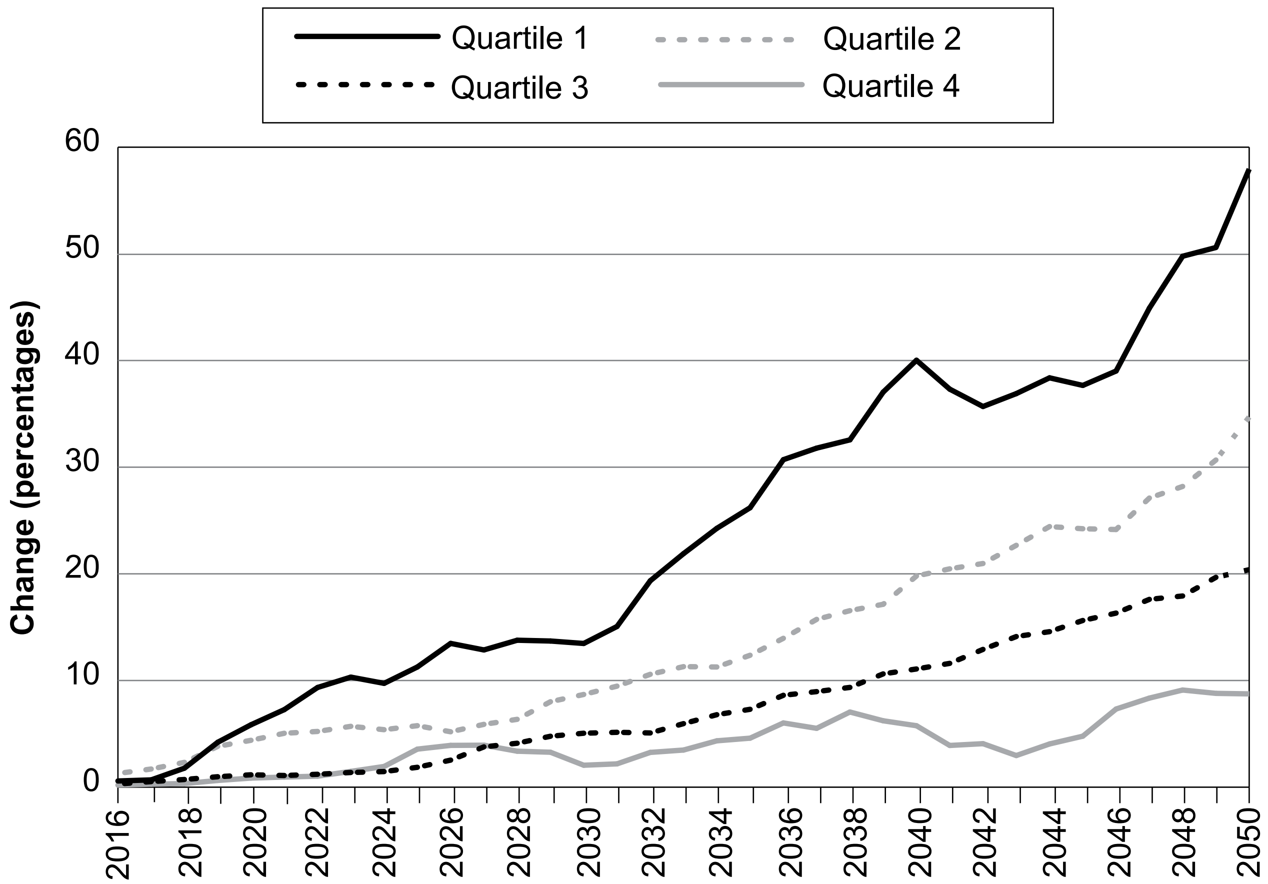
Automatic enrolment is also expected to reverse the trend of falling private pension income over time. Without automatic enrolment the median private pension income is expected to fall from around £4,000 a year in 2018 to around £2,200 a year in 2050 (in constant earnings terms). However, automatic enrolment reverses the trend; by 2050 the median private pension income is expected to be around £3,700[109].

Improvements in private pension incomes are largely concentrated on those with low and median incomes who are expected to see larger proportional increases due to automatic

109 This distribution includes individuals with no private pension income.

enrolment than those on high incomes. This is illustrated in Figure 6.3 which shows the proportional change in median private pension income from 2016 within each income level quartile. Quartiles are numbered in ascending income order starting with Quartile 1, which captures individuals with income up to the 25th percentile, running up to Quartile 4, which captures all individuals above the 75th percentile.

