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Automatic Enrolment evaluation report 2015

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Socialresearch@dwp.gsi.gov.uk

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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. 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, and increase the amount that is being saved in workplace pensions by around £15 billion a year, within a range of £14 billion to £16 billion[1].

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 during implementation and in future reports.

Key findings

Up to the end of September 2015, more than 5.47 million eligible workers have been automatically enrolled by over 60,000 employers. All large and medium sized employers have now staged. Small and micro employers are staging between June 2015 and February 2018. The Department for Work and Pensions (DWP) Employers' Pension Provision survey 2015 (EPP 2015) has found that up to the end of August 2015, 10 per cent of automatically enrolled workers have opted out.

Data on workplace pension participation, collected with reference to April 2014, showed that the number of eligible employees participating in a workplace pension had risen to 13.9 million, an increase of 3.2 million since 2012 when automatic enrolment began. The annual total amount saved in workplace pensions was £80.3 billion, an increase of £2.7 billion from 2013.

EPP 2015 has found that the median employer cost for implementing automatic enrolment was £500.

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

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1 DWP (2015). *Workplace Pensions: Update of analysis on automatic enrolment*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460867/workplace-pensions-update-analysis-auto-enrolment.pdf

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The Authors

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List of abbreviations

ABS	Annual Business Survey
AEM	All Employer Mailing
AMD	Active Member Discount
ASHE	Annual Survey of Hours and Earnings
CPI	Consumer Price Index
DB	Defined Benefit
DC	Defined Contribution
DWP	Department for Work and Pensions
ELSA	English Longitudinal Survey 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
ICAEW	Institute of Chartered Accountants of England and Wales
IDBR	Inter-Departmental Business Register
ISA	Individual Savings Account
ISER	Institute for Social and Economic Research
MAS	Money Advice Service
MI	Management Information
NEST	National Employment Savings Trust
ONS	Office for National Statistics
OPSS	Occupational Pension Schemes Survey
PAYE	Pay As You Earn
Post-DoC	Post-Declaration of Compliance Survey
PPF	Pension Protection Fund

PSO	Public Service Obligation
RTI	Real Time Information
SHP	Stakeholder Pension
SIC	Standard Industry Classification
SPa	State Pension age
SSC	Strategic Society Centre
TPAS	The Pensions Advisory Service
TPR	The Pensions Regulator
WAS	Wealth and Assets Survey

Glossary of terms

Accrual	The build up of a scheme member's pension benefits or rights.
Accrual rate	The rate at which pension benefits or rights are built up.
Accumulation	The stage in peoples lives when they are adding to their pension pot. See also **decumulation**.
Active member	Individuals currently contributing to a pension scheme, or having contributions made on their behalf.
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.
Baseline	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	If an **eligible jobholder** chooses to stop paying into 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.

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 and to having deductions made from their pay, whereas automatic enrolment does not require the worker's consent.
Contributions	The amount (often expressed as a percentage of earnings) that a worker and/or employer pays into a pension.
Counterfactual	Research term. This 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	Using money from a pension pot to receive a retirement income.
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**.
Employer understanding	Employers are classed as understanding how to discharge their duties if they know enough about their legal requirement to proceed to plan for, and take action towards, compliance. This is defined specifically as knowing all three elements of the awareness definition plus two additional features, when prompted, which are that employers: (1) will have to complete a declaration of compliance with the appropriate government body; and (2) need to communicate to UK workers on an individual basis.
Employee benefits consultant	Adviser or firm of advisers that advises an employer on employment benefits packages that it might offer to its employees, including pensions.
Employer duties	Employers' legal obligations under the workplace pension reforms legislation. Compliance with the duties is monitored and enforced by **The Pensions Regulator**.
Employer size	Is determined by the number of employees. For the purpose of staging dates, **The Pensions 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 If any alternative definitions of employer size are used, they will be defined in the report.

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. Refers to 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).
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 Inter-Departmental Business Register (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 or benefits in order to manage costs (see Box 4.1 in the report).
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 was 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.
Master Trust	A workplace trust-based pension scheme which provides benefits to members who are staff of employers which are not connected and where each employer group is not included in a separate section with its own trustees.
Money purchase scheme	A **Defined Contribution (DC)** scheme.
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.
NEST Corporation	Body created to set up and oversee the NEST pension scheme.
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	A type of workplace pension 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. Types of occupational scheme include DB, DC and hybrid schemes.
Opt in	**Eligible jobholders** can choose to opt in to the pension scheme nominated by the employer for automatic enrolment during the postponement period, where applicable. **Non-eligible jobholders** have the right to do the same at any time.
Opt out	Where a jobholder has been automatically enrolled, they can choose to 'opt out' of a pension scheme. This has the effect of undoing active membership, as if the worker had never been a member of a scheme on that occasion. It can only happen within a specific time period, known as the **'opt out period'**.
Opt out period	A jobholder who 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. After this opt out period a jobholder can still choose to leave the scheme at any time.
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 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	Is usually made up of shares and other financial products. The aim of the fund is to provide members with an income in retirement.
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, often a life assurance or asset management 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, 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 insurance companies or asset managers. 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). Currently the total minimum contribution is 2 per cent of the worker's salary of which the employer must contribute at least 1 per cent and 0.2 per cent comes from the state in tax relief. From October 2017, the minimum contribution rises to 5 per cent of which the employer must contribute at least 2 per cent and the state contributes 0.6 per cent in tax relief. In October 2018 the contribution rate rises again to a total of 8 per cent of which the employer must contribute at least 3 per cent and the state contributes 1 per cent through tax relief.
Postponement	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. If an employer chooses to use postponement, they must provide written notice of this to their workers.
Private pension	All pensions that are not provided by the state. 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	See ‘**pension provider**’.
Public Service Obligation	NEST has a Public Service Obligation (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 2015/16 tax year, the lower level is set at £5,824 and the upper level is set at £42,385. These figures are 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 a phase of life in which one 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	Refers to 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 employees 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 age at which an individual can claim State Pension.
Steady state	Period after which the reforms have been implemented. Steady state should be from 2018 when the reforms should be operating according to the policy intent.
Tax relief	Money that would have gone to the Government in the form of tax that goes into an individual's pension pot instead.
The Pensions Regulator	Referred to as 'the regulator' and is the UK regulator of workplace pension schemes, including limited aspects of workplace personal pensions. It 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.
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 trustees procure administration and investment management services 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.

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.

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme and make a minimum contribution. 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); earn over £10,000 per year in 2015/16 terms (these thresholds are reviewed annually); normally work in the UK and do not currently participate in a qualifying workplace pension scheme. Currently total minimum contributions are 2 per cent of a band of workers' earnings, of which at least 1 per cent must come from the employer. This will rise to 8 per cent, of which at least 3 per cent must come from the employer, in October 2018.

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, and increase the amount that is being saved in workplace pensions by around £15 billion a year, within a range of £14 billion to £16 billion[2].

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[3]. Following on from the strategy, DWP published the baseline evaluation report[4] which described the landscape before the implementation of automatic enrolment and set out the key indicators against which progress will be measured.

Evaluation reports will be published on an annual basis as automatic enrolment is implemented from 2012 to 2018. Thus far two reports have been published, in 2013[5] and

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2 DWP (2015). *Workplace pensions: Update of analysis on Automatic Enrolment*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460867/workplace-pensions-update-analysis-auto-enrolment.pdf

3 DWP (2011). *Workplace pensions evaluation strategy. At*: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214545/rrep764.pdf

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

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

2014[6], 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.

Up to the end of September 2015, more than 5.47 million workers have been automatically enrolled by over 60,000 employers[7]. As of the end of March 2015 National Employment Savings Trust (NEST) membership stands at 2 million members with around 14,000 employers[8].

Data, collected with reference to April 2014, shows that the number of eligible employees participating in a workplace pension rose to 13.9 million (70 per cent), an increase of 3.2 million since 2012.

In 2014, there was a rise in pension participation levels across all earnings bands with the largest increase (18 percentage points) amongst those earning between £10,000 and £20,000, which is just above the automatic enrolment earnings trigger. Increases were also found across all age groups, with the largest being amongst the lower age groups, with participation amongst those aged 22 to 29 increasing by 19 percentage points to 60 per cent in 2014.

Increasing the amount of savings

Once fully implemented, automatic enrolment aims to increase the amount being saved in workplace pensions by around £15 billion a year, within a range of £14 billion to £16 billion. In 2014, the annual total amount saved in workplace pensions was £80.3 billion, an increase of £2.7 billion from 2013. This was driven by the private sector where saving increased by £3.1 billion to £42.9 billion, whereas in the public sector this fell slightly by £0.5 billion to £37.4 billion.

Across both sectors, contributions by employees accounted for 30 per cent of saving, with employer contributions accounting for 60 per cent and tax relief the remaining 10 per cent.

In terms of the amount saved per eligible saver there has been a slight decline in the private sector; in 2012 the amount saved per eligible saver was £6,370 compared to £4,673 in

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6 DWP (2014). *Automatic Enrolment Evaluation Report 2014*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377120/rr887-automatic-enrolment-evaluation-2014.pdf

7 TPR (2015). *Automatic Enrolment: Declaration of Compliance monthly report*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-declaration-of-compliance-monthly-report.pdf

8 Nest (2015). *Nest Corporation annual report and accounts 2014-15.* At: https://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-Corp-ARA,pdf.pdf%20" https://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-Corp-ARA,pdf.pdf

2014. This is likely to be a result of the increased number of savers, with the majority making contributions at the current required minimum level. In the public sector the rate of saving per eligible saver has increased from 2012.

In order to manage costs employers may choose to reduce contributions or outcomes for existing pension scheme members, known as ‘levelling down’. DWP analysis found that the proportion of eligible savers experiencing some form of levelling down has risen slightly to 8 per cent in 2014 from 6 per cent prior to the reforms. The Employers’ Pension Provision survey (EPP) 2015 suggests that those employers whose contribution costs will increase as a result of automatic enrolment, 81 per cent have no plans to absorb these increased costs through changes to their existing pension scheme.

Opt out rates

Once automatically enrolled into a workplace pension scheme, individuals can choose to opt out within one month. Workers can also choose to cease active membership of the pension scheme after the opt out period has closed. EPP 2015 found that up to the end of August 2015 10 per cent of automatically enrolled workers have opted out and a further 3 per cent of automatically enrolled workers have ceased active membership.

Larger employers tended to say that young or low earning workers were more likely to opt out.

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. Findings from the May 2015 survey showed that campaign recognition has remained high at 85 per cent. Advert recognisers are substantially more aware of automatic enrolment than non-recognisers (84 per cent compared with 57 per cent) and also were more likely to intend to stay enrolled (41 per cent compared with 35 per cent). DWP launched a new communications campaign on 21st October 2015, aimed at small and micro employers as well as individuals. DWP have also launched a new microsite[9] to provide information about automatic enrolment to employers and workers.

The DWP is also working with 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 2014 and September 2015, there were more than 3.6 million page views of these organisations’ websites, the vast majority of which were to GOV.UK pages.

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

9 http://www.workplacepensions.gov.uk/

automatic enrolment duties. The regulator monitors levels of awareness and understanding of automatic enrolment using biannual and monthly tracker surveys.

Monthly surveys, conducted 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 compliance with their duties. The regulator's spring 2015 tracking research, with employers between four months and approximately two years from their staging date, shows that awareness of automatic enrolment remained high among small employers and increased among micro employers compared to autumn 2014. Awareness was highest among small employers (88 per cent rising by 2 percentage points) in comparison to micro employers (77 per cent rising by 12 percentage points). There were significant increases in understanding of automatic enrolment since autumn 2014. Among small employers it rose by 9 percentage points to 59 per cent and among micros by 14 percentage points to 48 per cent.

Levels of awareness remained high among all four intermediary groups interviewed. Overall awareness ranged from being lowest among bookkeepers at 94 per cent, compared with 98 per cent amongst financial advisers. Awareness of specific features of the employer duties was also highest for financial advisers. However, both accountants and bookkeepers showed improvement from previous waves of the survey. The least understood aspect of the reforms was the classification of different types of worker in relation to automatic enrolment.

Impact on employers

EPP 2015 found that, across all employers that had staged up to the end of August 2015, the total median cost for implementing automatic enrolment was £500. Implementation costs varied substantially by employer size. Employers tended to say that the most work came from communicating the reforms to workers, as well as ongoing administration of the pension scheme.

Understanding the wider context

Data published by the regulator shows the majority of employers (86 per cent) enrolled eligible workers into Defined Contribution (DC) schemes, representing 88 per cent of those enrolled. Of these employers around 50 per cent chose to use a master trust, which equates to around 44 per cent of all employers and 47 per cent of all automatically enrolled workers.

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.

Modelling suggests that, due to automatic enrolment, median retirement incomes will be higher by 2070 than they would have been without the reforms. However, the actual level of retirement income from a given pot size will vary due to factors like overall employment, earnings growth and fund performance.

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 Acts 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, including the introduction of a new State Pension and increases to the State Pension age (SPa), 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.

Automatic enrolment duties are being staged in between October 2012 and February 2018 by employer size. As of March 2015 all employers with 50 or more workers have staged. Between June 2015 and February 2018 employers of 49 or fewer workers will be staging. When an employer stages, they are required to automatically enrol all eligible workers into a qualifying workplace pension scheme. Workers are eligible provided they are: (1) aged at least 22 and under SPa, (2) earn over £10,000 per year in 2015/16 terms (these thresholds are reviewed annually), (3) usually work in the UK and (4) not already participating in a qualifying workplace pension scheme.

The rates at which employers are required to contribute to a workplace pension are being phased in over time: until the end of September 2017, the minimum employer contribution is set at 1 per cent of each worker's band of earnings as part of a total minimum contribution of 2 per cent. From October 2017 employers will be required to contribute a minimum of 2 per cent on a band of earnings for eligible jobholders, as part of a total minimum contribution of 5 per cent. Once fully phased in, in October 2018, minimum contributions will total 8 per cent on a band of earnings (£5,824 to £42,385 per year in 2015/16) which must be paid in respect of the member, of which at least 3 per cent must come from the employer and 1 per cent will come from the Government in the form of tax relief.

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 and increase the amount that is being saved in workplace pensions by around £15 billion a year, within a range of £14 billion to £16 billion[10].

1.1 Evaluation strategy

The Automatic Enrolment Evaluation Strategy[11] was published in 2011 and outlines the Department for Work and Pensions' (DWP) commitment to fully evaluating the effects of the workplace pension reforms and publishing annual evaluation reports. These reports bring together the latest evidence showing what has happened since automatic enrolment began. This includes updating key indicators that are used to monitor progress throughout implementation, which continues until February 2018. The evaluation is structured around eight evaluation questions (see Appendix A).

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10 DWP (2015). *Workplace pensions: Update of analysis on Automatic Enrolment*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460867/workplace-pensions-update-analysis-auto-enrolment.pdf

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

Following on from the strategy, DWP published the baseline evaluation report in 2012 which described the landscape before the implementation of automatic enrolment and set out the key indicators against which progress will be measured[12].

Evaluation reports will be published on an annual basis whilst the programme is implemented from 2012 to 2018. Thus far two reports have been published, in 2013[13] and 2014[14], showing updates and progress against the baseline, using the latest available research and analysis from a range of information sources (see Appendix B). DWP, The Pensions Regulator (TPR) and National Employment Savings Trust (NEST) also publish related research and analysis throughout the year[15]. As of March 2015 all employers with 50 or more workers have implemented automatic enrolment. Between June 2015 and February 2018 all employers with 49 or fewer workers will be implementing automatic enrolment. 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. 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:

1.2.1 Delivery of reforms (Chapter 2)

This chapter describes key activities by DWP, TPR and NEST including latest declaration of compliance statistics, research findings on employer and intermediary groups' awareness, understanding and activity relating to their duties and figures from NEST's annual report. This is in order to explore the following evaluation questions:

Were the Workplace Pension Reforms delivered to the planned timescales? (EQ1)
Does NEST accept all employers who choose the scheme, while offering low costs to members and remaining financially viable? (EQ2)
Do employers know about, understand and comply with their employer duties? (EQ3)

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

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

14 DWP (2014). *Automatic Enrolment Evaluation Report 2014*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377120/rr887-automatic-enrolment-evaluation-2014.pdf

15 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

1.2.2 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 other organisations, to individuals about the reforms and the benefits of saving. This is to explore evaluation question 4:

> To what extent do the Workplace Pension Reforms increase the number of individuals saving in workplace pensions? (EQ4)

1.2.3 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 and the composition of household saving. This is in order to explore evaluation question 5:

> To what extent do the Workplace Pension Reforms increase the amount being saved in workplace pensions? (EQ5)

1.2.4 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 and updates indicators monitoring trends in the pensions landscape. This covers the following evaluation questions:

> To what extent is delivery of the Workplace Pension Reforms achieved with a minimal burden on employers? (EQ6)
>
> How has the pensions industry reacted to the Workplace Pension reforms? (EQ7)
>
> What are the wider economic impacts of the Workplace Pension reforms? (EQ8)

1.2.5 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 retirement income, against a refreshed counterfactual.

2 Delivery of the reforms

Summary

- Since the start of automatic enrolment to the end of September 2015, more than 5.47 million workers have been automatically enrolled, by over 60,000 employers.
- With all large and medium employers having gone through staging, the Pensions Regulator is focused on supporting small and micro employers to comply with the reforms.
- Levels of awareness and understanding among employers two months from their staging date have been consistently high across all employer sizes, 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.
- Levels of awareness remained high among all four intermediary groups interviewed.
- As of June 2015, the regulator has closed 3,303 cases investigating possible non-compliance by employers. In just under half of these cases the regulator was able to engage with the employer and close the case through education and guidance.
- As of the end of March 2015, National Employment Savings Trust (NEST) membership stands at two million members, with around 14,000 employers.

2.1 Introduction

This chapter outlines the key activities being undertaken by the Department for Work and Pensions (DWP), The Pensions Regulator (TPR) and NEST corporation to ensure the reforms are delivered to planned timescales. Additionally this chapter provides information from TPR on employers' understanding, awareness, use of intermediaries and compliance; and NEST's operations and performance since automatic enrolment began.

This chapter explores the following three evaluation questions from the evaluation strategy:

Were the Workplace Pension Reforms delivered to the planned timescales? (EQ1)

Does NEST accept all employers who choose the scheme, while offering low costs to members and remaining financially viable? (EQ2)

Do employers know about, understand and comply with their employer duties? (EQ3)

2.2 Commencement of automatic enrolment

Following the successful implementation of automatic enrolment by large and medium employers (from 2012 until 2015), small and micro employers have now begun implementing the reforms (from 2015 until 2018). DWP estimates that there will be ten million workers eligible for automatic enrolment between October 2012 and the end of staging in February

2018[16], of which around nine million will be newly saving or saving more into a workplace pension.

2.3 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.

2.3.1 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 2015, 60,681 employers had registered their compliance with the duties, with over 5.47 million workers automatically enrolled. The data also shows that 9.38 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. A further 5.26 million workers were not automatically enrolled as they did not meet either the earnings or age criteria at the time (for example, a worker who earned over £10,000 per year, but was aged under 22 years old would not be automatically enrolled).

Additional detailed analysis of declaration of compliance data is available in the regulator’s *Automatic enrolment: Commentary and analysis* report published in July 2015[17].

2.3.2 Communicating reforms to employers and their advisers

The regulator aims to help employers understand what they need to do, and by when, to meet their automatic enrolment duties. This is achieved primarily through its website, but also through a series of targeted direct communications to employers and their advisers, supported by the regulator’s social media and press work and alongside national advertising campaigns.

The regulator’s work in 2014/15 focused on identifying the needs of new audiences, such as employers of carers or those with no eligible jobholders, by reviewing and testing the best types of communications for ensuring messages are received clearly and that the correct balance between education, enablement and enforcement is struck.

In early 2015, the regulator began a mail-out to over 1.4 million UK small businesses, informing them of their staging date and automatic enrolment duties, and encouraging them to nominate a point of contact. This was supported by the creation of an online step-by-step guide, written with the needs (and language) of the small employer in mind along with radio and digital advertising.

16 DWP (2015). *Workplace pensions: Update of analysis on automatic enrolment*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460867/workplace-pensions-update-analysis-auto-enrolment.pdf

17 TPR (2015) *Automatic Enrolment: Commentary and analysis April 2014-March 2015*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2015.pdf

The regulator has reached the adviser audience with a variety of communications channels, including webinars, newsletters, social media, videos, media articles and interviews, and a new online guide which mirrors that of the employer guide mentioned above. The regulator has also engaged intensively with professional bodies representing accountants, bookkeepers, financial advisers and payroll providers, as these are the intermediaries most commonly used by small and micro employers.

The regulator's website has been redesigned to provide greater support to small and micro employers, and over the course of April 2014 to March 2015 received over 1.1 million unique visitors to the automatic enrolment page, with more than 664,000 employers using its staging date tool (an increase of 250 per cent on the previous year) and more than 144,000 creating an action plan.

While employer duties affect all employers, the regulator recognises that there is no 'one size fits all' approach to reaching them and it is developing bespoke products for different audiences, such as the *Essential guide for people who employ their own care and support*[18], which was published in March 2015.

The regulator has also published guidance to help employers find a good quality pension scheme. In July, the regulator updated the suite of information and tools on its website to help employers find a scheme including, for the first time, a list of 'master trust' pension schemes open to employers of all sizes, and which have been independently reviewed to help to demonstrate that they are administered to a high standard. The voluntary master trust assurance framework was developed by the Institute of Chartered Accountants of England and Wales (ICAEW) in association with TPR to enable auditors to provide independent assurance on scheme quality.