Figure 6.3 Proportional change in median private pension income in the first year of retirement due to automatic enrolment, by income level



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

6.4 Impact on undersaver levels

In September 2013 DWP published the *Framework for the analysis of future pension incomes* which introduced the Department's methodology for looking at whether people are adequately saving for their retirements. It used new modelled analysis similar to that used in the baseline report to make an initial estimate of the level of undersaving.

The undersavers measure that was developed takes the ratio of average pension income to average earnings between age 50 and SPa to produce a replacement rate, which can then be compared to target replacement rates that were calculated in the Pension Commission report of 2004[110]. This measure is then used to determine if the financial transition that an individual may experience on retirement will allow them to continue a similar standard of living, or whether they have under-saved for their retirement. It was found that around 12.2 million adults below SPa were not saving enough for their retirement.

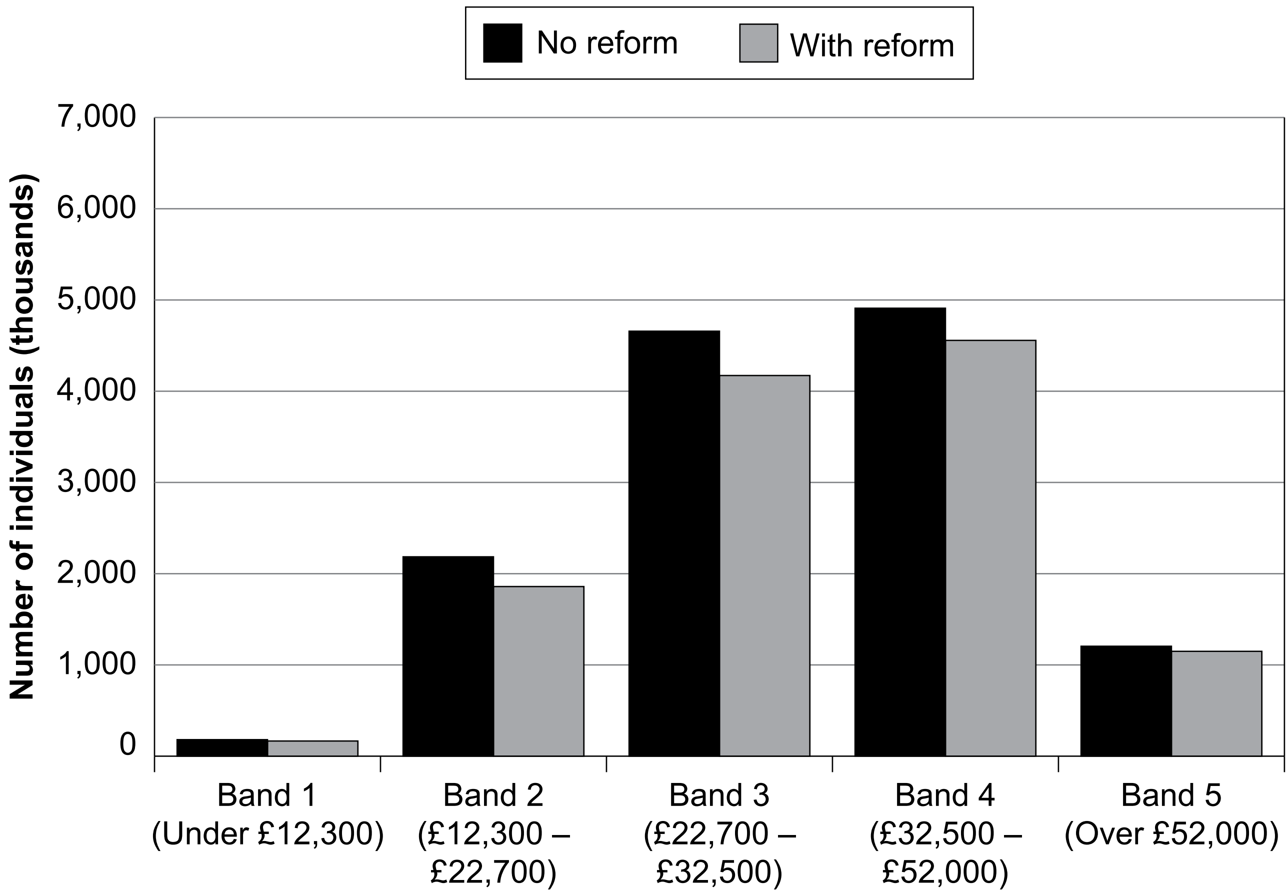
This work was followed in August 2014 by *Scenario analysis of future pension incomes* which sought to build on the previous work using improved modelling assumptions (see Section 6.1) to update undersaving estimates and investigate the impact that certain levers could have on pension adequacy[111]. These changes provided a new estimate of around 11.9 million adults below SPa not saving enough to provide an adequate retirement income. Figure 6.4 shows that undersaving is a particular issue for individuals in the middle to higher incomes and it is these middle earners that automatic enrolment has the biggest impact on.

A new development in the measurement of undersaving is the concept of depth of undersaving which describes how far the individual is from achieving their replacement rate target. Figure 6.5 shows the distribution of undersavers across three depth groups: 'substantial undersavers' who achieve less than 50 per cent of their target replacement rate; 'modest undersavers' who achieve 50 to 80 per cent of their target, and 'mild undersavers' who achieve over 80 per cent of their target but do not reach their target.

110 For further information on inadequate retirement incomes see DWP (2013). *Framework for the analysis of future retirement incomes*.

111 The levers looked at were changes to opt out rates from automatic enrolment, employment levels in pre-retirement years, contribution rates, uprating of the new State Pension, and the starting value of the new State Pension.

Figure 6.4 Number of undersavers, by Pension Commission income band with and without automatic enrolment



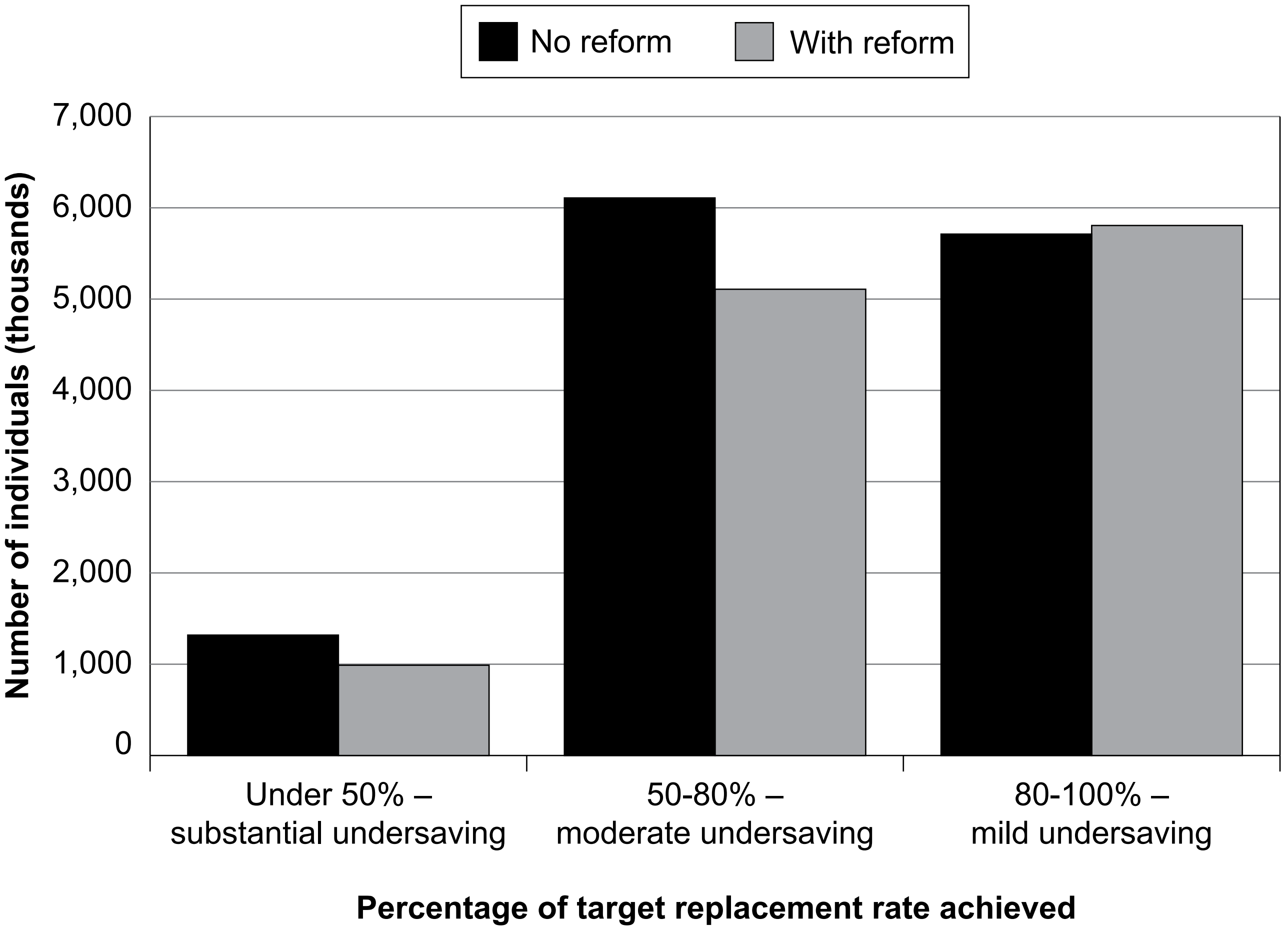
Source: DWP estimates derived from the Pensim2 model.