2.3.3 Compliance and enforcement

The regulator's approach is always to educate and enable in the first instance, but where it encounters non-compliance, the regulator will use its powers to ensure that employers comply with their legal obligations. Its approach to maximising compliance is set out in its compliance and enforcement strategy and policy[19].

The regulator publishes information quarterly about its cases and the powers it has used relating to automatic enrolment and associated employer duties[20]. As of 30 June 2015, the regulator has closed 3,303 cases investigating possible non-compliance by employers. In just under a half of these cases the regulator has been able to engage with the employer and close the case through education and guidance. However, there were 1,751 occasions where the regulator has had to make use of the formal powers available to it.

The regulator believes that most employers will want to meet their obligations and to do the right thing for their workers. However, as the number of employers subject to their duties increases, the regulator expects to see the number of breaches continue to rise due to employers not preparing in time, as well as deliberate non-compliance.

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18 www.tpr.gov.uk/care

19 TPR (2015). *Compliance and Enforcement Strategy and Policy*. At: http://www.thepensionsregulator.gov.uk/doc-library/strategy-and-policy.aspx#s10490

20 TPR (2015). *Automatic Enrolment: Compliance and enforcement quarterly bulletin, June 2015*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-use-of-powers-june-2015.pdf

Although the number of investigations has risen, the regulator has been successful in working with employers, in a good number of cases, to remedy breaches where they have occurred, without using its statutory powers.

2.4 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 two tracking surveys. The first of these is a biannual survey among a sample of employers whose staging date lies between four months away and April 2017.

The second survey, the Staging Date Tracker, is an ongoing survey among employers approximately two months before their staging date. Just prior to this period, employers will have been sent a letter reminding them about their duties.

To assess awareness employers are prompted on whether they know that they have to do all of the following:

1 Automatically enrol UK workers;

2 Provide a pension scheme for automatic enrolment; and

3 Make contributions to their employees' pensions.

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. This is defined specifically as knowing all three elements of the awareness definition above plus two additional features, when prompted, which are that employers:

4 Will have to complete a declaration of compliance with the appropriate Government body; and

5 Need to communicate the reforms to UK workers on an individual basis.

2.4.1 Awareness and understanding among employers two months prior to staging

The ongoing survey among employers approximately two months before their staging date has consistently reported high levels of awareness and understanding shortly before their staging date, among all sizes of employer. The level of awareness and understanding shows appropriate progression towards these employers being able to prepare for automatic enrolment and comply with their duties.

It can be seen from Table 2.1 that both awareness and understanding of the duties was high among medium employers (i.e. those staging between April 2014 and April 2015), with 99 per cent being aware of their duties and the majority (88 per cent) understanding what they need to do.

Levels of awareness and understanding among the first group of small and micro employers (staging date of June 2015) were comparable to those of large and medium employers surveyed at the same interval before their staging date, namely awareness of 98 per cent among small employers and 94 per cent among micro employers; and understanding of 90 per cent among small employers and 88 per cent among micro employers.

The level of awareness and understanding among the next group of small employers, staging in August and October 2015, was 99 per cent for awareness and 92 per cent for understanding, levels which are similarly high to earlier large and medium employers. The fact that small and micro employers' awareness and understanding has been comparable to that for large and medium employers suggests that compliance rates for small and micro employers should remain high.

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

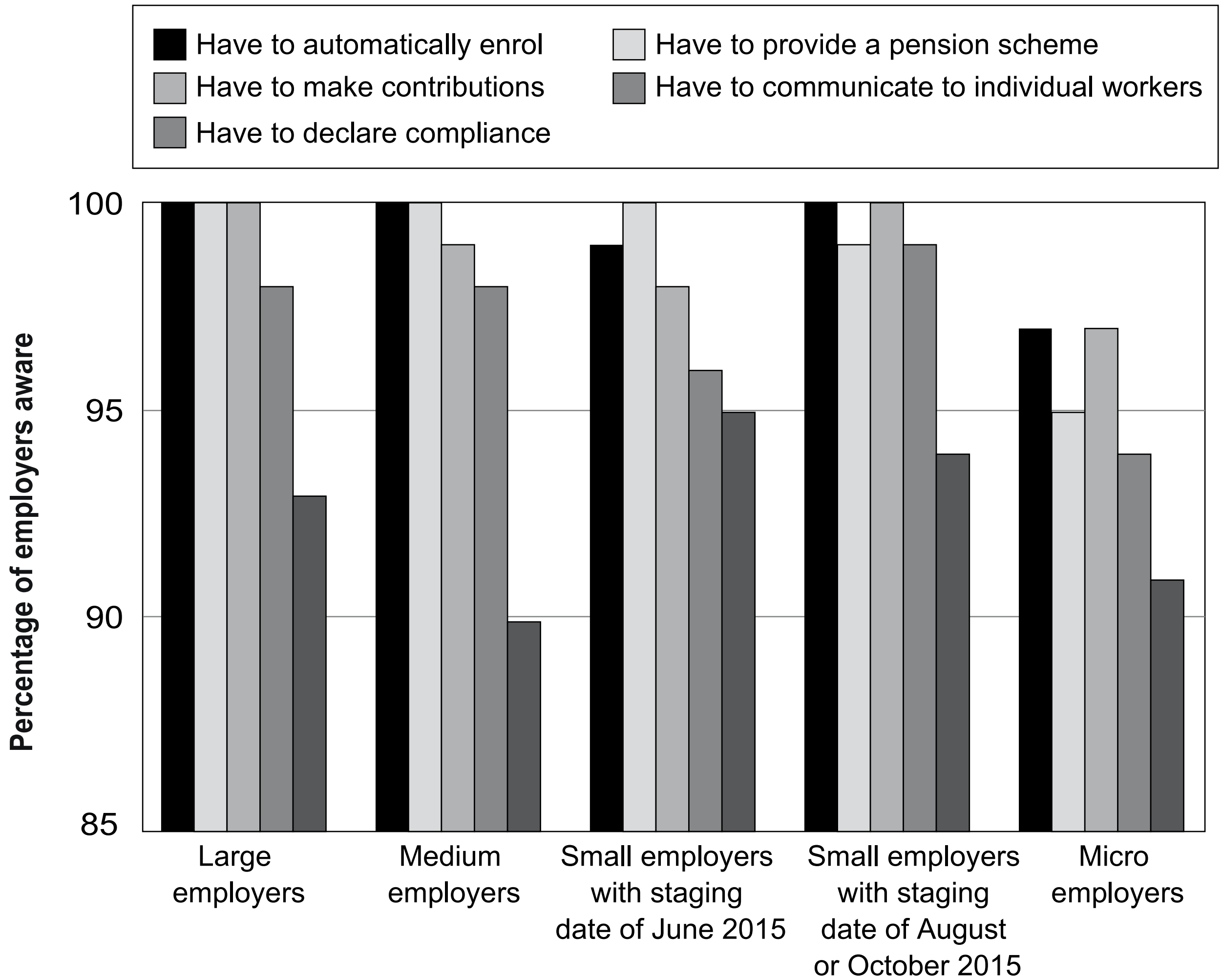
		Cell percentages
Employer size	**Average awareness**	**Average understanding**
Large employers with staging date from October 2012 – February 2014	99	92
Medium employers with staging date from April 2014 – April 2015	99	88
Small employers with staging date June 2015	98	90
Micro employers with staging date June 2015	94	88
Small employers with staging date of August or October 2015	99	92

Source: TPR staging date tracking survey 2012–2015.

Figure 2.1 shows that awareness has been at or above 94 per cent for four of the five specific features of automatic enrolment in all employer size groups. Levels of awareness were slightly lower among micro employers (with a June 2015 staging date) than those of small, medium and large employers.

The element that is least well known by employers has consistently been the need to complete a declaration of compliance with the appropriate government body, the regulator.

Figure 2.1 Employer awareness of the specific features of automatic enrolment prior to staging, by staging date



Source: TPR Staging date tracking survey 2012 to August 2015. Unweighted base sizes: Large employers = 1,316; medium employers = 1,262; small employers staging June 2015 = 125; small employers staging August or October 2015 = 401; micro employers = 125.

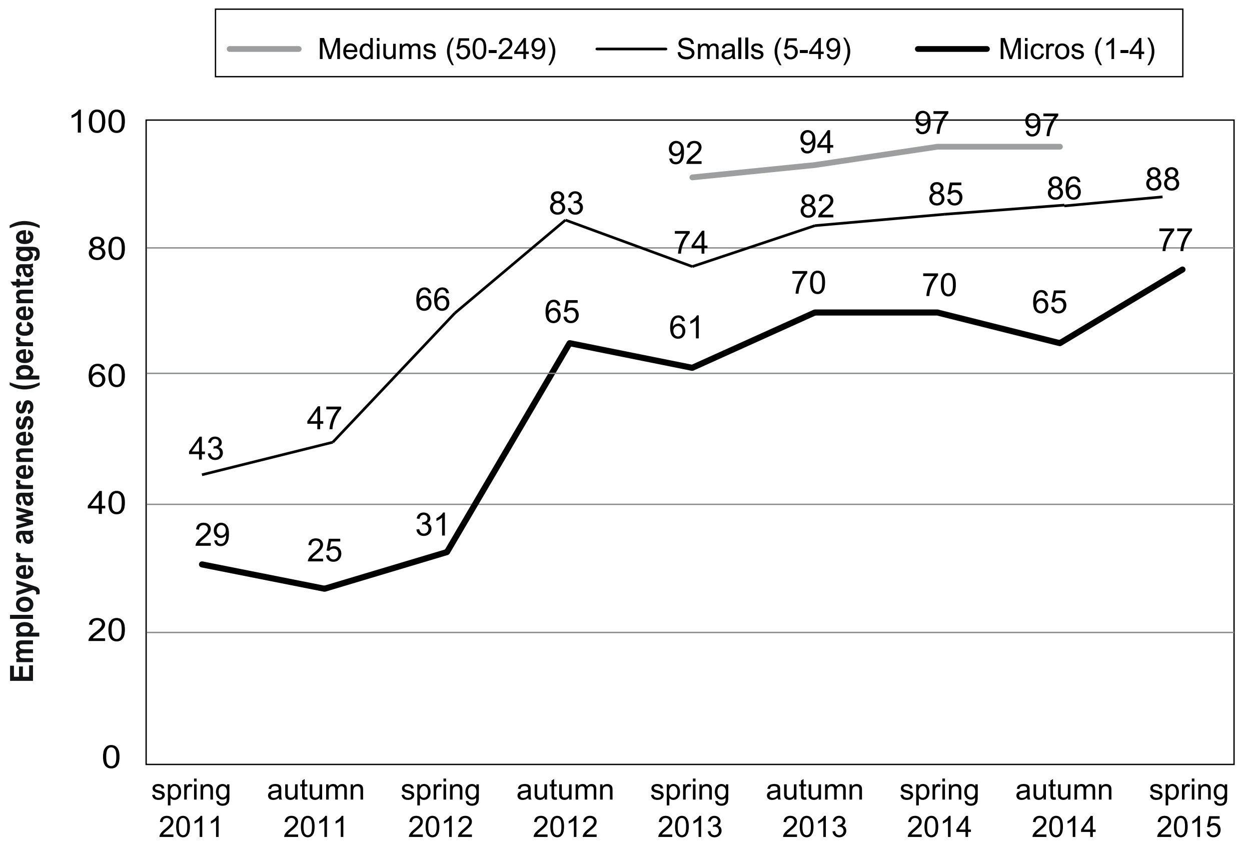
2.4.2 Employer awareness and understanding across all employer sizes

In addition to the ongoing Staging Date Tracker, the regulator continues to run its regular biannual tracker survey to monitor employer awareness and understanding of automatic enrolment among employers whose staging date lies between four months away and April 2017 (these results can then be broken down by staging month)[21].

21 TPR (2015). *Employers' awareness, understanding and activity relating to automatic enrolment and evaluation of communications campaign*. At: http://www.thepensionsregulator.gov.uk/docs/employer-automatic-enrolment-research-spring-2015.pdf

The latest survey wave was conducted from February to April 2015, among small and micro employers. Awareness of automatic enrolment remained high among small employers and increased among micro employers compared to autumn 2014. Awareness was highest among small employers (88 per cent rising by 2 percentage points) in comparison to micro employers (77 per cent rising by 12 percentage points). See Figure 2.2.

Figure 2.2 Awareness of automatic enrolment by employer size, over time



Source: TPR Employer tracking survey spring 2011 to spring 2015. Unweighted base sizes: spring 2011 = 751; autumn 2011 = 614; spring 2012 = 714; autumn 2012 = 767; spring 2013 = 489; autumn 2013 = 575; spring 2014 = 808; autumn 2014 = 608; spring 2015 = 585.

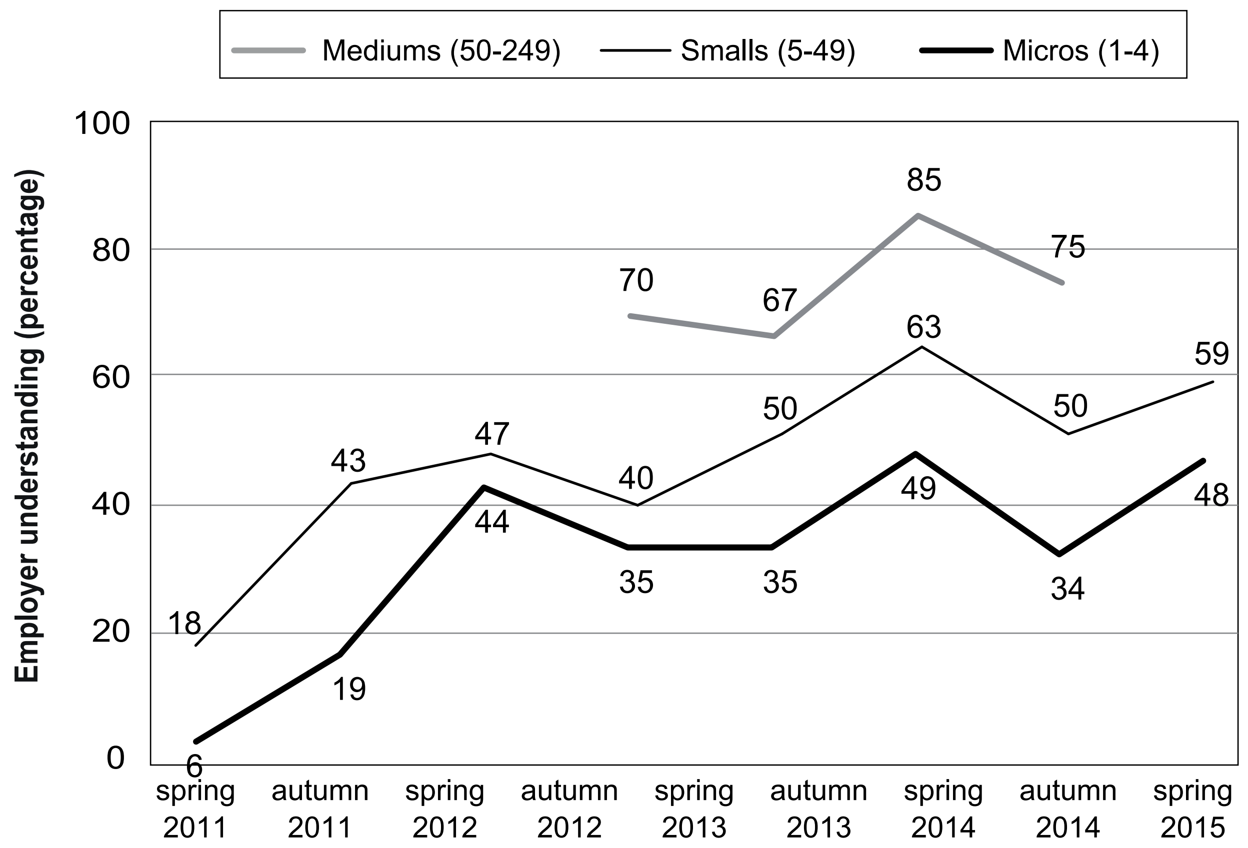
Those employers staging between August to November 2015 had awareness levels of 95 per cent (unchanged from the last wave), 78 per cent (rising by 5 percentage points) for January to November 2016 stagers and 81 per cent (rising by 14 percentage points) among January to April 2017 stagers.

Levels of awareness increased significantly among micro employers between autumn 2014 and spring 2015, while remaining largely unchanged among small employers. Looking specifically at those due to stage between January and March 2016, (those who were within 12 months of their staging date at the time of the survey) showed significantly increased levels of both awareness (86 per cent versus 74 per cent) and understanding (63 per cent versus 42 per cent) compared to those staging later in 2016.

There was evidence that the regulator's direct communications improved awareness. Micro employers in receipt of the 12-month (T-12) letter reported awareness levels of 83 per cent and those receiving the All Employer Mailing (AEM) at 76 per cent. Micros not in receipt of either communication reported awareness levels of 65 per cent. Among small employers these figures were 90 per cent, 85 per cent and 77 per cent respectively.

Regarding understanding levels of automatic enrolment, Figure 2.3 shows there have been significant increases among both small (59 per cent, rising by 9 percentage points) and micro (48 per cent, rising by 14 percentage points) employers compared to autumn 2014.

Figure 2.3 Understanding of automatic enrolment by employer size, over time



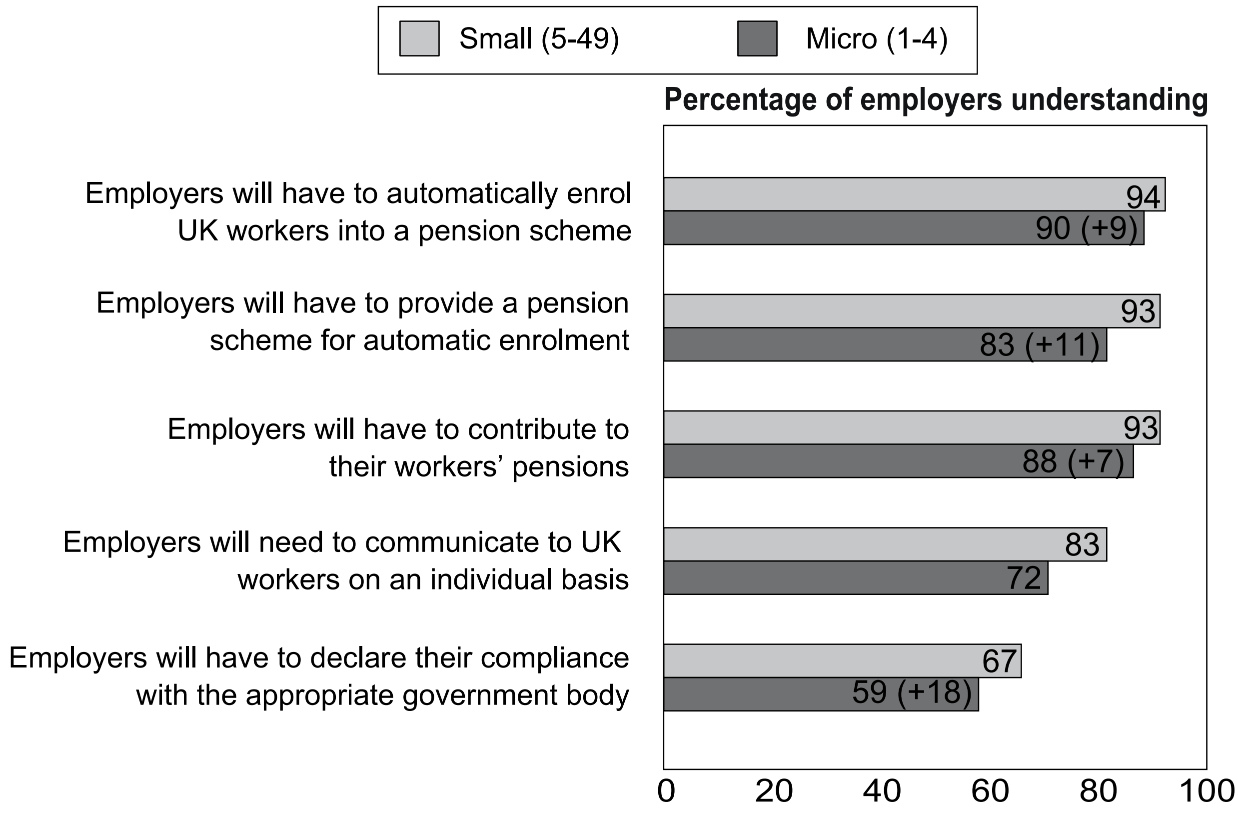
Source: TPR Employer tracking survey autumn 2011 to spring 2015. Unweighted base sizes: spring 2011 = 751; autumn 2011 = 614; spring 2012 = 714; autumn 2012 = 767; spring 2013 = 489; autumn 2013 = 575; spring 2014 = 808; autumn 2014 = 608; spring 2015 = 585.

As was the case with awareness, levels of understanding were highest among those who had received direct communications from the regulator, in particular those who had received the T-12 letter. Small employers in receipt of the T-12 letter had understanding levels of 69 per cent and micros in receipt reported levels of 59 per cent. There is also a correlation between proximity to staging and levels of understanding. Those staging between August and November 2015 recorded a 75 per cent (rising by 18 percentage points) understanding score, compared to 49 per cent (rising by 9 percentage points) for 2016 stagers and 46 per cent (rising by 13 percentage points) among the January to April 2017 staging group.