Notes:

1 Individuals within this analysis reach SPa between 2014 and 2059 with non-zero average earnings between age 50 and SPa (at a household level) that are higher than the Pension Credit minimum guarantee.

2 Results are equivalised after housing costs are applied.

Figure 6.5 Number of undersavers, by depth of undersaving with and without automatic enrolment



Source: DWP estimates derived from the Pensim2 model.
Notes:
1 Individuals within this analysis reach SPa between 2014 and 2059 with non-zero average earnings between age 50 and SPa (at a household level) that are higher than the Pension Credit minimum guarantee.
2 Results are equivalised after housing costs are applied.

Automatic enrolment sees an overall drop in both the 'moderate' and 'substantial undersaving' groups with only eight per cent of undersavers falling into the latter grouping. The 'mild undersaving' group remains relatively stable which can be attributed in part to a balance between the number of 'mild' undersavers becoming adequate, and 'moderate' savers improving to become 'mild' undersavers.

Table 6.1 shows the changes in the number of undersavers within each depth grouping due to automatic enrolment, this has also been split by Pension Commission income bandings. As with overall numbers of undersavers (Figure 6.4) the reforms have the biggest impact on the middle earners.

Table 6.1 Changes in depth of undersaving grouping due to automatic enrolment, by Pension Commission income band

Thousands

	Pension Commission Income Band					
	Band 1 (Under £12,300)	**Band 2 (£12,300–£22,700)**	**Band 3 (£22,700–£32,500)**	**Band 4 (£32,500–£52,000)**	**Band 5 (Over £52,700)**	**Totals**
Substantial Undersavers (under 50%)	-1	-15	-81	-179	-54	-330
Moderate Undersavers (50-80%)	-4	-129	-434	-397	-36	-1,000
Mild Undersavers (80-100%)	-10	-182	29	223	34	94
Adequate Savers (over 100%)	15	326	486	353	56	1,236

Source: DWP estimates derived from the Pensim2 model.

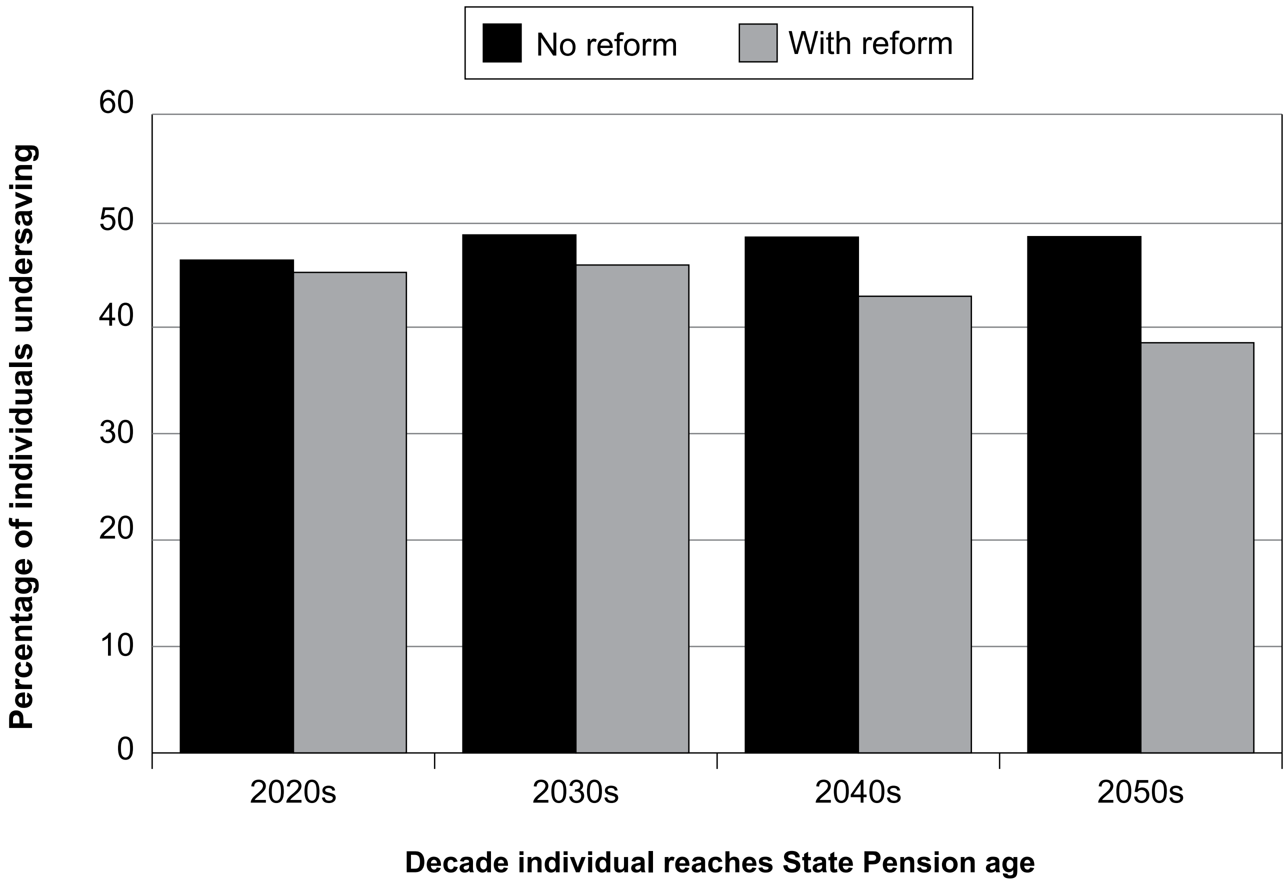
Notes:

1 Individuals within this analysis reach SPa between 2014 and 2059 with non-zero average earnings between age 50 and SPa (at a household level) that are higher than the Pension Credit minimum guarantee.

2 Results are equivalised after housing costs are applied.

As shown in Section 6.2, the implementation of automatic enrolment will see the majority of individuals spending a greater proportion of their working lives saving into an occupational scheme. As such it would be expected that individuals who reach SPa further into the future will be more likely to be affected by the reforms. Figure 6.6 shows the proportion of undersavers in four cohorts defined by the decade in which individuals reach SPa. In addition to a general decrease in the proportion of undersavers within each cohort within the automatic enrolment model, a general downward trend over time in the proportion of undersavers can also been seen.

Figure 6.6 Proportion of undersavers, by State Pension age decade cohort with and without automatic enrolment



Source: DWP estimates derived from the Pensim2 model.
Notes:
1 Individuals within this analysis reach SPa between 2014 and 2059 with non-zero average earnings between age 50 and SPa (at a household level) that are higher than the Pension Credit minimum guarantee.
2 Results are equivalised after housing costs are applied.