2.4.3 Employer awareness and understanding of specific features of automatic enrolment

It can be seen from Figure 2.4 that awareness of each of the five key elements of automatic enrolment increased slightly among both small and micro employers. The greatest increases were among micro employers in relation to the prompt, ‘employers will have to provide a pension scheme for automatic enrolment’, which rose from 72 per cent in spring 2014 to 83 per cent in spring 2015, and ‘employers will have to complete a declaration of compliance with the appropriate government body to confirm they have met their duties’, which rose from 41 per cent to 59 per cent.

Figure 2.4 Percentage of surveyed employers (small and micro) who understood the statements used to gauge their awareness and understanding in spring 2015

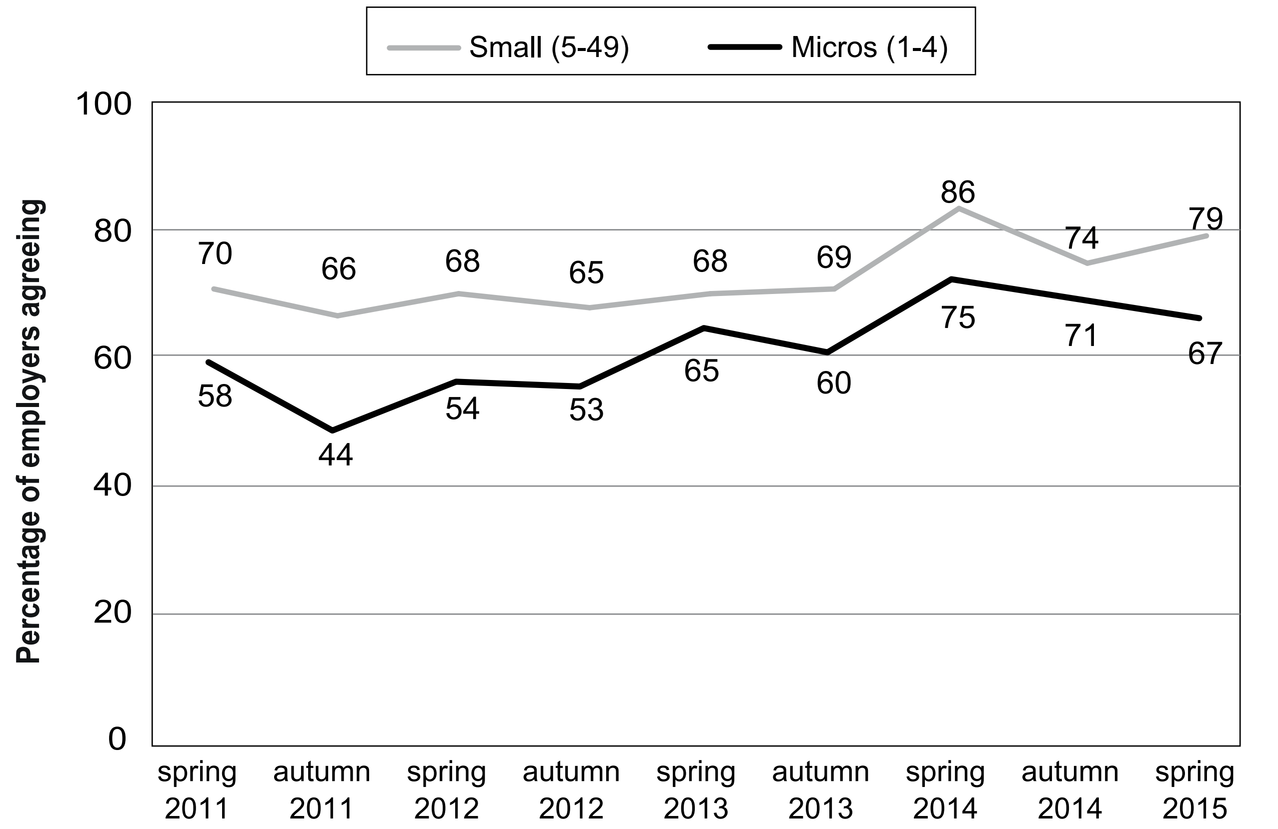


Source: TPR Employer tracking survey spring 2014 to spring 2015. Unweighted base sizes: Small employers = 240, micro employers = 345.
Note: (+) means an increase from the last wave that is significant at the 95 per cent level.

2.4.4 Employer attitudes to automatic enrolment

The regulator also uses the biannual tracking survey to explore employers’ beliefs about, and attitudes towards, automatic enrolment. Most employers tend to believe that automatic enrolment is a ‘good idea’ for their workers, as shown in Figure 2.5. In spring 2015 small employers (79 per cent) were more likely to believe this than micro employers (67 per cent).

Figure 2.5 Employers agreeing that automatic enrolment was a 'good idea' for their workers



Source: TPR Employer tracking survey spring 2011 to spring 2015. Unweighted base sizes: spring 2011 = 751; autumn 2011 = 614; spring 2012 = 714; autumn 2012 = 767; spring 2013 = 489; autumn 2013 = 575; spring 2014 = 808; autumn 2014 = 608; spring 2015 = 585.

As shown on Table 2.2, half (48 per cent) of micro employers in spring 2015 felt they would find it difficult financially to contribute to a pension compared to 41 per cent of small employers. The majority of employers interviewed were aware they needed to do something to comply with automatic enrolment; however, 14 per cent of micro employers believed they did not have to do anything in order to comply with the reforms.

Table 2.2 Employers' beliefs and attitudes towards automatic enrolment

		Cell percentages	
	spring 2014	**autumn 2014**	**spring 2015**
Automatic enrolment applies to all regardless of size			
Small (5-49)	81	80	85
Micro (1-4)	73	76	81
Difficult to financially contribute to a pension			
Small (5-49)	39	48	41
Micro (1-4)	49	47	48
Understand role of The Pensions Regulator			
Small (5-49)	N/A	71	73
Micro (1-4)	N/A	62	68

(continued)

Table 2.2 (continued)

	Cell percentages		
	spring 2014	autumn 2014	spring 2015
Tend to leave implementing government legislation until the last minute			
Small (5-49)	N/A	23	25
Micro (1-4)	N/A	39	44
Don't need to do anything to comply with automatic enrolment			
Small (5-49)	N/A	8	10
Micro (1-4)	N/A	18	14

Source: TPR employer tracking survey spring 2014 to spring 2015.
Note: Cells marked N/A were not asked in the spring 2014 wave of the survey.

2.5 Intermediaries' awareness, understanding and activity

The regulator monitors awareness and understanding of automatic enrolment every six months among key intermediaries who support employers, namely financial advisers, payroll administrators, accountants and bookkeepers.

2.5.1 Awareness and understanding of automatic enrolment

The regulator runs a biannual tracking survey of intermediaries alongside its biannual survey of employers, in order to monitor the extent to which these intermediaries will provide support to employers implementing automatic enrolment. Table 2.3 shows that in spring 2015[22] there was almost universal (between 94 per cent and 98 per cent) awareness of automatic enrolment among all types of intermediaries surveyed, and that these levels of awareness have remained largely stable since autumn 2014.

Table 2.3 Awareness and understanding among advisers

	Cell percentages							
	Financial advisers		Payroll admin		Accountants		Bookkeepers	
	autumn 2014	spring 2015	autumn 2014	spring 2015	autumn 2014	spring 2015	autumn 2014	spring 2015
Awareness	99	98	100	97	95	97	96	94
Understanding	96	95	95	89	77	85	70	78

Source: TPR intermediary tracking survey autumn 2014 to spring 2015.

22 TPR (2015). *Intermediaries' understanding and activity relating to automatic enrolment and evaluation of communications campaign*. At: http://www.thepensionsregulator.gov.uk/docs/intermediary-automatic-enrolment-research-spring-2015.pdf

Levels of understanding of automatic enrolment differed somewhat between the four types of intermediaries, although there were fewer differences than in previous survey waves. Understanding among financial advisers remained almost universal (95 per cent) and among payroll administrators understanding was similarly high to the last wave at 89 per cent. Understanding among accountants and bookkeepers was at its highest level for both audiences (85 per cent and 78 per cent respectively).

2.5.2 Intermediaries' knowledge of more detailed aspects of automatic enrolment

In terms of intermediaries' understanding of the more detailed aspects of automatic enrolment, there has been little change since the autumn 2014 wave and knowledge gaps have remained. The majority (80 per cent on average) were aware of the eligibility criteria. Awareness of the earnings categories (salary, commission, bonus, overtime and statutory pay) was lower, ranging from 39 per cent of bookkeepers to 71 per cent of financial advisers. Only a minority of intermediaries correctly identified all the types of workers who may need to be put into a pension scheme, these being: eligible jobholders, non-eligible jobholders and entitled workers (ranging from 6 per cent of bookkeepers to 25 per cent of financial advisers).

This wave saw an increase in awareness among accountants (rising by 14 percentage points to 60 per cent) and bookkeepers (rising by 21 percentage points to 60 per cent) that employers need to submit their declaration of compliance to the regulator, although these levels still lagged behind financial advisers and payroll administrators.

The survey revealed that knowledge levels improved significantly once intermediaries started acting on behalf of clients. Those with a client (or clients) who had already passed their staging date were more knowledgeable on several aspects of the reforms.

2.5.3 Current and expected provision of assistance to clients

Employers' use and planned use of intermediaries has risen for both small and micro employers from spring 2014. In spring 2015, 89 per cent of small employers were currently using or planned to use external advisers, (an increase of 9 percentage points) and 69 per cent of micro employers planned to do so (an increase of 5 percentage points). Accountants (31 per cent for small and 38 per cent for micro employers) and financial advisers (20 per cent and 15 per cent) are the most commonly used intermediaries for both small and micro employers.

Similarly, an increasing proportion of intermediaries plan to offer automatic enrolment services to their clients. As shown in Table 2.4, around three-quarters of payroll providers and financial advisers are already offering to help their clients comply. When taken in conjunction with those who say that they plan to offer such services in the future, it is apparent that a majority of all intermediary types will be involved in providing practical assistance to their clients.

Table 2.4 Intermediaries: automatic enrolment services

	Percentages		
Intermediary	**Currently offers automatic enrolment services to clients**	**Plans to offer automatic enrolment services to clients in future**	**Total potential service coverage**
Accountants	50	29	79
Payroll admin	73	20	93
Bookkeepers	31	44	75
Financial advisors	78	14	92

Source: TPR Intermediary tracking survey.

2.5.4 Extent of actual reliance on adviser by employers to implement automatic enrolment duties

The regulator carries out an ongoing post-Declaration of Compliance (post-DoC) survey among employers who have declared their compliance to the regulator. This survey is administered using an online survey method and, although not representative of the full population of employers, offers indicative findings.

This survey has asked employers about the extent of their use of advisers since November 2014. Note that small and micro employers who responded to the survey are those who submitted their declaration of compliance to the regulator in June, July or August 2015. Figure 2.6 shows the findings.

Figure 2.6 Extent of actual use of advisers by employers to implement automatic enrolment duties

Source: TPR Post-Declaration of Compliance survey November 2014 to August 2015. Unweighted base sizes: Medium employers = 711; small employers = 207; micro employers = 168.

Notes

1. These figures are based on survey responses from employers only, not from advisers completing the survey on behalf of employers, in order to maintain a consistent source of findings for this data.
2. The sample for this survey is not necessarily representative of the employer population.
3. Figures do not sum to 100 per cent due to employers responding 'it depends' or 'don't know'.

Around two-thirds (64 per cent) of medium employers were at least partly reliant on an adviser for advice or to perform tasks, of which 9 per cent were completely reliant on their adviser. The most common response (by 37 per cent) was for employers to rely on their adviser for some help and advice, but perform some tasks themselves. Around a third (32 per cent) of these medium employers were completely self-reliant.

Small employers were less likely to use or rely on an adviser than medium employers: two-fifths relied on an adviser to at least some extent (41 per cent), of which 4 per cent were completely reliant on their adviser. Just over half (55 per cent) were self-reliant.

Two-thirds (67 per cent) of micro employers were self-reliant, while 31 per cent relied on an adviser to at least some extent.

2.6 NEST

NEST is a workplace pension scheme introduced as part of the reforms. In 2011, NEST opened on a voluntary basis in preparation for the first wave of employer duties from September 2012. A Public Service Obligation (PSO) was given to NEST to accept all employers wanting to join the scheme to fulfil their employer duties (entirely or in part).

The NEST corporation's annual report for 2014/2015[23] outlined what NEST had achieved over the year from April 2014 to the end of March 2015. Significant achievements included:

- NEST's membership had risen to over 2 million members and over 14,000 employers, compared to 1.5 million members and 9,000 employers the previous year.
- NEST Connect was launched as an online hub to allow intermediaries to easily administer NEST schemes for multiple clients in one place.
- At the end of March 2015, NEST managed nearly £420 million in assets, compared to £104 million at the end of March 2014.

23 NEST (2015). *Nest Corporation Annual Report and accounts 2014-2015*. At: https://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-Corp-ARA,pdf.pdf

3 Increasing the number of savers

Summary

- Once fully implemented it is estimated that automatic enrolment will increase the number of individuals newly saving or saving more in a workplace pension by around nine million. Data collected with reference to April 2014 shows that the number of eligible employees participating in a workplace pension increased to 13.9 million (70 per cent) an increase of 3.2 million since 2012.
- Between 2013 and 2014, pension participation increased across all earnings bands, with the largest percentage point increase coming from those earning above £10,000 and below £20,000 where 58 per cent now participate.
- Overall, women still have a higher rate of participation in workplace pensions than men. However, between 2013 and 2014 the overall gap in participation has narrowed from 7 percentage points to 5 percentage points.
- DWP's Employers' Pension Provision survey (EPP) 2015 found that the average opt out rate was 10 per cent. In addition, 3 per cent of automatically enrolled workers ceased active membership.
- 6 per cent of workers ineligible for automatic enrolment have opted into a scheme. This is equivalent to 0.6 per cent of the total workforce.
- Findings from the May 2015 DWP communications tracking survey showed that campaign recognition has remained high at 84 per cent. Advert recognisers are substantially more aware of automatic enrolment than non-recognisers (84 per cent compared with 57 per cent) and also were more likely to intend to stay enrolled (42 per cent compared with 35 per cent).

3.1 Introduction

This chapter monitors trends in the number of individuals saving in a workplace pension and the persistency of their saving, as well as presenting latest evidence on levels of opt out. 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. This covers the following question from the evaluation strategy:

> To what extent do the Workplace Pension Reforms increase the number of individuals saving in workplace pensions? (EQ4)

3.2 Trends in workplace pension participation

This section looks at measures to indicate the effects of automatic enrolment on increasing the number of savers involved in workplace pensions. DWP analysis of the Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE) data estimates the pension participation trends of eligible employees over time; this is broken down according to public and private sector, employer size, employee earnings, age and gender[24]. The DWP Family Resources Survey (FRS)[25] provides specific characteristic breakdowns that are not accounted for by ASHE.

Together these annual surveys can monitor shifts in workplace pension participation since the reforms. The most recent ASHE[26] data was collected with reference to April 2014, a year and a half into automatic enrolment implementation, showing significant increases in participation. The FRS data was collected throughout the 2013/14 financial year, rather than collected with reference to April like ASHE. Therefore any potential impact of automatic enrolment may be lessened because fewer employees will have been automatically enrolled due to the staged implementation approach.

3.2.1 Overall number of savers

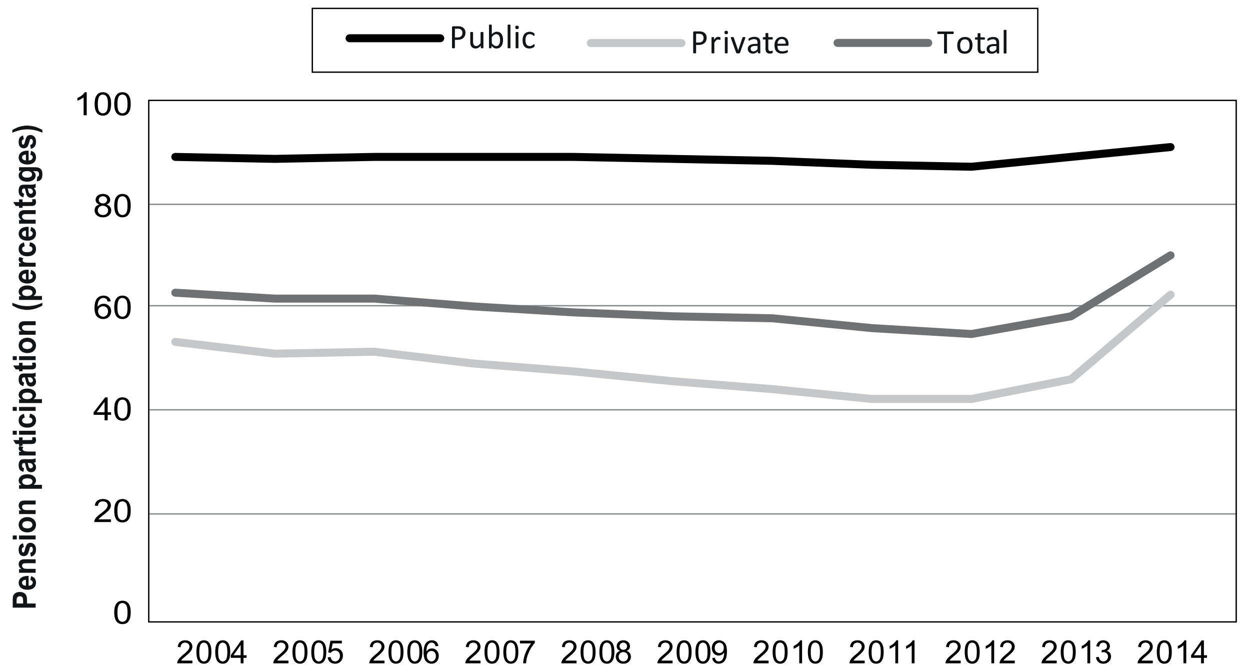
Between 2004 and 2012 there was a general downward trend in workplace pension participation, from 63 per cent (11.9 million eligible employees) to just 55 per cent (10.7 million). However, since the reforms there has been a clear increase in the number of eligible employees participating in a workplace pension, up to 70 per cent (13.9 million) in 2014.

24 For additional breakdowns consult DWP (2015). *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

25 FRS data for 2013/14 was collected between April 2013 and March 2014 and published 25 June 2015. At: https://www.gov.uk/government/collections/family-resources-survey--2

26 Statistical bulletin: *2014 Annual Survey of Hours and Earnings: Summary of Pensions* Results published on 25 February 2015. At: http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/2014-provisional-results/art--2014-annual-survey-of-hours-and-earnings--summary-of-pension-results.html

Figure 3.1 Eligible employees participating in workplace pensions, by sector



Source: DWP estimates derived from the ONS ASHE, GB, 2004–2014.

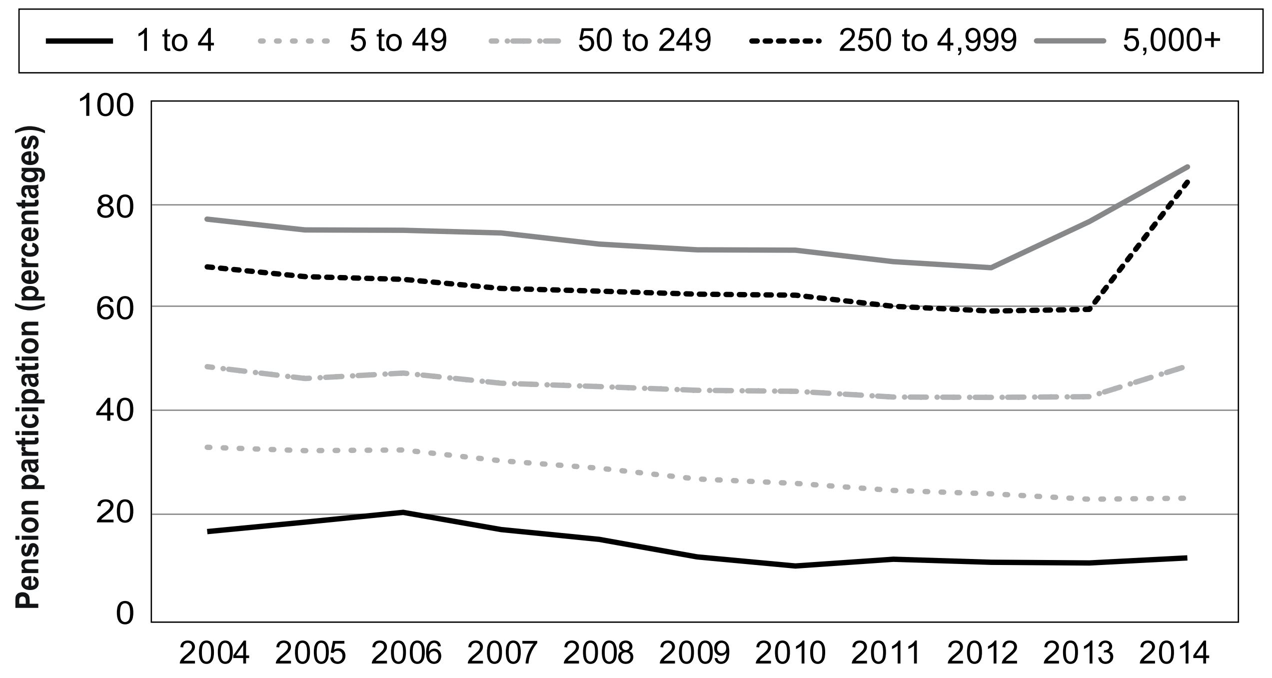
Figure 3.1 illustrates trends in workplace pension participation for eligible employees by sector over time. Public sector participation remains high in 2014 and has increased slightly to 91 per cent (4.7 million employees). Whereas in the private sector, pension participation had been declining from 53 per cent (7.3 million) in 2004 to 42 per cent (5.9 million) in 2012. However, since 2012 this has risen by 21 percentage points to 63 per cent of private sector eligible employees participating (9.2 million) in 2014.