Appendix A
Evaluation questions

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

EQ4.6. To what extent are individuals accepting of the need to save in a workplace pension? EQ4.7. To what extent do individuals recognise the benefits of saving into a workplace pension? EQ4.8. To what extent can individuals access the information on automatic enrolment and workplace pension saving? EQ4.9. To what extent can individuals understand information they are given on automatic enrolment and workplace pension saving?
EQ5: To what extent do the Workplace Pension Reforms increase the amount being saved in workplace pensions? EQ5.1. Have employers who were contributing above the minimum for existing members prior to the introduction of the reforms reduced contributions? EQ5.2. How much more are individuals contributing to total household savings?
EQ6: To what extent is delivery of the Workplace Pension Reforms achieved with a minimal burden on employers? EQ6.1. What are the contribution costs for employers of complying with their duty? EQ6.2. What are the administrative costs for employers of complying with their duty? EQ6.3. How do employers respond to the costs incurred as a result of the employer duty? EQ6.4. How do employers make decisions around which qualifying scheme to enrol members and how much to contribute? EQ6.5. What are the views and attitudes of employers to the level of burden resulting from the reforms?
EQ7: How has the pensions industry reacted to the Workplace Pension Reforms? EQ7.1. How has the pensions landscape changed since the reforms? EQ7.2. What changes have there been to prevailing charge structures and levels since the reforms? EQ7.3. What burdens have providers faced following the announcement of the reforms? EQ7.4. To what extent do providers follow The Pensions Regulator's guidance on the reforms?
EQ8. What are the wider economic impacts of the Workplace Pension Reforms? EQ8.1. Does the current policy present any barriers to saving? EQ8.2. What are the costs to the Exchequer of employers' responses? EQ8.3. What are the unintended consequences of the reforms?

Appendix B Sources of information

The evaluation reports will draw on existing information sources as far as possible. If no suitable data source exists, the Department for Work and Pensions (DWP) or The Pensions Regulator will consider commissioning relevant discrete quantitative and/or qualitative research with individuals, employers and industry. This will be reviewed on a case-by-case basis to ensure value for money for the taxpayer[112].

Sections B.1, B.2 and Table B.1 summarise the main surveys, administrative data, models and reports used to measure recent trends and monitor the effects of the reforms[113]. The summaries outline our understanding of data quality and availability at the point of publication, and may be subject to change.

B.1 Surveys and administrative data

DWP Attitudes to Pensions (AtP), 2006, 2009, 2012 onwards, GB: information on individuals attitudes, knowledge and behaviour in relation to pensions and saving for retirement, along with reasons why individuals choose not to save or voluntarily cease saving.

DWP Communication Tracker, Ongoing, 2011 onwards, UK: information on whether individuals can find information on the reforms (see **Chapter 3**), the effect of the communication campaign on individuals' attitudes and intended behaviours to pension saving. It will also be used indicatively to understand reasons why individuals choose not to save or voluntarily cease saving.

DWP Employers' Pension Provision Survey (EPP), Biennial, 2007 onwards on a consistent basis, GB: information on the nature of pension provision in the private sector, extent of employee membership, employee and employer contribution rates, reasons for non-provision of pensions, planned changes and employers attitudes and likely reactions to the reforms. The survey has also been used to indicate the level of opt out and changes in the pension landscape as a result of the reforms.

DWP Family Resources Survey (FRS), Annual, 2003/04 onwards, UK: information on the incomes and circumstances of private households. It enables us to monitor information for all adults (i.e. not just employees) against a wide range of demographics and personal indicators. The FRS provides information on individuals who choose to save in a workplace pension by protected characteristics not covered by Annual Survey of Hours and Earnings

112 The commissioning of research is subject to Departmental funding approval and the availability of information from non-DWP and regulator surveys is dependent on required questions being retained.

113 Due to the staged implementation approach, and time lag with a number of national surveys, the degree of automatic enrolment being captured at the point of questioning may vary. It can also be difficult to robustly identify individuals who have been automatically enrolled because they may be unaware of this and so research is used to give indicative findings.

(ASHE), such as ethnicity and disability (see **Chapter 3** and official statistics[114])[115]. However, estimates over time should be treated with caution owning to methodological changes which attempted to improve the quality of pension participation rates and resulted in an overstatement. This issue was corrected from 2009/10, following further changes to the questions, and modelled estimates for the years 2006/07 to 2008/09 have been produced, and improvements made to the pension estimates from 2003/04 to 2005/06[116].

DWP Pension Landscape and Charges Survey (PLCS), 2011 onwards on a consistent basis, GB: information on charging levels and structures in trust-based DC schemes, contract-based Group Personal Pensions (GPPs) and Stakeholder Pensions (SHPs). The survey has been used to understand the average charge levels of trust-based and contract-based schemes (see **Chapter 5**) and gather provider views on regulatory burden and guidance[117].

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

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

English Longitudinal Study of Ageing (ELSA), Biennial, 2002 onwards, England: longitudinal information on pensions and economic circumstances, social engagement, and health and wellbeing of people aged 50 and older. ELSA has been used to look at persistency of saving and future reports may provide more in-depth information on these individuals' characteristics (see **Chapter 3**)[118].

HM Revenue and Customs (HMRC) Administrative Data, UK: information on non-employer-sponsored pensions, including SHPs and GPPs, gathered by HMRC as part of the process of administering basic rate tax relief on personal pension contributions. Information is published on the type of pension scheme, source of contributions, and characteristics of the individuals making contributions (see **Chapter 5**).

HMRC Real Time Information (RTI): DWP is in discussion with HMRC regarding the suitability and availability of data and/or management information to evaluate the reforms.

NEST Insight reports, Annual, 2013 onwards: research on attitudes and behaviours of NEST's target audience.

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[114] DWP (2014). *Official statistics on workplace pension participation and saving trends for eligible employees*. At; https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2003-to-2013

[115] The FRS cannot distinguish between those individuals who voluntarily opt in and those who have been automatically enrolled by their employers.

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

[117] No baseline because the regulatory burden on providers does not exist pre-duty.

[118] ELSA (English Longitudinal Study of Ageing), publications list.
At: http://www.ifs.org.uk/ELSA/publications

NEST Management Information reports, 2012 onwards: information will be used to monitor membership, persistency of saving, opt out and voluntarily cessation within NEST. The reports will also provide information on whether NEST is meeting its Public Service Obligation (PSO) and to determine the financial stability of NEST.

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

ONS Annual Survey of Hours and Earnings (ASHE), 1997 onwards, GB: the analysis in this report uses both the cross-sectional and the unweighted longitudinal ASHE. Since ASHE is completed by the employer for their employees, it is one of very few data sources that enable us to accurately monitor trends in participation by industry and sector for all types of employer-sponsored pension schemes.

The cross-sectional element of the survey has been used to monitor eligible employee participation (see **Chapter 3**), pension saving by employee and employer contribution and tax relief of employee contributions (see **Chapter 4**)[119]. The unweighted longitudinal element of the survey has been used to monitor persistency of saving (see **Chapter 3**) and levelling down of employer contributions (see **Chapter 4**)[120].

ONS Occupational Pension Schemes Survey (OPSS), 2004 onwards, UK: information on the nature of occupational pension provision, including membership of schemes, nature of benefits provided and contributions paid, based on a sample of schemes in the public and private sectors[121]. The survey has been used to provide supplementary information on whether there is levelling down of employer contributions, specifically accrual rates of DB schemes (see **Chapter 4**) and to understand the trends in DB and DC (trust-based) schemes by status (see **Chapter 5**)[122].

ONS Wealth and Assets Survey (WAS), 2006/08 onwards, GB: longitudinal information about the economic wellbeing and assets of households and individuals, including pension provision, attitudes to pensions saving, financial saving and property wealth. Any one wave of WAS data is collected over a period of two years. WAS will be used to understand and monitor the composition, and changes, in total household savings, including pensions (see **Chapter 4**).

Pensions Ombudsman, the Pensions Advisory Service (TPAS), Money Advice Service (MAS), GOV.UK website and other sources: complaints to the Pensions Ombudsman and TPAS against NEST will be used to monitor whether NEST meets its PSO to accept all

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119 Cross-sectional analysis is based on weights designed for earnings analysis because the survey does not have dedicated weights for pensions analysis.

120 Longitudinal analysis does not include weights which would correctly weight aggregate estimates. The creation of such weights has been suggested at stakeholder workshops (see previous reports for reference) as this affects the inference that can be made from any analysis of the longitudinal dataset.

121 Office for National Statistics (2014). *Occupational Pension Schemes Survey 2013*. At: http://www.ons.gov.uk/ons/rel/fi/occupational-pension-schemes-survey/2013/stb-opss.html

122 There are known issues about the reliability of scheme number estimates for OPSS 2008, and to a lesser degree, subsequent years due to sampling variability. Office for National Statistics (2014). *Ad hoc: Private sector occupational pension schemes 2013 (Reference number 003223)*. At: http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/published-ad-hoc-data/econ/september-2014/index.html

employers that want to use the scheme to fulfil either all or part of their employer duties. The volume and type of enquires received by our delivery partners will be monitored to ensure individuals can access information about workplace pension saving.