3.2.2 Employer size

Figure 3.2 demonstrates the close relationship between employer size and participation. In 2014, the highest participation levels were seen amongst employers with 5,000 or more employees at 89 per cent, compared to just 12 per cent for micro employers (one to four employees). This may historically be explained by the high proportions of employees working for large public sector employers where participation rates have always been high, whereas, the more recent increases correspond with the staged implementation of automatic enrolment which began with large employers.

Overall participation in 2014 was 86 per cent for employers with 250 to 4,999 employees, 50 per cent for those with 50 to 249 employees and 24 per cent for 5 to 49 employees.

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

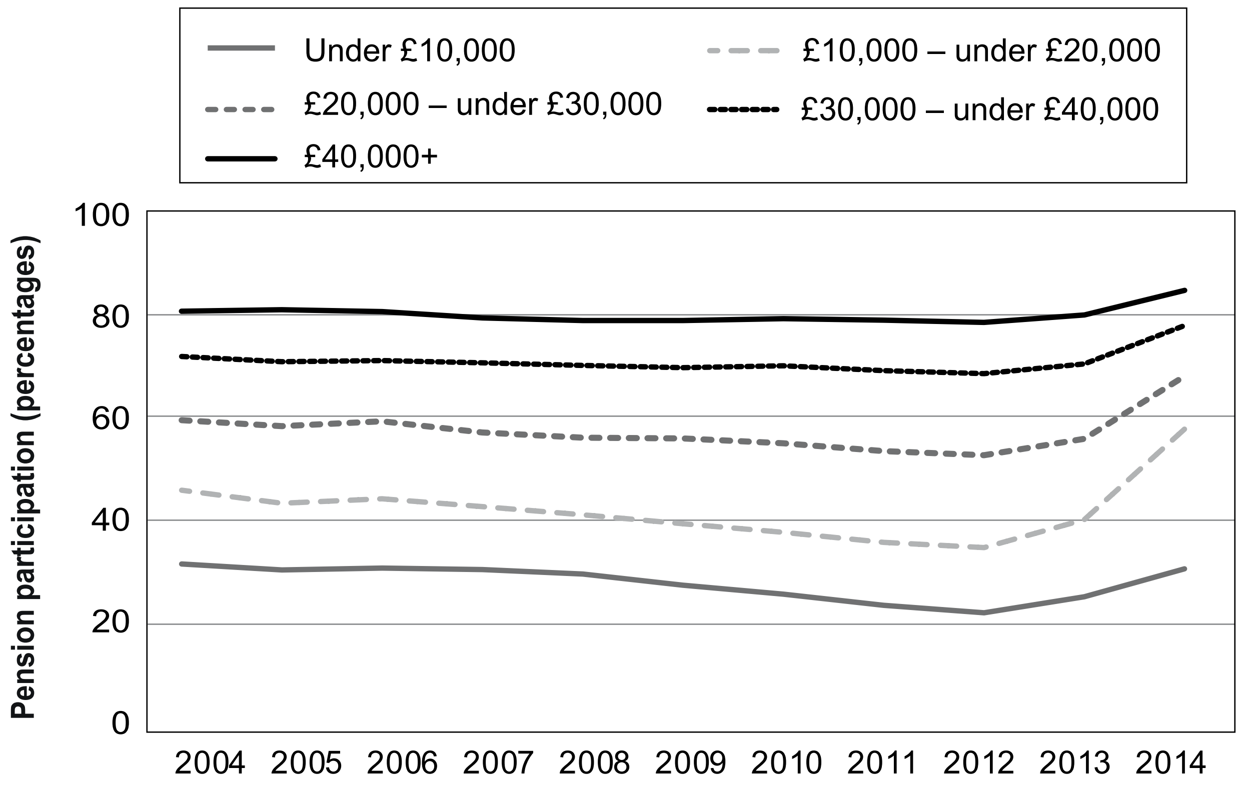


Source: DWP estimates derived from the ONS ASHE, GB, 2004–2014.

3.2.3 Earnings

Figure 3.3 shows the close relationship between pension participation and earnings. Those who earn the most (over £40,000) also have the highest participation levels at 85 per cent. However, the introduction of automatic enrolment has seen increases in participation amongst lower earners. For example, those earning between £10,000 and £20,000, just above the current earnings trigger for automatic enrolment of £10,000, now have a participation rate of 58 per cent, an increase of 18 percentage points from 2013.

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



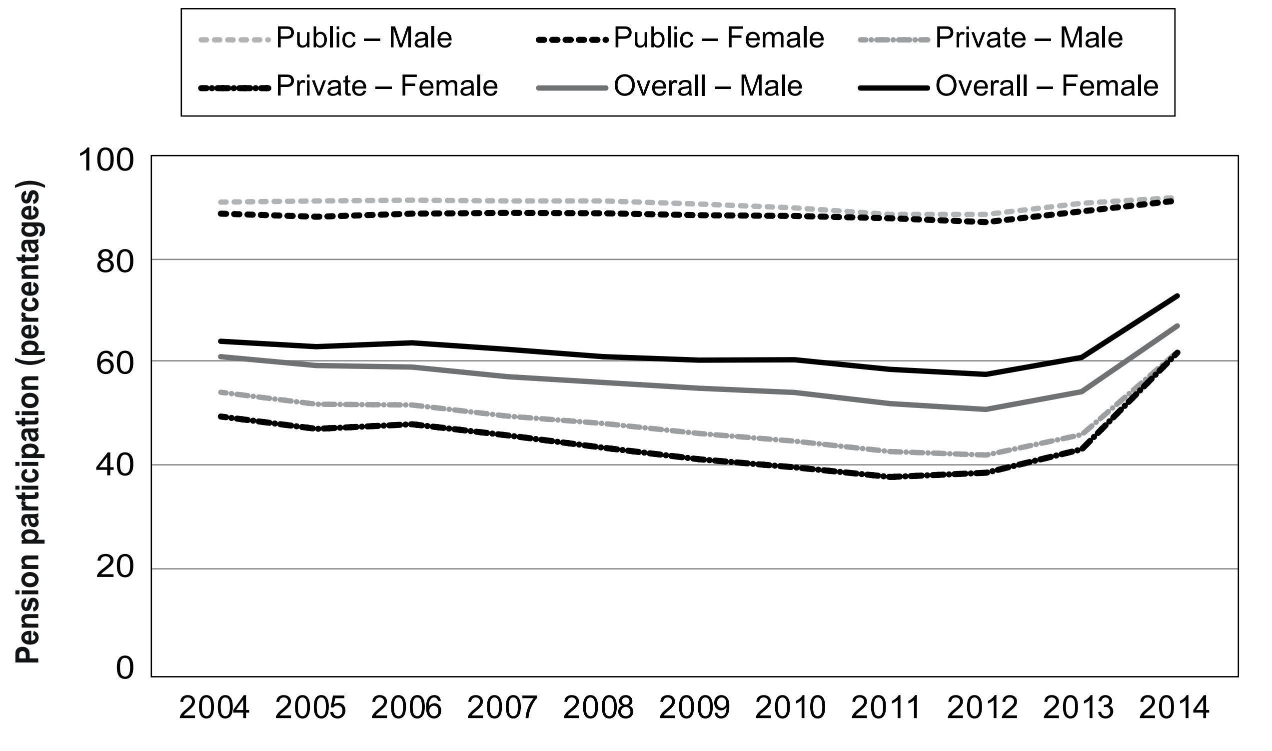
Source: DWP estimates derived from the ONS ASHE, GB, 2004–2014.

3.2.4 Gender

Figure 3.4 illustrates pension participation percentages by gender and sector. Overall, women still have higher participation rates than men (73 per cent compared to 68 per cent). This can be explained by the higher proportion of women employed in the public sector where participation is much higher. In the public sector in 2014, 92 per cent of men participate compared to 91 per cent of females; however, between 2012 and 2014 the overall gap in participation has narrowed from 7 percentage points to 5 percentage points.

Since the introduction of automatic enrolment, the private sector has seen the largest increases in participation by gender and in 2014 there was no gap in participation, with 63 per cent of both men and women participating. This represents a 19 percentage point increase for males and 23 percentage points for females from 2012.

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



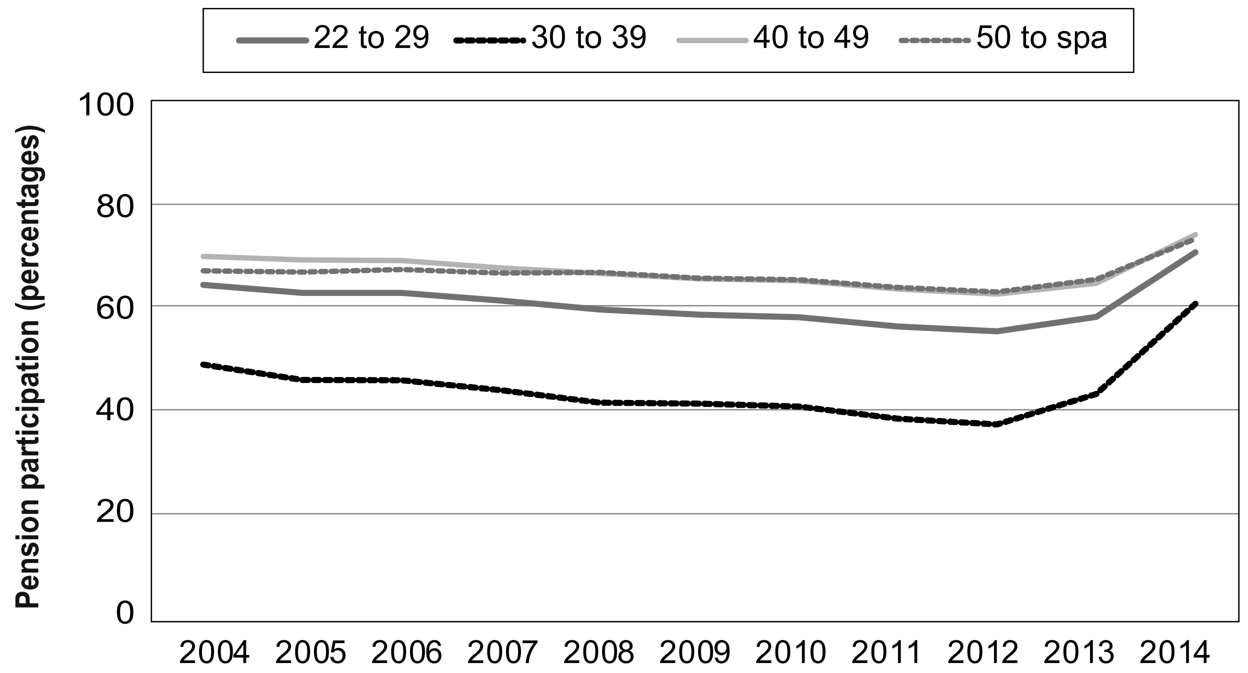
Source: DWP estimates derived from the ONS ASHE, GB, 2004–2014.

3.2.5 Age

Figure 3.5 shows pension participation of eligible employees by age group. Overall, participation has remained the highest for older employees, but in recent years there have been significant increases in participation amongst younger age bands and therefore some convergence in participation levels between age bands.

The greatest increase between 2013 and 2014 was seen in the youngest age band; those aged 22 to 29 with a 19 percentage point increase in participation to 60 per cent. All other age groups saw fairly large increases; ages 30 to 39 increased their participation by 13 percentage points to 70 per cent, 40 to 49 had a 10 percentage point increase to 74 per cent and those aged between 50 and State Pension age (SPa) increased participation by 8 percentage points to 73 per cent.

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



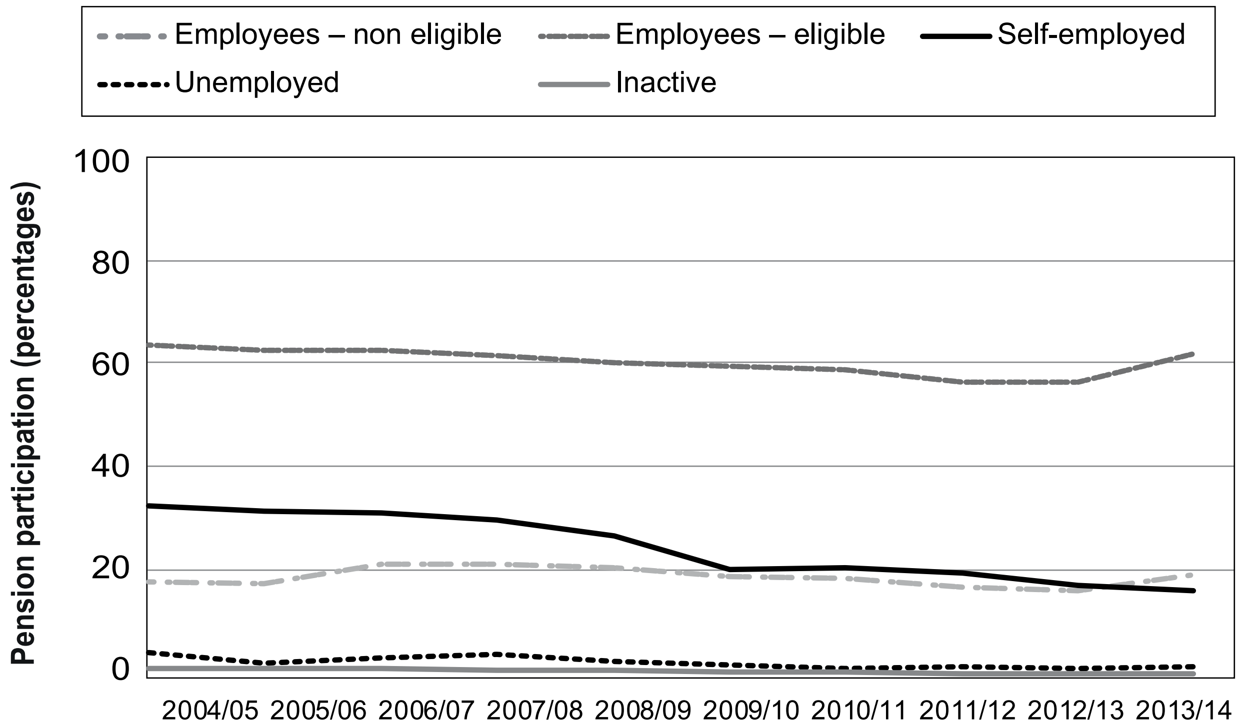
Source: DWP estimates derived from the ONS ASHE, GB, 2004–2014.

3.2.6 Economic status

Figure 3.6 demonstrates changes to pension participation by eligible employees compared to other economic status groups. Participation of eligible employees has increased in the past year from 56 per cent in 2012/13 to 61 per cent in 2013/14, following the decline in participation prior to automatic enrolment.

There has also been a slight increase in participation of ineligible employees, from 16 per cent in 2012/13 to 19 per cent in 2013/14. Participation of self-employed workers has continued to fall, reaching a low of 16 per cent in 2013/14; self-employed workers are not captured by automatic enrolment. Other categories have remained relatively stable, with participation of unemployed and inactive workers extremely low.

Figure 3.6 Participation in all pensions, by economic status



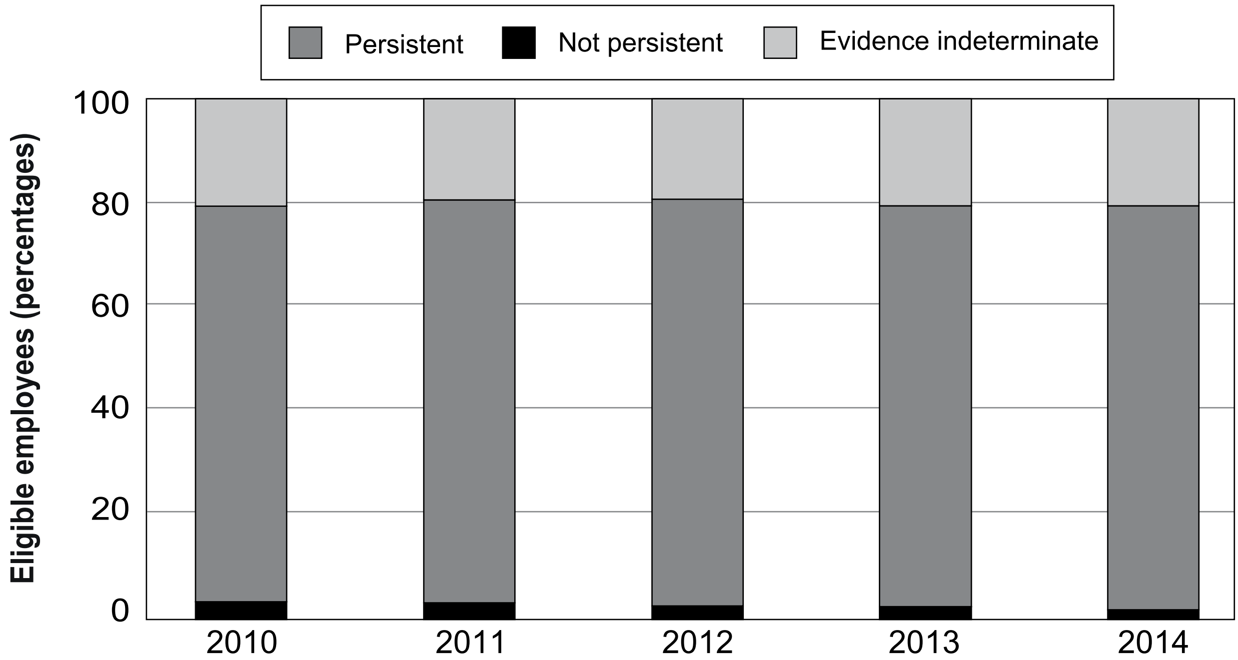
Source: Modelled analysis derived from the Family Resources Survey, UK, 2004/05 to 2013/14.

3.3 Persistency of saving

In this report, persistency of saving is defined as saving into a pension in at least three out of a period of four years. Figure 3.7 shows the estimates of persistency based on the number of years an eligible saver has been saving in a four-year period. This means the 2014 estimate is based on the number of years an employee has been saving between 2011 and 2014 and this measure will be slow to reflect the effect of the increasing trend in workplace pension participation[27].

Figure 3.7 illustrates that, overall, eligible employees are continuing to save persistently, at 78 per cent in 2014, a slight rise from 76 per cent in 2010. The proportion of eligible savers not saving persistently was 2 per cent in 2014, and for the remaining 21 per cent there is an indeterminate amount of evidence to categorise them as either persistent or non-persistent.

Figure 3.7 Persistency of eligible employees participating in workplace pensions



Source: DWP estimates derived from the ONS un-weighted longitudinal ASHE, GB, 2010–2014.
Notes:
1. This analysis shows the persistency measure from 2010, as the ASHE sample was cut in the 2007 and 2008 surveys and resulted in employees for these years moving into the evidence indeterminate group 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.

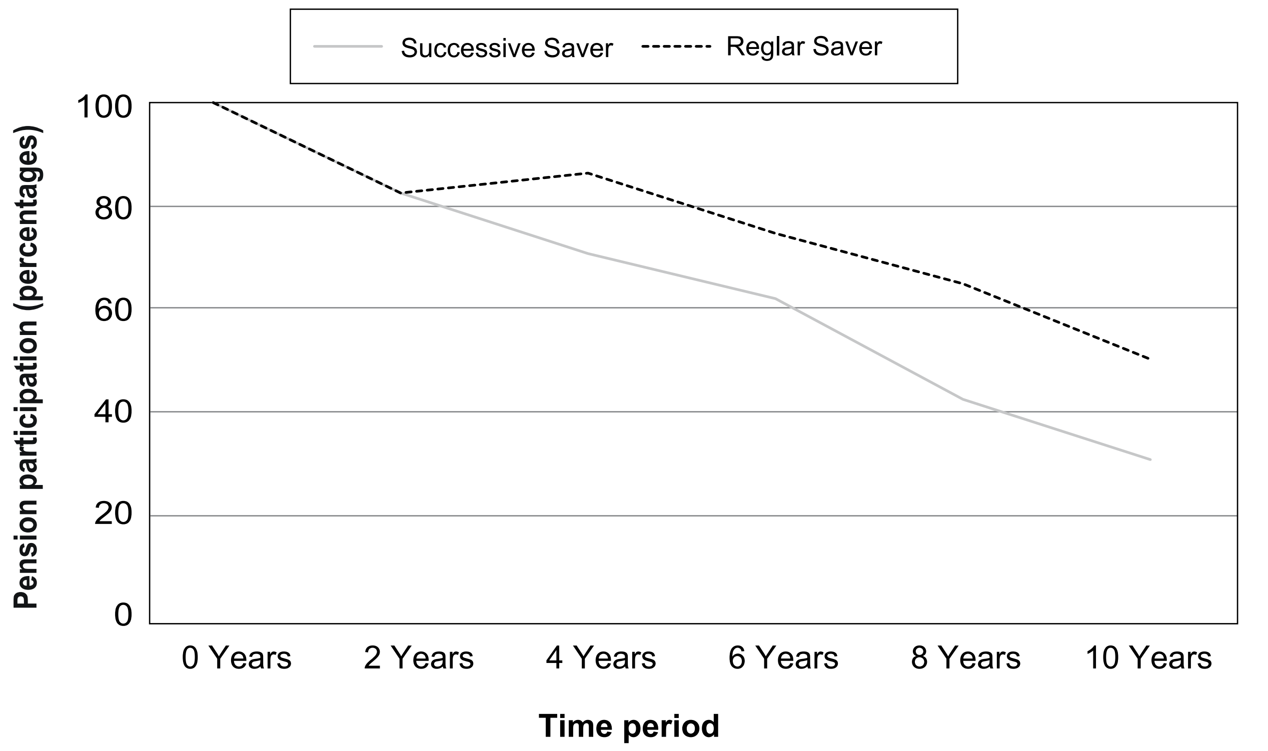
27 To see a breakdown of persistency of saving by sector, consult DWP (2015). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/collections/workplace-pension-participation-and-savings-trends

3.4 Regularity of saving prior to automatic enrolment

The biennial English Longitudinal Survey of Ageing (ELSA) can be used to provide insight on the long-term regularity of saving for those aged 50 and over. Figure 3.8 presents a longitudinal 'survival' analysis of the active (contributory) participation in employer-provided pensions of people aged 50 to SPa between 2002 and 2012. This analysis provides a baseline, prior to the implementation of automatic enrolment, against which we will be able to compare the regularity of workplace pension savings following automatic enrolment.