Pension Protection Fund/TPR Purple Book, 2005 onwards, UK: information on the Defined Benefit (DB) pension landscape, focusing particularly on the risks faced by DB pension schemes, predominantly in the private sector. This report has been used to provide supplementary information on the number of DB schemes to support ASHE and OPSS estimates (see **Chapter 5**)[123].

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

TPR DC Trust, 2009 onwards, UK: information on the occupational trust-based Defined Contribution (DC) pension schemes and memberships[124]. The published report has been used to provide supplementary information on the number of DC schemes to support ASHE and OPSS estimates[125] (see **Chapter 5**).

TPR Employer Tracking Survey, Biannual, Spring 2011 onwards, UK: survey information from employers to understand knowledge of, and attitudes towards, the reforms. The most recent survey was changed to also track the awareness and effectiveness of the regulator's advertising campaign. The information is used to monitor employer awareness, understanding and activity in relation to the new duties (see **Chapter 2**).

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

TPR Monthly Declaration of Compliance Reports, Monthly, April 2013 onwards, UK: information on the number of employers who have met their duties by declaring their compliance (previously known as registration) with the regulator and the number of workers enrolled.

B.2 Model

Pensim2: The DWP's dynamic micro simulation model is based on the 2006 FRS, British Household Panel Survey, and Lifetime Labour Market Database (see **Chapter 6**). The model ages a representative sample of the GB household population over time and simulates future life events and work histories using a large set of assumptions to enable us to see how an individual's life evolves with a given policy regime[126].

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123 Pension Protection Fund/The Pensions Regulator (2013). *The Purple Book: DB pension universe risk profile 2013*. At http://www.thepensionsregulator.gov.uk/docs/purple-book-2013.pdf

124 Small schemes (i.e. those with 12 or fewer members) are not included in the DC Pensions Trust report produced by the regulator. Small schemes account for around 90 per cent of the total number of DC Trust schemes.

125 The Pensions Regulator (2014). *DC trust: a presentation of scheme return data 2013–2014*. At:http://www.thepensionsregulator.gov.uk/doc-library/dc-trust-a-presentation-of-scheme-return-data-2014.aspx

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

Table B.1 Monitoring the evaluation questions

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

Continued

Table B.1 Continued

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

Continued

Table B.1 Continued

Evaluation Questions	DWP AtP	DWP Comms Tracker	DWP EPP	DWP FRS	DWP PLCS	DWP Qualitative employer research	DWP Qualitative individual research	ELSA	HMRC Admin data	HMRC RTI	NEST Insight	NEST MI reports	ONS ABS	ONS ASHE	ONS OPSS	ONS WAS	Pensions Ombudsman, TPAS, MAS, GOV.UK	PPF/TPR Purple Book	TPR Commentary and Analysis	TPR Compliance and enforcement	TPR DC Trust	TPR Employer Tracker	TPR Intermediary Tracker	TPR Monthly Declaration of compliance
Understanding the wider context																								
Employer contribution cost (EQ6.1)			Primary			Supplementary							Indicative											
Employer administrative costs (EQ6.2)			Primary		Supplementary	Supplementary							Indicative											
Employer response to the reforms (EQ6.3)			Primary			Supplementary					Indicative		Supplementary											
Employer decisions (EQ6.4)			Primary		Indicative	Supplementary					Indicative								Supplementary					
Employer views and attitudes to the level of regulatory burden (EQ6.5)			Primary		Supplementary	Supplementary					Indicative											Indicative		
The pension landscape (EQ7.1)			Supplementary		Primary				Primary					Primary	Supplementary			Supplementary			Supplementary			Indicative
Charge structure (EQ7.2)					Primary															Indicative				
Burdens on providers (EQ7.3)					Primary																		Primary	
Providers views on guidance (EQ7.4)					Primary																		Primary	
Policy barriers to saving (EQ8.1)						Indicative	Indicative				Indicative	Primary												
Costs to the exchequer (EQ8.2)			Supplementary											Supplementary										
Unintended consequences (EQ8.3)						Indicative	Indicative																	
Long-term impact of the reforms								Supplementary						Supplementary										

Primary source for monitoring
Supplementary source for monitoring
Indicative source for monitoring

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