This survival analysis examines the proportion of workers who met the current eligibility criteria for automatic enrolment at the time of the survey and who were contributing to an active employer scheme from 2002 to 2012. A 'successive' saver is defined as someone who is 'eligible' and contributes to a workplace pension for a minimum of two consecutive waves. A 'regular' saver is defined as someone who is eligible and contributes to a workplace pension for at least *n-1* out of *n* waves (where *n* is 3 or greater). Thus someone who contributes in two out of two consecutive waves is counted as a 'successive' saver and someone who contributes in two out of three would be counted as a 'regular' saver'.

Figure 3.8 Longitudinal survival analysis of people aged 50–SPa saving into workplace pension, 2002/03 to 2012/13

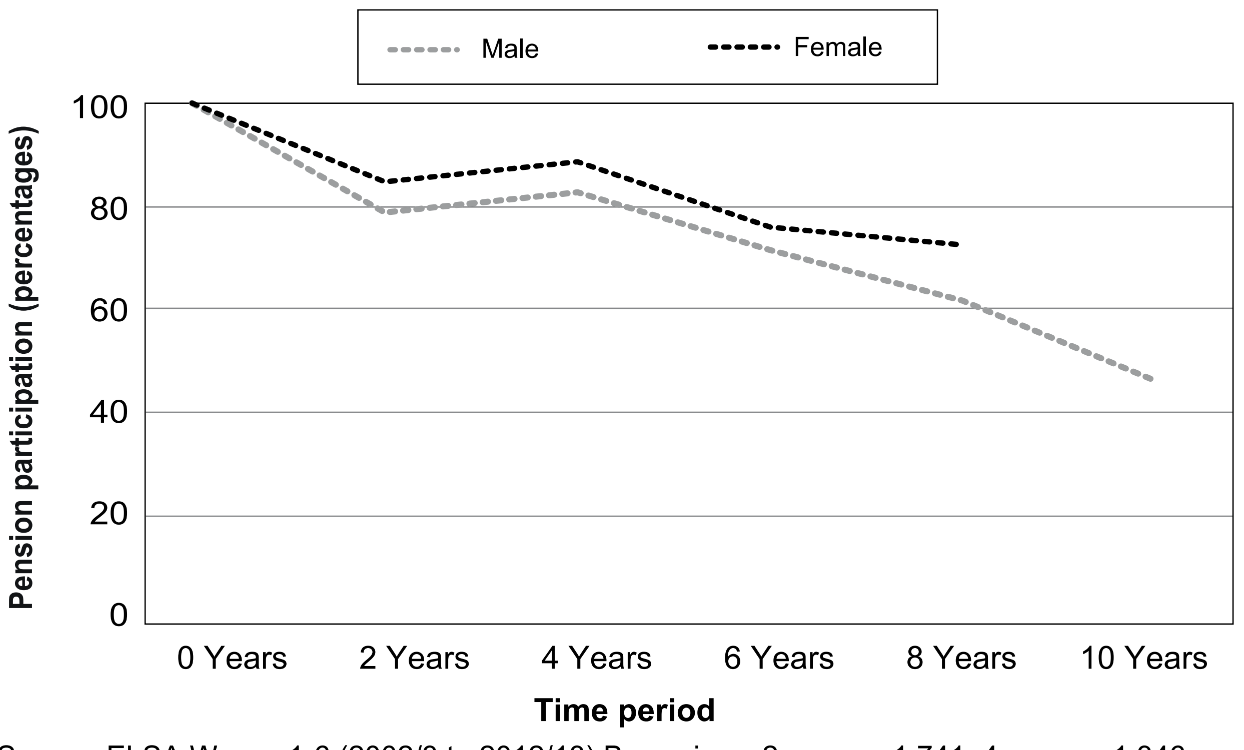


Based on ELSA Waves 1 to 6 (2002/03 to 2012/13) (Sample sizes: 2 years = 1,741; 4 years = 1,347; 6 years = 710; 8 years = 289; 10 years = 153).

Around six in ten eligible people (61 per cent) saved ‘successively’ for a minimum of six years, while 74 per cent saved ‘regularly’, for four out of the six years. Around 40 per cent saved ‘successively’ across ten consecutive years, with 65 per cent saving ‘regularly’ for eight out of the ten years. Although the sample size is small (around 150 individuals), 48 per cent of people who were eligible in all six waves of ELSA were recorded as having saved regularly, while 29 per cent were saving successively in all six waves.

Figure 3.9 shows that women are more ‘regular’ savers than men once they have access to an employer-provided pension. This result is in line with the analysis of pension saving conducted by Strategic Society Centre (SSC)/Institute for Social and Economic Research (ISER)[28] which found that women were 5 percentage points more likely to save into an occupational pension than men, once access to an employer-provided pension is controlled for.

Figure 3.9 Longitudinal survival analysis of people aged 50–SPa saving regularly into workplace pension, 2002/03 to 2012/13, by gender

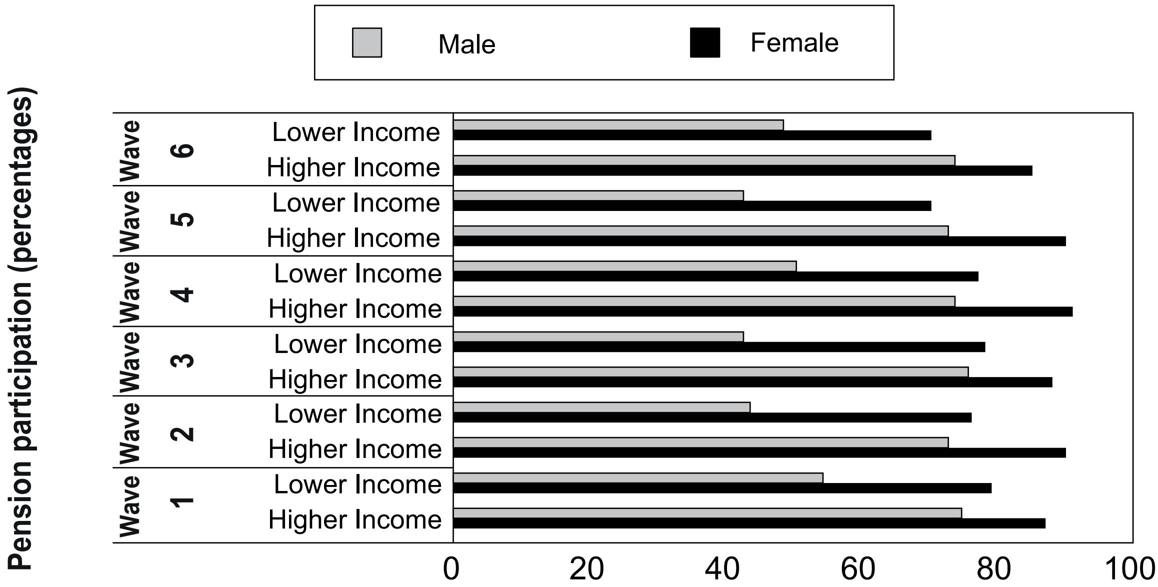


Source: ELSA Waves 1-6 (2002/3 to 2012/13) Base sizes: 2 years = 1,741; 4 years = 1,346; 6 years = 710; 8 years = 287; 10 years = 143.

28 Strategic Society Centre/Institute for Social and Economic Research (2011). *Who saves for retirement?* At: http://strategicsociety.org.uk/wp-content/uploads/2013/01/Who-Saves-for-Retirement.pdf

Figure 3.10 shows that women were more likely to save than men in both income groups across all ages, once access to a pension scheme had been controlled for. This gender gap in participation was greater for the higher income than the lower income group.

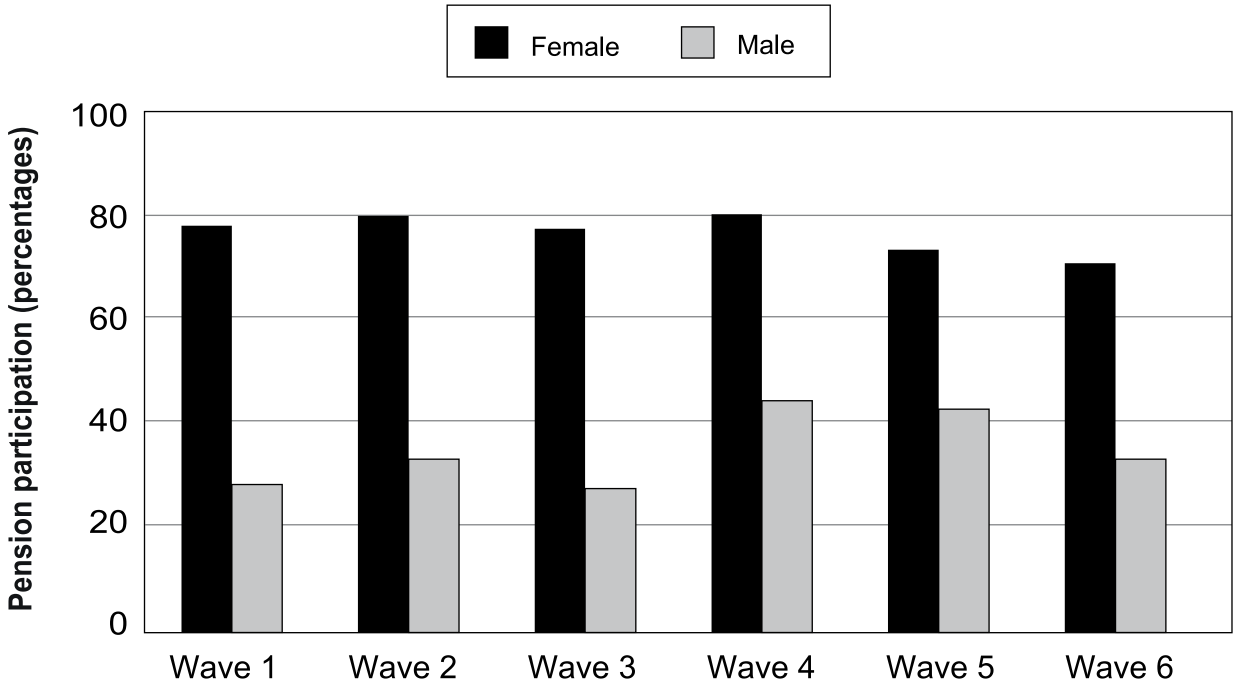
Figure 3.10 Cross-section frequency analysis of people aged 50–SPa contributing to workplace pension, 2002/03 to 2012/13, by gender and relative income



Source: ELSA Waves 1 to 6 (2002/3 to 2012/13). Base sizes: Wave 1 = 1,524; Wave 2 = 1,123; Wave 3 = 1,290; Wave 4 = 1,387; Wave 5 = 1,041; Wave 6 = 1,117.

This gender difference in participation in workplace pensions also occurs amongst part-time workers, as shown in Figure 3.11. This shows that between 70 and 80 per cent of female part-time employees who are eligible for or are offered a workplace pension by their employers contribute to it. Although the equivalent proportion of male employees has increased over the past three waves (Waves 4 to 6, from 2008/09 to 2012/13), it was still less than half the female rate in 2012/13.

Figure 3.11 Cross-section frequency analysis of part-time employees aged 50–SPa contributing to workplace pension, 2002/03 to 2012/13, by gender



Source: ELSA Waves 1 to 6 (2002/3 to 2012/13). Base sizes: Wave 1 = 415; Wave 2 = 356; Wave 3 = 392; Wave 4 = 440; Wave 5 = 375; Wave 6 = 362.

It is worth bearing in mind that although this evidence from ELSA points to a higher propensity to contribute to occupational pensions on the part of women, this does not necessarily mean that women will have a higher income in retirement.

3.5 Pension participation and opt out rates

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

The EPP survey 2013 showed that between 9 and 10 per cent of automatically enrolled workers had opted out or ceased active membership[29]. Indicative findings from qualitative research with large employers that staged in 2012/13 and with large and medium employers that staged in 2014 showed that opt out rates were generally around 1 in 10 and that

[29] 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

cessation rates were around 2 per cent[30].

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

3.5.1 Opt out rates from 2015

EPP 2015 was conducted between May and September 2015, at which time all large and medium employers had staged, but only a small number of small and micro employers had done so. The survey found that across all employer sizes, the average opt out rate was 10 per cent. Opt out rates were slightly higher for small and medium employers than for large employers.

DWP communications research carried out in May 2015 provides indicative, although not representative, findings on the relationship between individuals' intentions prior to automatic enrolment and their actions following automatic enrolment. It found that 41 per cent of individuals would definitely or probably stay in if enrolled, 16 per cent would definitely or probably opt out and 42 per cent were unsure. However, 84 per cent of individuals reported that they had stayed enrolled, 14 per cent reported that they had opted out and 2 per cent were unsure. This indicates that those who were not sure prior to being enrolled tend to stay in once enrolled, whereas most of those intending to opt out tend to follow through with their intentions[31].

3.5.2 Factors influencing the level of opt out

Previous qualitative research has indicated that opt out rates are likely to be higher for employers that used contractual enrolment prior to automatic enrolment and that workers aged over 50 or who work part-time are more likely to opt out[30].

In EPP 2015, 29 per cent of employers could not identify a common theme among workers choosing to opt out. Of those that could identify a theme, large and medium-sized employers reported that workers opting out tended to be young or lower earners.

3.5.3 Ceasing active membership

Workers who choose to stop paying into a scheme following the opt out period are described as having ceased active membership. EPP 2015 found that, since the reforms began in 2012, 3 per cent of automatically enrolled workers were reported to have ceased active membership.

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30 DWP (2013). *Automatic Enrolment: Qualitative research with large employers*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254182/research-report-851.pdf
And
DWP (2015). *Automatic Enrolment: Qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/391153/rr899-automatic-enrolment-employers-2014.pdf

31 To be published, DWP Communications tracking research May 2015.

3.5.4 Reasons for choosing not to save

Preliminary estimates from the Wealth and Assets Survey (WAS) 2012/14[32] wave can be used to explain why some individuals choose not to save into a pension. The survey shows that the most common reasons for not saving into a pension relate to a low income (cited by 44 per cent of those not contributing), lack of affordability (36 per cent) or the prioritisation of other expenses (22 per cent). The proportion of respondents citing these reasons has increased since 2010/12, however, the number of people citing a lack of interest in retirement saving has decreased from 11 per cent to 9 per cent since 2010/12. This could suggest that automatic enrolment has increased the level of interest and social normality of saving into an employer pension.

3.5.5 Opting in

Workers who do not fit the age or earnings criteria for automatic enrolment can choose to opt in to a scheme and, if they earn at least £5,224 in 2015/16 terms, their employer has to pay contributions on their behalf.

Previous qualitative research with large employers found that less than 1 per cent of workers had opted in, and qualitative research with employers staging in 2014 found that around 1 per cent of workers had opted in.

EPP 2015 found that, across all employer sizes that had staged, 6 per cent of workers ineligible for automatic enrolment had opted into a scheme. This amounted to 0.6 per cent of the total workforce.

3.6 The effect of communications activity

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

From September 2013, the ‘We’re all in’ campaign was launched and ran in bursts from October 2013 to August 2015. In October 2015 the ‘Don’t ignore the workplace pension’ campaign was launched, which was updated to reflect that small and micro employers, who are likely to have less engagement with pensions, are now staging. All campaigns have run across multiple channels, including television, video on demand, radio, press, digital and outdoor.

The DWP monitors the impact of the campaigns, through an independent tracking survey, against four key themes around: awareness, positivity, social norms and intention. The most recent wave of the communications tracking survey, carried out in May 2015, showed that overall campaign recognition was 84 per cent[33], broadly consistent with previous waves. Evidence suggests that the campaign is influencing individuals’ intentions to stay enrolled, with those who had seen the adverts (‘advert recognisers’) being more likely to intend to stay enrolled than those who had not (41 per cent compared with 35 per cent), although it is important to note that only a small amount of respondents did not recognise the campaign.

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32 ONS (2015). *Early indicator estimates from the wealth and assets survey*. At: http://www.ons.gov.uk/ons/dcp171766_407959.pdf

33 To be published, DWP Communications tracking research May 2015.

3.6.1 Awareness of automatic enrolment

The communication activity to date has helped drive a strong awareness of automatic enrolment, with 79 per cent of all working-age adults interviewed being aware of automatic enrolment. Advert recognisers were substantially more aware than non-recognisers (84 per cent compared with 57 per cent) in May 2015.

Preliminary estimates from the WAS 2012/14[34] also show that there has been a consistent rise in respondent's claiming some knowledge about the workplace pension reforms (reporting that they know a little, a fair amount or a great deal about the reforms), and an overall decline in those who do not know anything about, or have not heard of, the reforms. Workers were also asked whether they agreed with the statement: 'I feel I know enough about pensions to make decisions about saving for retirement' and overall 47 per cent of respondents agreed that they did know enough, an increase of 4 percentage points from the 2010/12 wave. There has also been an increase in the number who neither agreed nor disagreed and a decrease in the number who disagreed, which shows that general knowledge about workplace pensions has improved since the 2010/12 wave.

3.6.2 Positivity towards automatic enrolment

Findings from DWP's communications tracking research in May 2015 show that the vast majority of individuals interviewed view automatic enrolment and workplace pensions in a positive light, with 61 per cent saying that it is a good thing for them personally, an increase of 4 percentage points from the previous wave. This was more likely for those employed by small firms (57 per cent) than those employed by micro firms (38 per cent). Forty-seven per cent of all employees agreed that they would regret it later if they did not save into a workplace pension.

3.6.3 The social norms of workplace pension saving

In the May 2015 DWP communications tracker, a majority of working adults agreed that 'saving into a workplace pension is the normal thing to do if you have a job'. A majority of working adults (56 per cent) also agreed that most people in their workplace have or would stay in once they have been automatically enrolled. Thirty-nine per cent of adults overall agree that most of their friends and family save into a workplace pension, compared to 25 per cent of those yet to be enrolled.

3.7 Provision of information

It is important that accurate and accessible information is available to support employers implementing automatic enrolment, as well as individuals considering whether to opt out of or into a scheme. DWP is working with the Money Advice Service (MAS) and The Pensions Advisory Service (TPAS), to provide accessible and effective information for individuals while The Pensions 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. From October 2015, the communications campaign has its own dedicated microsite to provide information about automatic enrolment to employers and workers.

34 ONS (2015). *Early indicator estimates from the wealth and assets survey*. At: http://www.ons.gov.uk/ons/dcp171766_407959.pdf

3.7.1 Communications by employers to workers

Employers are legally required to communicate to each individual worker six weeks prior to staging, in order to inform them of how automatic enrolment will affect them. Previous qualitative research[35] has showed that most employers that staged in 2014 used letter templates provided by the regulator as a basis for this communication.

3.7.2 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 2014 and September 2015, these organisations' websites providing information about automatic enrolment received more than 3.6 million total page views, the vast majority of which were to GOV.UK pages. It is important to note that 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.

There were 3,801 telephone enquiries and 446 written enquiries received from individuals across DWP, TPAS and MAS in this period. More than one-third of all telephone enquiries, and nearly all of the written enquiries, were received by TPAS. This is partly because DWP do not process written enquiries, but also reflects TPAS's role in the handling of any complex pension-related enquiries.

There has been an overall decrease in the level of page views and written enquiries, and a small increase in the number of telephone enquiries across the period. However, overall there were 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.

[35] DWP (2015). *Automatic Enrolment: Qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/391153/rr899-automatic-enrolment-employers-2014.pdf

4 Increasing the amount of savings

Summary

- Once fully implemented, automatic enrolment aims to increase the amount being saved in workplace pensions by around £15 billion a year, within a range of £14 billion to £16 billion. In 2014, the annual total amount saved was £80.3 billion, an increase of £2.7 billion from 2013. This was driven by the private sector where saving increased by £3.1 billion to £42.9 billion, whereas in the public sector this fell slightly by £0.5 billion to £37.4 billion.
- Across both sectors, contributions by employees accounted for 30 per cent of saving, with employer contributions accounting for 60 per cent and tax relief the remaining 10 per cent.
- In terms of the amount saved per eligible saver there has been a slight decline in the private sector in 2014. This is likely to be a result of the increased number of savers with the majority of these contributions currently being at the minimum level prior to phasing. In the public sector the amount saved per eligible saver has increased from 2013, which probably reflects mandatory increases in contribution rates for some public sector schemes.
- In order to manage costs employers may choose to reduce contributions or outcomes for existing pension scheme members, known as ‘levelling down’. EPP 2015 suggests that, of those employers whose contribution costs will increase as a result of automatic enrolment, 81 per cent do not plan to absorb increased costs by changing their existing pension scheme or contribution rates.
- Department for Work and Pensions (DWP) analysis found that the proportion of eligible savers experiencing some form of levelling down has increased slightly from 6 per cent in 2012 to 8 per cent in 2014.

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. It covers the following question from the evaluation strategy:

To what extent do the Workplace Pension Reforms increase the amount being saved in workplace pensions? (EQ5)

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 2014 Annual Survey of Hours and Earnings (ASHE) data.

In 2014, the total annual amount saved by these employees into workplace pensions, across both sectors, is £80.3 billion, which represents an increase of £2.6 billion from 2013. In previous years the split between public and private saving has been relatively even. However, between 2013 and 2014 there has been a large increase in private sector saving of £3.1 billion to £42.9 billion, and the public sector saw a slight fall of £0.5 billion to £37.4 billion, which is likely to be as a result of a reduction in the number of individuals working in the public sector between 2013 and 2014[36].

Overall, employee contributions accounted for 30 per cent of saving, with employer contributions accounting for 60 per cent and tax relief the remaining 10 per cent.

Within the public sector the amount saved per eligible saver continued to increase in 2014 despite the drop in the total amount saved, which is probably reflecting the mandatory increases in the contributions required for some public sector schemes.

However, in the private sector, there has been a marked decline in the amount saved per eligible saver in 2014. This is likely to be a result of the increased number of savers in the private sector (see section 3.2.1) many of whom will be making contributions at the statutory minimum level prior to the increases planned under phasing[37]. For more information on the current trends in contribution rates for eligible employees see the Office for National Statistics (ONS) short story.

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36 ONS (2014). *Labour Market Statistics, June 2014*. At: http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/june-2014/index.html

37 ONS (2015). *Employees Eligible for Automatic Enrolment: Contributions to Workplace Pensions, 2005-2014*. At: http://www.ons.gov.uk/ons/rel/pensions/pensions-short-stories/employees-eligible-for-automatic-enrolment--contributions-to-workplace-pensions--2005---2014/art-employees-eligible-for-automatic-enrolment--contributions-to-workplace-pensions.html

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	2014
Public sector										
Total saved (£ billions)	38.7	32.0	33.7	35.1	36.1	38.8	37.1	36.1	37.9	37.4
Employee contributions	10.9	8.4	8.6	9.2	9.0	10.0	9.6	10.0	11.2	11.6
Employer contributions	24.6	21.2	22.6	23.4	24.5	26.1	24.8	23.2	23.1	22.0
Tax relief	3.0	2.4	2.4	2.6	2.5	2.8	2.7	3.0	3.6	3.7
Per eligible saver (£s)	8,006	6,647	6,865	7,136	7,065	7,231	7,150	7,518	7,591	7,919
Private sector										
Total saved (£ billions)	44.3	41.7	41.6	41.9	39.0	38.0	37.0	37.6	39.8	42.9
Employee contributions	11.2	10.4	10.4	10.9	10.3	10.1	9.7	9.9	11.3	12.6
Employer contributions	29.8	28.0	27.9	27.6	25.5	24.7	24.1	24.3	24.6	26.0
Tax relief	3.4	3.3	3.3	3.4	3.1	3.1	3.1	3.3	3.9	4.3
Per eligible saver (£s)	6,209	5,795	5,850	6,094	6,145	6,340	6,358	6,370	5,952	4,673
All employees										
Total saved (£ billions)	83.1	73.7	75.3	77.0	75.0	76.8	74.0	73.7	77.7	80.3
Employee contributions	22.1	18.8	19.0	20.1	19.4	20.0	19.1	19.8	22.5	24.2
Employer contributions	54.5	49.2	50.6	50.9	49.9	50.9	49.0	47.5	47.6	48.1
Tax relief	6.5	5.7	5.7	6.0	5.7	5.9	6.0	6.3	7.5	8.0
Per eligible saver (£s)	6,936	6,137	6,264	6,519	6,555	6,760	6,732	6,885	6,653	5,776

Source: DWP estimates derived from ONS ASHE, GB, 2005 to 2014.
Notes:
1. Contribution information is only collected from 2005 onwards.
2. Annual earnings are uprated using Average Weekly Earnings values.
3. An eligible saver is defined as a saver who is aged between 22 and State Pension age (SPa) and earns at least £10,000 p.a.

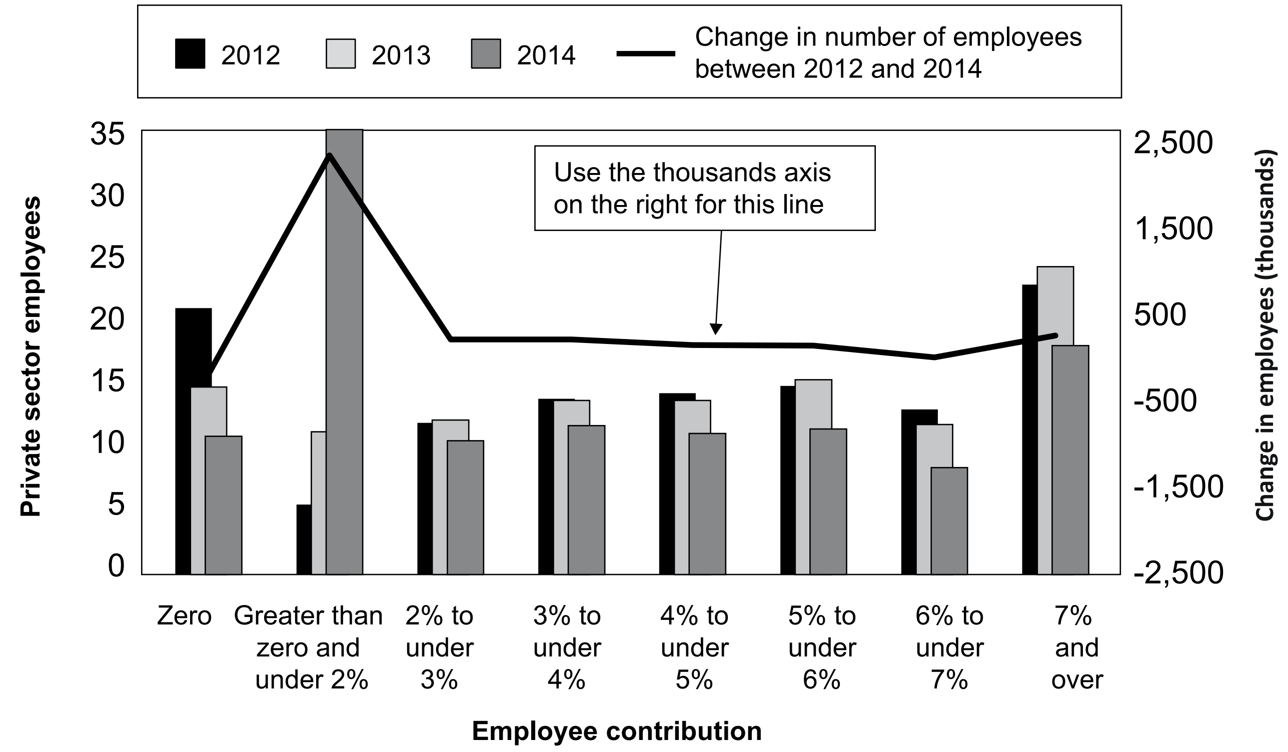
4.3 Employer contributions and levelling down

This section reports on trends in employer pension contributions over time, using findings from ASHE and Employers' Pension Provision survey (EPP) 2015 to explore how employer contributions have changed so far and how they are expected to change in the future.

4.3.1 Private sector contribution rates

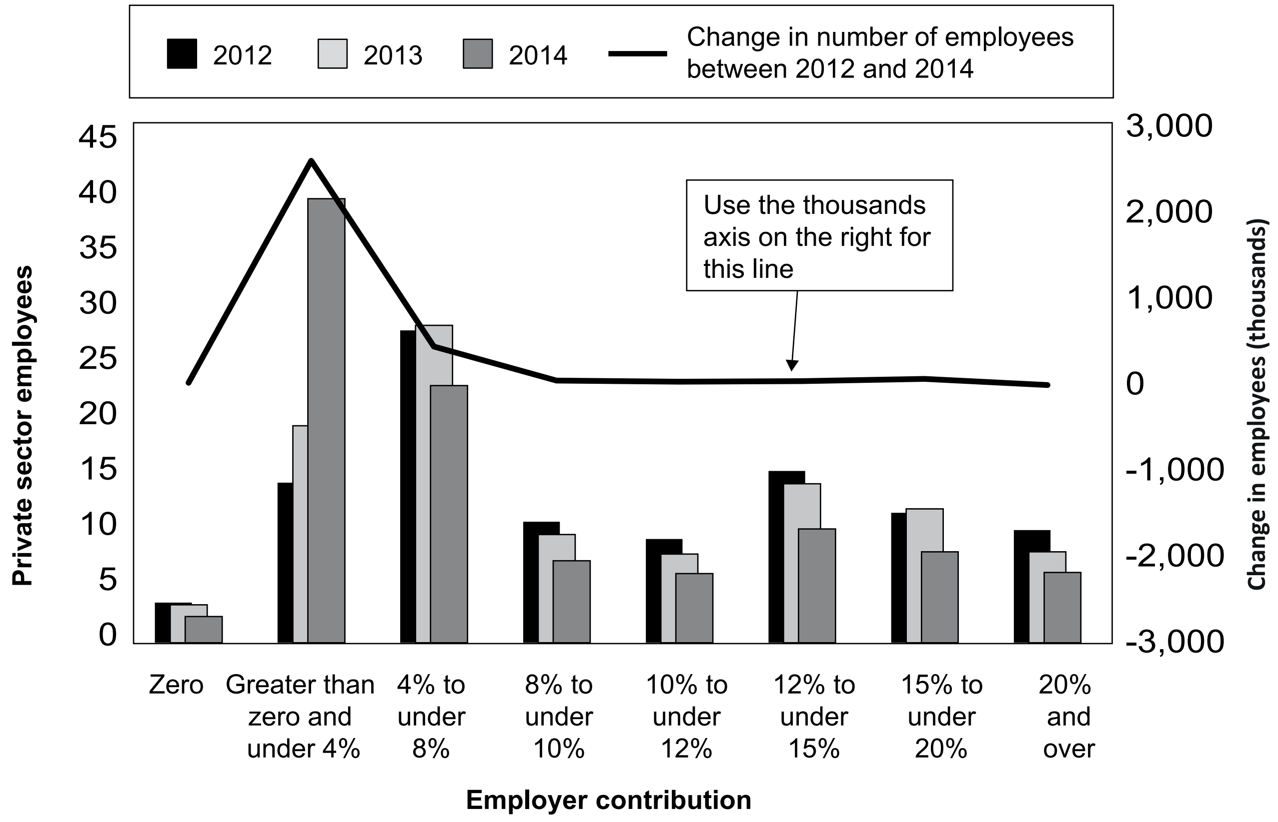
Figures 4.1 and 4.2 show the levels of workplace pension participation for eligible employees in the private sector from 2012 to 2014, broken down by employee and employer contribution rates respectively. The two figures show a considerable increase in the proportion of private sector employees contributing above 0 and below 2 per cent, and their employers contributing above 0 and below 4 per cent on their behalf, which is highly likely to be a result of automatic enrolment where the legal minimum for employer contributions is currently set at 1 per cent. There has been a slight increase in the number of employees contributing above 2 per cent and receiving contributions above 4 per cent. There has also been a small reduction in the number of employees not making any contributions to their workplace pension.

Figure 4.1 Private sector employees with workplace pensions: percentages by banded rate of employee contribution, 2012–2014.



Source: ONS estimates derived from ASHE.
Note: Figures for number of employees are for indicative purposes only and should not be considered an accurate estimate of employee job counts.

Figure 4.2 Private sector employees with workplace pensions: percentages by banded rate of employer contribution, 2012–2014.



Source: ONS estimates derived from ASHE.
Note: Figures for number of employees are for indicative purposes only and should not be considered an accurate estimate of employee job counts.

4.3.2 Levelling down strategies

In order to manage the costs of automatic enrolment, some employers may choose to reduce the generosity of contributions or outcomes for existing pension scheme members. This is known as 'levelling down'. 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 was taking place before the introduction of automatic enrolment.

EPP 2015 asked employers about their likely responses to increased contribution costs from the reforms. Of the 66 per cent of employers who said that their contribution costs would increase as a result of the reforms, 81 per cent said that they did not plan to absorb these increased costs through changes to their existing pension scheme or contribution rates, 15 per cent planned to absorb them through changes to their existing pension scheme and 4 per cent planned to absorb them through reductions in their existing members' contribution rates.

Box 4.1 shows the nine different levelling down strategies that will be monitored throughout the evaluation[38]. 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.

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

38 The 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 EPP survey will be used to measure 'h' and 'i'.

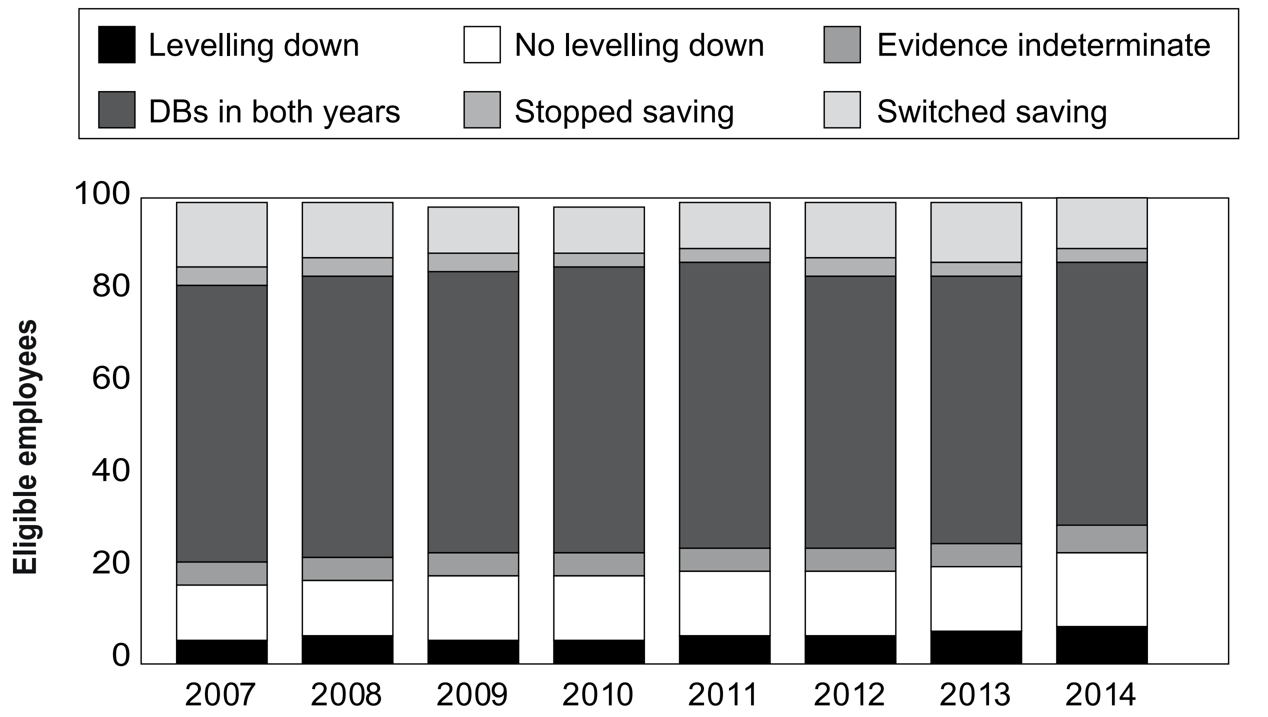
In this analysis each year shown represents the difference between that year and the previous year. For example, 2014 shows the differences between 2013 and 2014.

4.3.3 Levelling down for all eligible savers

Figure 4.3 shows a fairly consistent level of levelling down over time. From 2007 to 2012 around 6 per cent of workers had their employer contributions, or other outcomes reduced. This rose slightly to 8 per cent of workers between 2013 and 2014.

The largest change observed was in the proportion of eligible savers with DB schemes in both years which fell from 62 per cent in 2011 to 57 per cent in 2014.

Figure 4.3 Levelling down: Eligible savers' employer contributions to a workplace pension

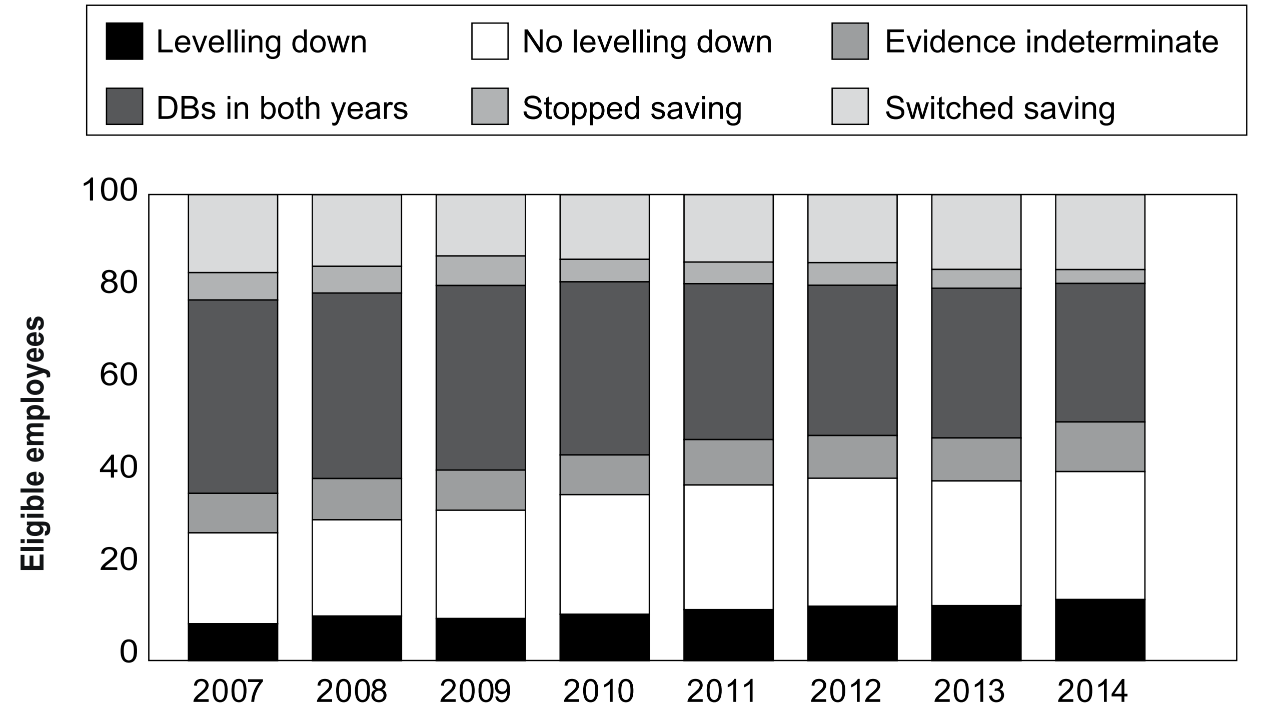


Source: DWP analysis of ONS unweighted longitudinal ASHE, 2006–2014.

4.3.4 Levelling down in the private sector

Figure 4.4 gives analysis of levelling down in the private sector which shows that the proportion of workers has risen gradually across the full time series and was at 13 per cent in 2014. The proportion of eligible savers in DB schemes in both years has declined to 30 per cent in 2014, from 41 per cent in 2007. Those who have stopped saving has reduced to just 3 per cent (down from 6 per cent in 2007).

Figure 4.4 Levelling down: Eligible savers' employer contributions in the private sector



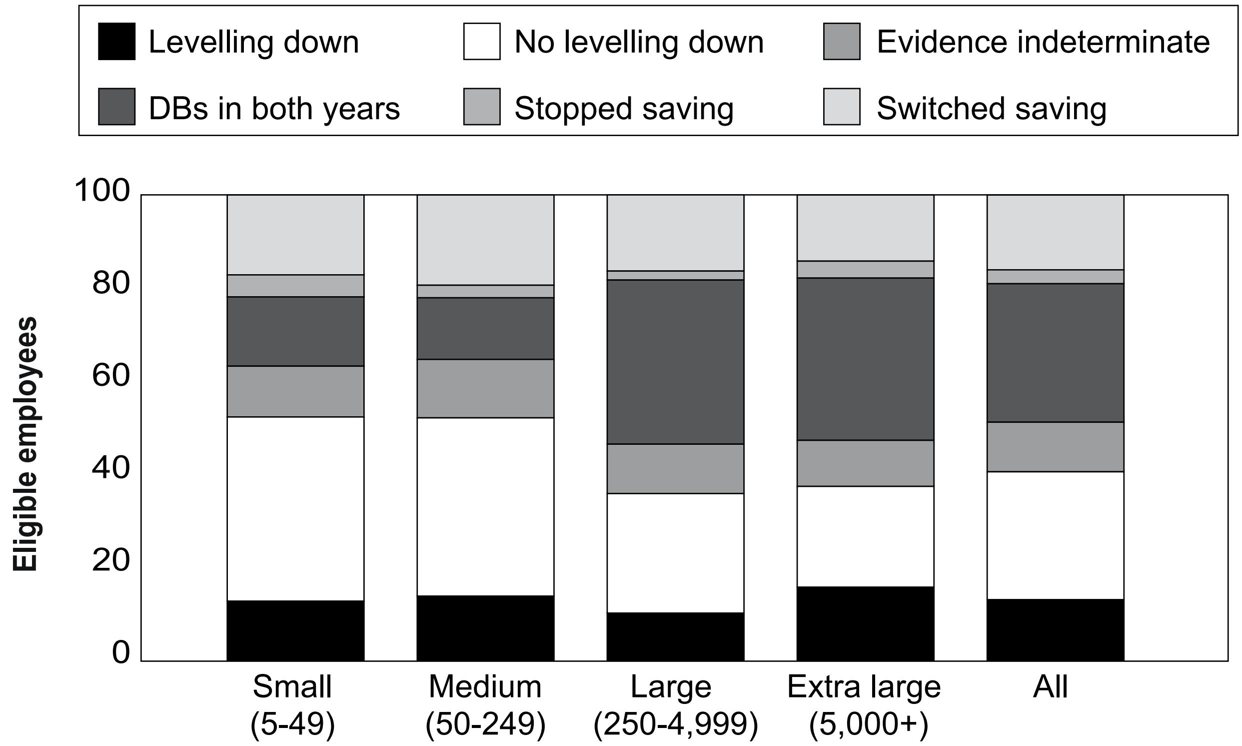
Source: DWP analysis of ONS unweighted longitudinal ASHE, 2006–2014.

4.3.5 Private sector levelling down by employer size

Figure 4.5 shows levelling down in the private sector by employer size between 2013 and 2014, ranging from 16 per cent amongst extra large employers (5,000+ workers) compared to 13 per cent for small (5-49 workers), 14 per cent for medium (50–249 workers) and 10 per cent for large (250–4,999 workers). The overall average level of levelling down was 13 per cent for all employer sizes.

The largest differences were observed in the proportion in DB schemes for both years and the proportion of no levelling down. Large and extra large employers had 35 per cent in DBs in both years compared to 15 per cent and 13 per cent in small and medium employers respectively. Small employers also had the greatest proportion of no levelling down (40 per cent) whereas extra large employers had the least (22 per cent).

Figure 4.5 Levelling down: Eligible savers' employer contributions in the private sector, by employer size in 2014



Source: DWP analysis of ONS unweighted longitudinal ASHE, 2013–2014.

4.3.6 Retirement benefits of DB schemes

In addition to reducing employer contributions, employers may choose to reduce costs by changing how retirement benefits are calculated for DB schemes, for instance by transforming a final salary into a career average scheme, or making the benefit calculation for a career average scheme less generous. Table 4.2 shows the number of active members in private sector DB schemes with different options for calculating retirement benefits. Best year's earnings, average years' earnings and both categories of average earnings over whole career all increased by around 0.1 million. Whereas earnings in the period up to retirement and average of best years' earnings both saw a slight drop of 0.1 million between 2013 and 2014, to 0.4 million members.

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

					Millions	
United Kingdom	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Earnings in period or point in time up to 12 months before retirement[3]	0.7	0.6	0.5	0.6	0.5	0.4
Best year's earnings in last X years[4]	0.8	0.7	0.8	0.4	0.5	0.6
Average years' earnings in last X years[5]	0.3	0.3	0.2	0.2	0.2	0.3
Average of best Y years' earnings in last Z years[6]	0.9	0.9	0.8	0.7	0.5	0.4
Average earnings over whole career revalued in line with prices[7]	0.5	0.5	0.5	0.3	0.4	0.5
Average earnings over whole career revalued in line with earnings[7]	0	0	0	0	0	0.1

Source: ONS Occupational Pension Schemes Survey, Table 14, UK, 2009–2014.

1 Excludes schemes with multiple members.
2 The question was a multiple response question, so members may appear in more than one category. For reference, in 2014, there were 1.6 million members of DB schemes, excluding schemes with fewer than 12 members.
3 For example, the earnings at retirement; the best three months earning in previous 12 months; the earnings on 6 April; annual earnings.
4 For example, the best year's earnings in the three years before retirement.
5 For example, the average earnings in the three years before retirement.
6 For example, the average earnings for the best three years of the previous ten years.
7 The last two categories listed are career average schemes.

4.3.7 Membership by accrual rate of DB schemes

Employers can also make DB schemes less generous by changing the rate at which members accrue benefits. Table 4.3 shows the trend in the number of active members in private sector DB schemes by different accrual rates. The number of schemes with accrual rates between 50ths and 60ths, 60ths without lump sum and 80ths declined between 2013 and 2014. However, the number of schemes offering accrual rates of 60ths or 80ths plus lump sum have increased between 2013 and 2014.

Table 4.3 Number of active members of defined benefit occupational pension schemes, by accrual rate

	Millions				
	2010	2011	2012	2013	2014
50ths or better	0.1	0.1	0.1	0.1	0.1
Between 50ths and 60ths	0.1	–	–	0.1	0.0
60ths plus additional lump sum	0.1	0.0	0.0	0	0.2
60ths	0.9	0.7	0.7	0.6	0.4
80ths plus 3/80ths lump sum	0.3	0.5	0.1	0.2	0.3
Between 60ths and 80ths	0.2	0.3	0.1	0.1	0.1
80ths	0.2	–	–	0.2	0.1
Less generous than 80ths	0	0.0	–	0.1	0.1

Source: ONS Occupational Pension Schemes Survey 2010–2014.
Notes:
1 Excludes schemes with fewer than 12 members.
2 Total includes members in schemes who did not respond to the accrual rate questions.

4.3.8 Employer contributions in the future

In EPP 2015, employers were asked what rate they would contribute for their employees once the legal minimum of 3 per cent was phased in, in 2018. Overall 20 per cent of employers did not know the rate at which they would contribute, 72 per cent were planning to contribute the minimum of 3 per cent, 7 per cent planned to contribute between 3 and 6 per cent on behalf of their workers and 1 per cent planned to contribute above 6 per cent.

4.4 Household wealth

The evaluation considers the distribution of household wealth, and 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, monitoring the distribution of wealth will enable us to better understand the context in which automatic enrolment continues to be implemented.

The previous evaluation reports used the first, second and third waves of the ONS longitudinal Wealth and Assets Survey (WAS) to show the distribution of the total stock of household wealth for all eligible employees[39]. As there was no new data available on wealth this year, the analysis below summarises information from the third wave of the survey, carried out in 2010/12, which largely describes the situation immediately before the introduction of automatic enrolment.

4.4.1 Private pension wealth

In 2010/12, 75 per cent of eligible employees had some level of private pension wealth. Median private pension wealth for all eligible employees still accumulating in 2010/12 was £20,000. Fifty-three per cent of eligible employees had occupational DB pension wealth and 39 per cent had DC pension wealth (excluding personal DC pensions). In 2010/12, total private pension wealth for eligible employees was £1.5 trillion, around half of the total wealth for these employees, the remainder being financial and property wealth.

39 DWP (2014). *Automatic Enrolment Evaluation Report 2014*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377120/rr887-automatic-enrolment-evaluation-2014.pdf

5 Understanding the wider context

Summary

- DWP's Employers' Pension Provision (EPP) Survey 2015 found that the median cost for implementing automatic enrolment was £500. Employers tended to say that the most work came from communicating the reforms to workers, as well as ongoing administration of the pension scheme.
- Data published by The Pensions Regulator shows the majority of employers (86 per cent) enrolled eligible workers into Defined Contribution (DC) schemes, representing 88 per cent of those enrolled. Of these employers around 50 per cent chose to use a master trust, which equates to around 44 per cent of all employers and 47 per cent of all automatically enrolled workers.
- The large number of savers being automatically enrolled into DC schemes means that the standard of governance and administration of these arrangements is very important for savers' outcomes. Therefore the regulator's Code of Practice will be updated to reflect the changes of legislation that became effective from April 2015.

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. It covers the following questions from the evaluation strategy:

To what extent is delivery of the Workplace Pension Reforms achieved with a minimal burden on employers? (EQ6)

How has the pensions industry reacted to the Workplace Pension reforms? (EQ7)

What are the wider economic impacts of the Workplace Pension reforms? (EQ8)

5.2 Perceptions of pension saving

This section presents preliminary estimates from Office for National Statistics (ONS) Wealth and Assets Survey (WAS) 2012/14 Wave 4[40], which explore individual attitudes towards the viability of workplace pensions as a vehicle for saving. The survey shows that employer pension schemes are considered to be the safest way of saving for retirement by 40 per cent of respondents, followed by 28 per cent considering property to be the safest investment. Other forms of saving were considered the safest savings vehicle by a much smaller proportion of respondents, these being personal pensions (11 per cent), ISAs (11 per cent), savings accounts (6 per cent), premium bonds (2 per cent) and stocks and shares (1 per cent).

40 ONS (2015). *Early indicator estimates from the wealth and assets survey*. At: http://www.ons.gov.uk/ons/dcp171766_407959.pdf

However, when respondents were asked which retirement option will offer the best return on money invested, 42 per cent of respondents to the 2012/14 wave considered investing in property to be ‘the most likely to make the most of your money’, compared to 26 per cent considering this for employer pensions, 8 per cent for ISAs and 7 per cent for stocks and shares. These findings suggest that individuals consider employer pensions to be safer but offer lower returns, whereas property investments are considered riskier but offer potentially better returns on investment.

5.3 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.

These four areas have been explored within the Employers’ Pension Provision survey 2015 (EPP 2015) and the Department for Work and Pensions (DWP) analysis of large employers’ contribution costs using ONS’s annual business survey.

5.3.1 Administrative costs for employers

In EPP 2015, employers who had reached their staging date were asked how much it had cost them to implement automatic enrolment. The median cost across all employers to have staged was £500. This included the cost of paid advice, but not the costs of making contributions to workers’ pensions.

In EPP 2015 the cost of implementation varied greatly by employer size; previous qualitative research suggests that this is partly because very large employers have made use of costly legal advice[41], whereas smaller employers have not felt this to be necessary[42]. This is supported by data from EPP 2015 which showed that use of paid advice increased for larger employers. Overall 37 per cent of employers to have staged had paid for advice, at a median cost of £1,092.

41 DWP (2013). *Automatic Enrolment: Qualitative research with large employers*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254182/research-report-851.pdf

42 DWP (2015). *Automatic Enrolment: Qualitative research with employers staging in 2014*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/391153/rr899-automatic-enrolment-employers-2014.pdf

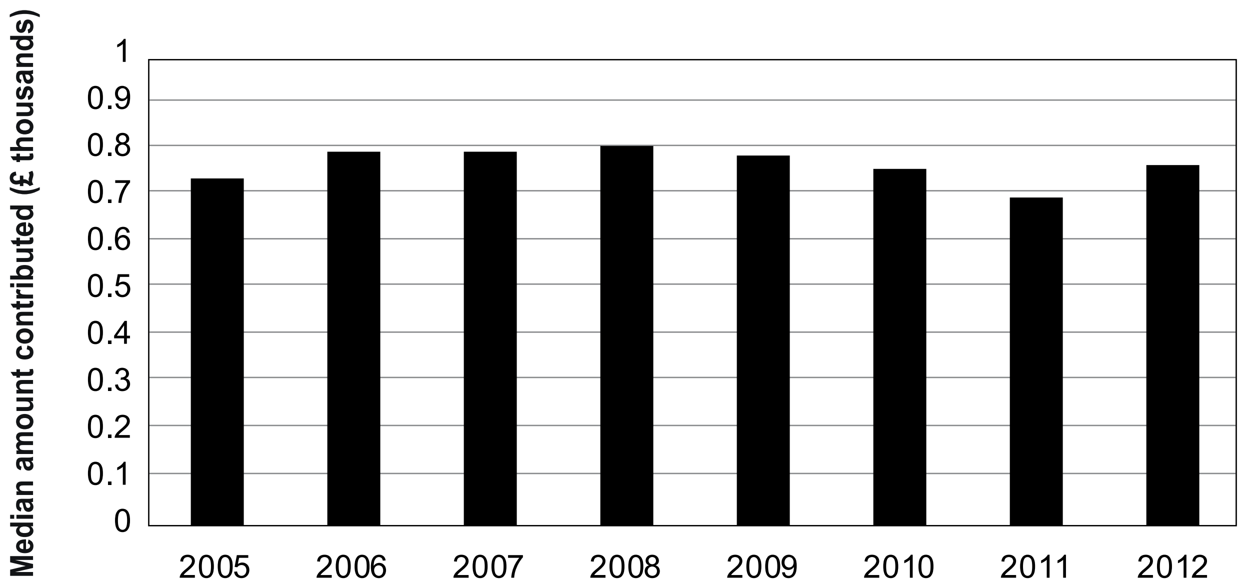
5.3.2 Ongoing costs

This section introduces analysis derived from the ONS's Annual Business Survey (ABS) of large businesses in the private sector. ABS contains detailed breakdowns of the major sources of business revenue and expenditure allowing changes in employers' spending to be monitored. This will give an indication of the response of large businesses to any increased costs arising from the workplace pension reforms.

When responding to the ABS, employers report on a number of employment costs including the amount paid as contributions to pension funds (including lump sum contributions). The average pension contribution costs per worker were calculated using the reported costing data and the workforce numbers reported by employers. Businesses who reported no pension contribution costs were included within this analysis.

Figure 5.1 below shows that the median annual cost per worker has stayed relatively stable at around £800 until 2008, when there was a slight decrease to £700 in 2011, which increased to £770 in 2012.

Figure 5.1 Median net pension contribution paid per worker by large businesses (by year)

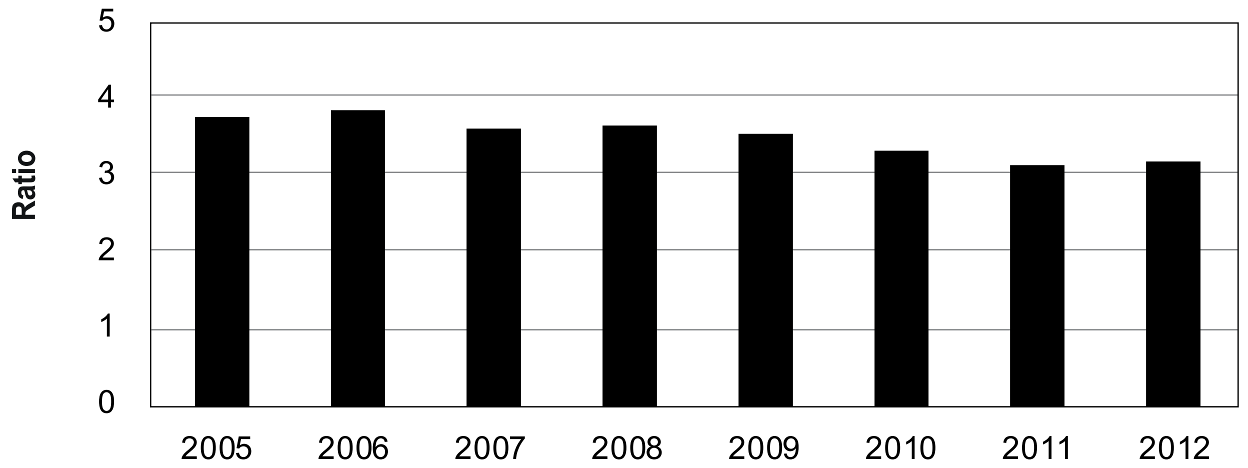


Source: DWP estimates derived from the ONS ABS, GB, 2005–2012. Base sizes: 2005 = 7,553; 2006 = 6,956; 2007 = 6,907; 2008 = 7,186; 2009 = 7,069; 2010 = 6,457; 2011 = 6,536; 2012 = 6,935.
Note: Net pension contribution was calculated for each employer, these results were then analysed as a group.

In addition to tracking the amount of money employers are actually contributing, considering this spend as a proportion of the amount spent on other costs will give a better understanding of the financial situation. For this analysis, net pension contribution costs were considered relative to gross wage and salary costs, for example, a ratio of 3.2 (as in 2012) would indicate that the amount spent on net pension contributions is equivalent to 3.2 per cent of the total spent on gross wages and salaries. An increase in this ratio would indicate that employers are spending proportionally more on pension contributions, whereas a decrease would indicate that pension contributions were not remaining consistent with wage increases.

Figure 5.2 below shows that, from 2006 to 2011, there has been a reduction over time in the median ratio of pensions to wages and salaries, from 3.78 in 2006 to 3.15 in 2011. In 2012 the ratio increased slightly to 3.2. This may be a result of the implementation of automatic enrolment and will be monitored in future years.

Figure 5.2 Median pension contribution to gross wages and salary ratio for large companies (by year)



Source: DWP estimates derived from the ONS ABS, GB, 2005–2012. Base sizes: 2005 = 7,553; 2006 = 6,956; 2007 = 6,907; 2008 = 7,186; 2009 = 7,069; 2010 = 6,457; 2011 = 6,536; 2012 = 6,935.

5.3.3 Contribution costs for employers

EPP 2015 found that 66 per cent of employers that have begun automatic enrolment will pay more in contribution costs, once the minimum contribution costs have been phased in, than they were prior to automatic enrolment. These employers were asked what strategies they would put in place to absorb these increased costs. The most commonly cited strategy was a reduction in profits (cited by 51 per cent of these employers) followed by absorbing the costs as part of other overheads (48 per cent), lower wage increases (28 per cent), increased prices (17 per cent) and changes to the existing pension scheme (15 per cent).

5.3.4 Pension scheme choice

Data published by the regulator[43] shows the range of scheme types being used by employers for automatic enrolment up to 31 March 2015. The majority (86 per cent) enrolled eligible workers into DC schemes, representing 88 per cent of those enrolled. Of those employers who automatically enrolled their workers into a DC scheme, around 50 per cent chose to use a master trust, which equates to 44 per cent of all employers and 47 per cent of all automatically enrolled workers.

Comparisons with previous reports[44] [45] shows a large reduction in the proportion of Defined Benefits (DB) schemes and, for employers using trust-based schemes, a large increase in the proportion of master trusts compared to other trust-based schemes. Both of these changes reflect the fact that, as the staging profile has moved from large through medium-sized employers, there has been less use of DB and single-employer trust-based schemes and more use of master trusts.

Some employers have sought information or advice on choosing a pension scheme. Data from EPP 2015 suggests that around half of employers that had staged sought information or advice on choosing a type of scheme or pension provider. Around two-thirds of employers that had not yet staged planned to seek information or advice on choosing a pension provider or scheme type.

5.3.5 Employer perceptions of the burden of implementation

Data from EPP 2015 shows that automatic enrolment had increased overall administration costs for 62 per cent of employers that had started automatic enrolment. Employers that had staged were asked which areas of implementing automatic enrolment had created the most work. Overall, employers felt that the most extra work came from ongoing administration of the scheme and communicating automatic enrolment to their workforce. Assessing the workforce’s eligibility, declaring compliance with the regulator and processing opt ins and opt outs were generally felt to have created less additional work. Overall, large employers tended to say that more work had been created than did medium-sized employers.

5.4 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.

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43 TPR (2015). *Automatic Enrolment: Commentary and Analysis April 2014–March 2015*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2015.pdf

44 TPR (2014). *Automatic Enrolment: Commentary and Analysis April 2013–March 2014*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2014.pdf

45 TPR (2013). *Automatic Enrolment: Commentary and Analysis*. At: http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2013.pdf

5.4.1 Employer sponsored schemes

Table 5.1 presents trends in the estimated number of private sector occupational DB and DC schemes and their status. ONS's Occupational Pension Schemes Survey (OPSS) has relatively low sample sizes for estimating scheme numbers and is therefore supplemented with findings from the Pension Protection Fund's (PPF) and TPR's Purple Book for DB schemes and TPR's DC Trust publication for DC schemes.

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

	OPSS					DC Trust	Purple Book
Year	Open DC	Closed DC	Frozen DC	Winding up DC	Total DC	DC (trust)	DB
2009	22,500	11,630	2,260	1,420	37,810	48,820	n/a
2010	19,900	8,850	5,040	480	34,270	44,420	6,850
2011	19,480	9,520	4,080	1,080	34,160	41,890	6,550
2012	19,640	8,070	4,660	600	32,970	38,690	6,460
2013	19,890	7,910	4,270	230	32,300	37,690	6,225
2014	19,400	7,710	2,060	1,440	30,610	36,370	6,057

Sources: ONS Occupational Pension Schemes Survey, PPF/TPR Purple Book, TPR DC Trust.

1 Totals may not sum due to rounding.

2 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.

3 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.

4 OPSS figures only count 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.

5.4.2 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 Stakeholder Pensions (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 personal pension schemes has declined steadily over time, however, their average contributions have increased. In 2013/14 there was an increase in the number of SHP schemes and a decrease in the average contributions, which is likely to reflect the use of SHP schemes for automatic enrolment.

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

	Personal Pension		Stakeholder Pension		All	
	Number	Average Contribution	Number	Average Contribution	Number	Average Contribution
	(000s)	£s	(000s)	£s	(000s)	£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
2013/14	3,530	1,986	840	1,726	4,370	1,936

Source: Her Majesty's Revenue and Customs (HMRC) Pension Tables Pen 2.1 and Pen 2.2.

5.5 Changes to the legislation and guidance

A number of legislative changes relevant to automatic enrolment came into force in April 2015. These included:

- A charge cap of 0.75 per cent, or an equivalent combination charge, on member-borne charges for default funds in trust-based qualifying schemes.
- Minimum governance standards for workplace DC trust-based pensions, including qualifying schemes. Amongst the standards was the requirement for schemes to have a chair of trustees who must report annually on how the scheme meets these governance standards.
- New requirements to strengthen the independent governance of relevant multi-employer schemes including the provision that there must be at least three trustees the majority of whom, including the chair, must be independent of the provider of services to the scheme.

Also Financial Conduct Authority (FCA) rules came into force in April 2015 introducing a charge cap on the default funds of qualifying contract-based schemes, and establishing Independent Governance Committees to provide oversight on behalf of scheme members.

Regulations were also introduced with effect from April 2015 to simplify the process of automatically enrolling eligible jobholders into workplace pension saving and reduce the automatic enrolment duties of employers. The changes made by these regulations were to:

- create exceptions to the employer duties in certain circumstances;
- simplify the information requirements of employers; and
- introduce alternative quality requirements for DB schemes.

5.5.1 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 5.3.4), this trend will 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, TPR's *Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes* came into force[46]. This code will be updated to reflect changes to legislation effective as of April 2015.

The regulator has been monitoring the presence of the DC quality features in single-employer schemes and master trusts. The regulator's annual DC features survey[47] 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:

Master trusts

- All 20 master trusts surveyed were aware of the DC quality features. Eighteen master trusts had reviewed their scheme against them, with the remaining two trusts planning to review their scheme against them.
- All but one of the master trusts stated they were being used for automatic enrolment, whilst the remaining one planned to be used for automatic enrolment in the future.
- All master trust schemes had 15 of the 29 measured features present and 75 per cent had at least 24 features present.

DC and hybrid schemes

Awareness of the features was highest among large DC (88 per cent), large hybrid (90 per cent) and medium hybrid schemes (86 per cent) and lowest among small DC schemes (78 per cent).

There was variation in presence of the DC quality features by scheme size. Among the 30 features measured, large DC and hybrid schemes had 24 on average, medium DC schemes had 20, medium hybrid schemes had 24, small DC schemes had 16 and small hybrid schemes had 18 features present on average. Only 10 per cent of small DC schemes had 24 or more of the features present.

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46 TPR (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

47 TPR (2015). *Defined Contribution trust-based pension scheme quality features: A summary report on the 2015 research survey*. At: http://www.thepensionsregulator.gov.uk/docs/dc-trust-based-pension-scheme-features-summary-2015.pdf

5.5.2 Charge structures

DWP introduced charges and governance regulations[48] in April 2015, which introduced minimum governance standards for workplace trust-based schemes, building on the regulator's DC quality features mentioned above.

These include a requirement for trustees to report on the design and review of their default fund; the levels of costs and charges; and the standards of administration, as well as an explanation of how the trustee board has all of the knowledge and competencies necessary to properly run the scheme, by way of an annual chair's statement. FCA rules also came into force in April 2015 establishing Independent Governance Committees to provide oversight on behalf of scheme members.

DWP charges and governance regulations also introduced a number of charge controls on qualifying schemes. These included a charge cap of 0.75 per cent, or an equivalent combination charge, on member-borne charges for default funds in trust-based qualifying schemes. Also, with effect from April 2015, restrictions on permitted charge structures for members invested in the default fund to (1) a single annual funds under management charge, (2) a combination of a percentage contribution charge plus a funds under management charge or (3) a combination of a flat fee plus a percentage funds under management charge.

With effect from April 2016 there will also be a ban on Active Member Discounts (AMDs) so that the charge taken from non-contributing member's pot may be no higher than it would be if the member were contributing.

The FCA introduced requirements to the same timescales for members of contract-based qualifying schemes. In addition, FCA have made rules for qualifying schemes to: (1) ban consultancy charging, under which members pay for advice to employers, with effect from April 2015; and (2) ban member-borne commission payments, under which members pay for advice which they have not freely chosen, with effect from April 2016. DWP began a consultation on introducing a similar ban for trust-based qualifying schemes on 26 October 2015, with the intention of introducing regulations in 2016 that will prevent both types of charge.

5.5.3 Pension Charges Survey results

The DWP Pension Charges Survey 2015[49] provides recent data on charges during the accumulation phase within DC pension schemes open to new members. The survey collected data for a 12-month reporting period prior to the introduction of the charge cap in April 2015, providing baseline data for monitoring charge levels following the cap. Table 5.3 shows the average annual ongoing charges for members and the percentage of members whose charge already fell within the cap, by scheme type.

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48 The Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879), as amended by SI 2015/889.

49 Due to be published in 2015.

Table 5.3 Average annual ongoing member charges, and percentage of members whose charge was within the 0.75 per cent cap, by scheme type

	Qualifying			Non-qualifying		
	Contract-based	**Master-trust**	**Other trust-based**	**Contract-based**	**Master-trust**	**Other trust-based**
Average annual ongoing charge	0.55	0.46	0.42	0.81	0.60	0.67
Percentage of members with charges within 0.75 per cent cap	76	100	88	26	51	55

Source: DWP Pension Charges Survey 2015.

Average charges are higher in non-qualifying schemes than in qualifying schemes, and for contract-based schemes in comparison to master-trusts and other trust-based schemes with the same qualifying or non-qualifying status. On average, all member charges were already lower than the 0.75 per cent charge cap, except for non-qualifying contract-based schemes.

5.6 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

- Automatic enrolment is predicted to significantly reduce the numbers of people facing inadequate retirement incomes. It largely removes the problem of people not saving for a pension whilst in work.
- Modelling shows that with the reforms, median pension incomes in 2070 will be higher than what they would have been without the reforms.
- The level of retirement income from a particular pot could vary considerably depending on employment levels, income growth, annuity rates and fund pension performance.
- Analysis using combinations of extreme high and low scenarios shows that the reforms could increase median weekly private pension income from anywhere between £20 and £261 per week by 2070.

6.1 Introduction

The baseline evaluation report[50] 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 future pensions landscape; one in which automatic enrolment was implemented (referred to as '**with the reforms**') and one in which they were not implemented known as the counterfactual (referred to as '**without the reforms**'). By comparing the two scenarios a more informative picture could be built of the long-term effects of the reforms. In order to fully assess the impact of the reforms, their sensitivity to changes in economic and other social factors were also highlighted.

The counterfactual controls for trends in a variety of factors that may affect pension incomes. In the absence of existing data on which to establish the counterfactual, the counterfactual is established by projecting current trends and modelling the effect of the interactions between these trends on pension participation and income.

As part of the evaluation of the workplace pension reforms, associated information has been collected such as pension participation rates, which has allowed the programme assumptions to be updated in line with these findings. In addition there have also been substantive updates made to the Department's Pensim2 model since the baseline analysis was run. This updated information coupled with the Pensim2 changes allows for an update of this analysis to be conducted. More information about Pensim2 can be found in section B.2 of the annex.

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

6.1.1 Key assumptions

To capture the range of uncertainty and sensitivity around projecting up to the year 2100, analysis of key assumptions is based on high and low scenarios. While these have been set following the same methodology used in the baseline analysis, there have been economic and social changes that have occurred since the original analysis was run that are updated as part of the model. As such there are differences in the values used for both sets of analysis.

Table 6.1 lists the high and low assumptions that have been used. In the analysis presented in Section 6.2, long-term outcomes have been estimated by manipulating a single assumption, such as average earnings growth, to produce a high and low scenario for with and without the reforms versions of the model.

Table 6.1 List of high and low assumptions with and without the reforms

Assumption	Without the reforms	With the reforms
Earnings growth	Fixed. Low assumption at 4 per cent and high assumption 5 per cent per year.	Same as without the reforms.
Job churn	Range. -60/+70 per cent of original probability of moving job. For example, if an individual originally had a 10 per cent probability of moving job, their new probability ranges between 4 and 17 per cent.	Same as without the reforms.
Employment	Fixed. Uses same upper and lower quartile of HM Treasury external projections as the baseline analysis, and held constant from 2015.	Same as without the reforms.
Annuities	Range. High assumption that flat annuity rates at 65, 6.3 per cent for both sexes in 2050. Low assumption that annuities vary by age and uprating, 5.7 per cent for both sexes. The spread between the high and low assumptions remains constant.	Same as without the reforms.
Inflation	Fixed. Low assumption of 1 per cent Consumer Price Index (CPI) and high assumption of 3 per cent CPI.	Same as without the reforms.
Contribution rates	Range. Average employee contribution around 4 per cent. Average employer contribution range between 7 and 8 per cent. Low and high assumptions range about ±1 per cent from the principle averages.	Low assumption that contributions are at minimum level. High assumption same as the without reforms with no contributions below the minimum rate.
Fund growth	Fixed. Low assumption of 4.6 per cent and high assumption of 8.6 per cent per year.	Fixed. Slightly reduced fund growth for National Employment Savings Trust (NEST).
Participation	Fixed. High assumption that individuals are more likely to be offered a pension, but current acceptance rate remains constant. Low assumption that decreasing trend continues to 2026, and then holds level constant.	Fixed. High assumption that 10 per cent of individuals opt out. Low assumption that 28 per cent of individuals opt out.

Note: Fixed indicates the low/high assumptions are fixed at the specified rates shown. Range indicates the low/high assumptions may vary within the range of values shown.

Each of the scenarios in Table 6.1 manipulates a single assumption to view the effect on pension incomes with and without automatic enrolment. However, in reality, it is highly unlikely that a single variable will vary from the principal projections, whilst other variables will remain the same.

6.2 Findings

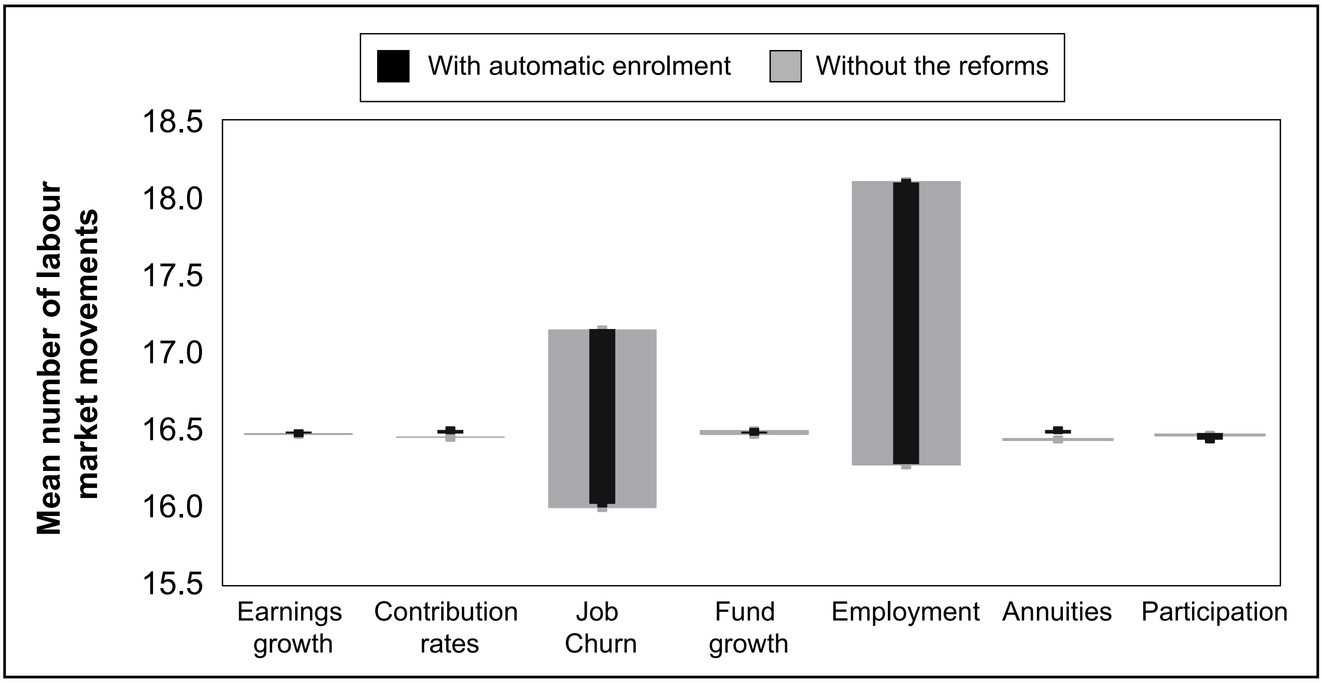
This analysis sets out key measures of individual levels of saving and pension income in terms of individual behaviour in the accumulation stage (when contributing to a pension) and later in the decumulation stage (when converting pension savings into retirement income).

6.2.1 Labour market movement

For each key assumption, Figure 6.1 shows the mean high and low number of labour market episodes (i.e. periods of employment in the same job, self-employment, unemployment or economic inactivity) for individuals retiring from 2070 to 2100. The baseline analysis showed that labour market episodes were similar both with and without the reforms. Labour market spells (and the subsequent saving behaviour) are largely influenced by the level of employment, and, related to this, the rate of job churn rather than the reforms.

In Figure 6.1 (and similar figures) both grey and black bars represent the mean number of labour market episodes arising from each of the high and low assumptions. The grey bars represent these figures without the reforms while the black bars represent these figures with the reforms. Overlapping grey and black bars illustrate that there is no difference between the with and without reform conditions, supporting the findings from the baseline analysis.

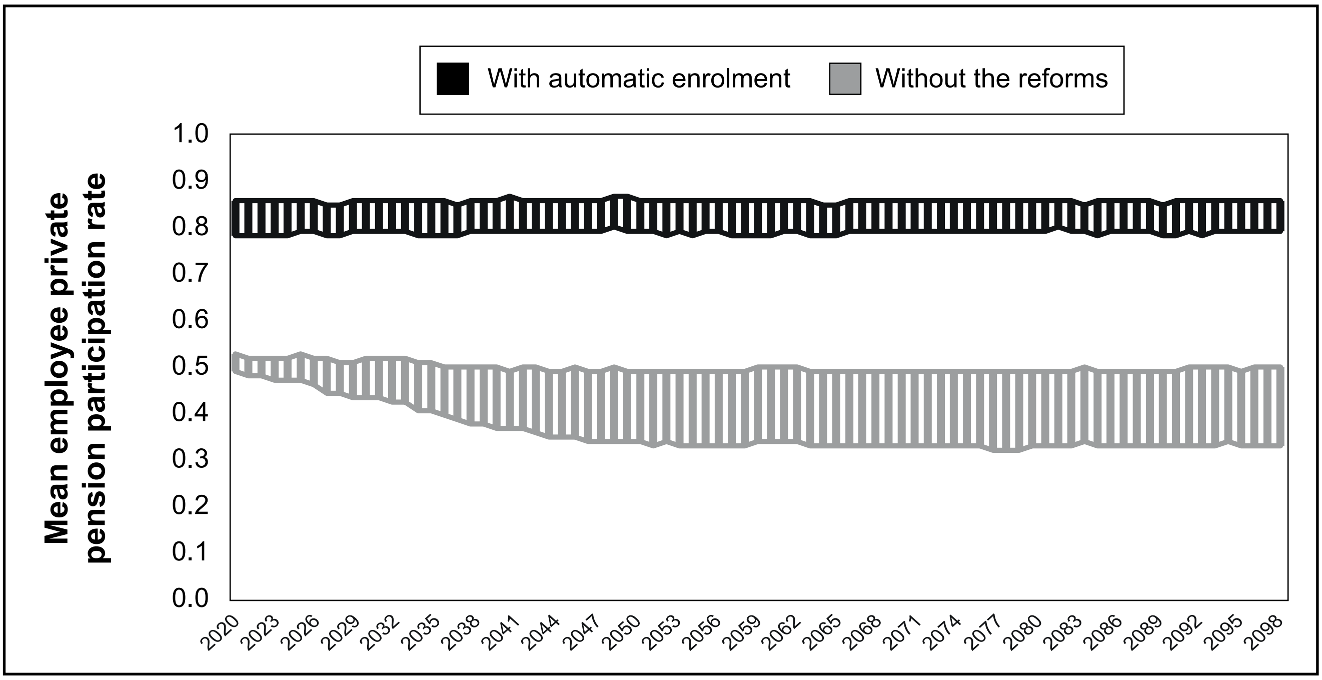
Figure 6.1 Mean number of labour market episodes from high and low scenarios at retirement



6.2.2 Pension participation

The baseline analysis was based on predicted levels of opt out undertaken prior to the reforms, however as direct evidence of opt out is now available (see chapter 3) this can be used to inform the model assumptions. Figure 6.2 shows high and low participation scenarios from 2020 to 2100, the principal opt out assumption in the model has been lowered, and the high and low expectations have narrowed as more certainty can be built in. Overall, the high and low scenarios for pension participation range between 79 per cent and 88 per cent with the reforms and between 30 per cent and 52 per cent without the reforms. As would be expected, overall the participation range for the with reforms condition is much narrower than that reported in the baseline analysis with a higher principal estimate.

Figure 6.2 High and low workplace pension participation scenarios

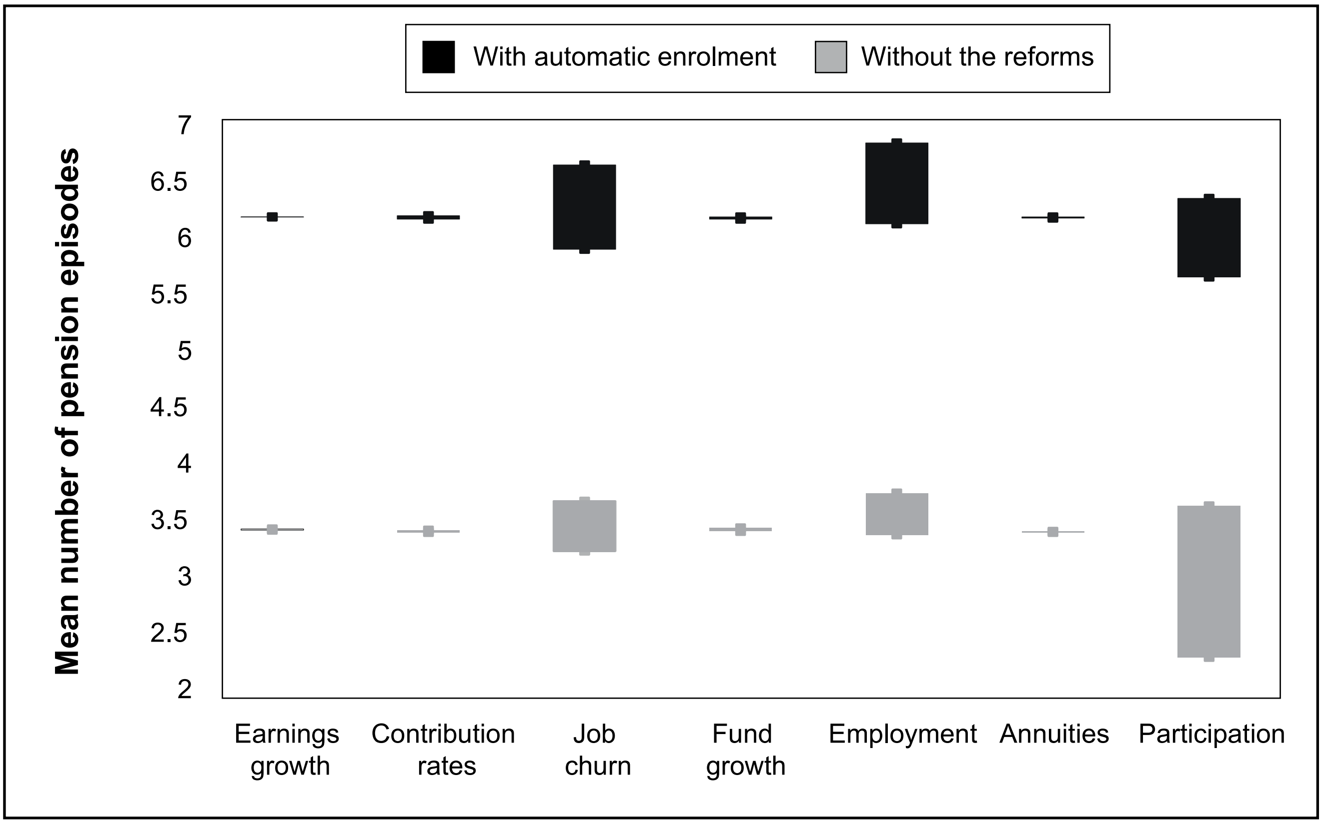


6.2.3 Pension episodes

Individual pension episodes are driven by a combination of an individual's labour market history and pension participation. As with labour market movement, the mean number of pension episodes is defined as the number of separate spells in pension saving. These spells may be within the same scheme, but split by separate spells in employment.

Figure 6.3 shows the mean high and low number of pension episodes for individuals retiring from 2070 to 2100 for each assumption. Labour market movement has a significant effect on the mean number of pension episodes which increase from a principal of around 3.5 pension episodes without the reforms to a principal of around 6.0 pension episodes with the reforms. This reflects individuals being automatically enrolled as they move within the labour market in line with reforms condition, resulting in more pension episodes. As with the baseline analysis, pension participation remains one of the most important factors in determining the mean number of pension episodes.

Figure 6.3 Mean number of pension episodes arising from high and low scenarios at retirement



6.2.4 Small DC pots

The increase in employers switching from Defined Benefit (DB) to Defined Contribution (DC) schemes (see Chapter 5) and the increase in job churn, is expected to increase the number of DC schemes and the number of small dormant pension pots. In addition, the reforms are bringing a new group of individuals into pension saving who have different earnings and labour market characteristics to those who currently save. Those who were saving prior to the reforms were more likely to be on higher income, older and less likely to churn through the labour market. There was also a significant stock of public sector employees saving into pensions. It is therefore important to understand the extent of the increase in small pension pots to understand the potential impact on individuals and industry. For the baseline analysis a small DC pot was defined as any dormant pot worth less than £2,000 in 2012 price terms, this was then uprated each year in line with average earnings growth. For this analysis the value of a small pot has been uprated in line with the previous methodology, its value is set at £2,195 in 2015 price terms.

Figure 6.4 Mean number of small DC pots arising from high and low scenarios at retirement

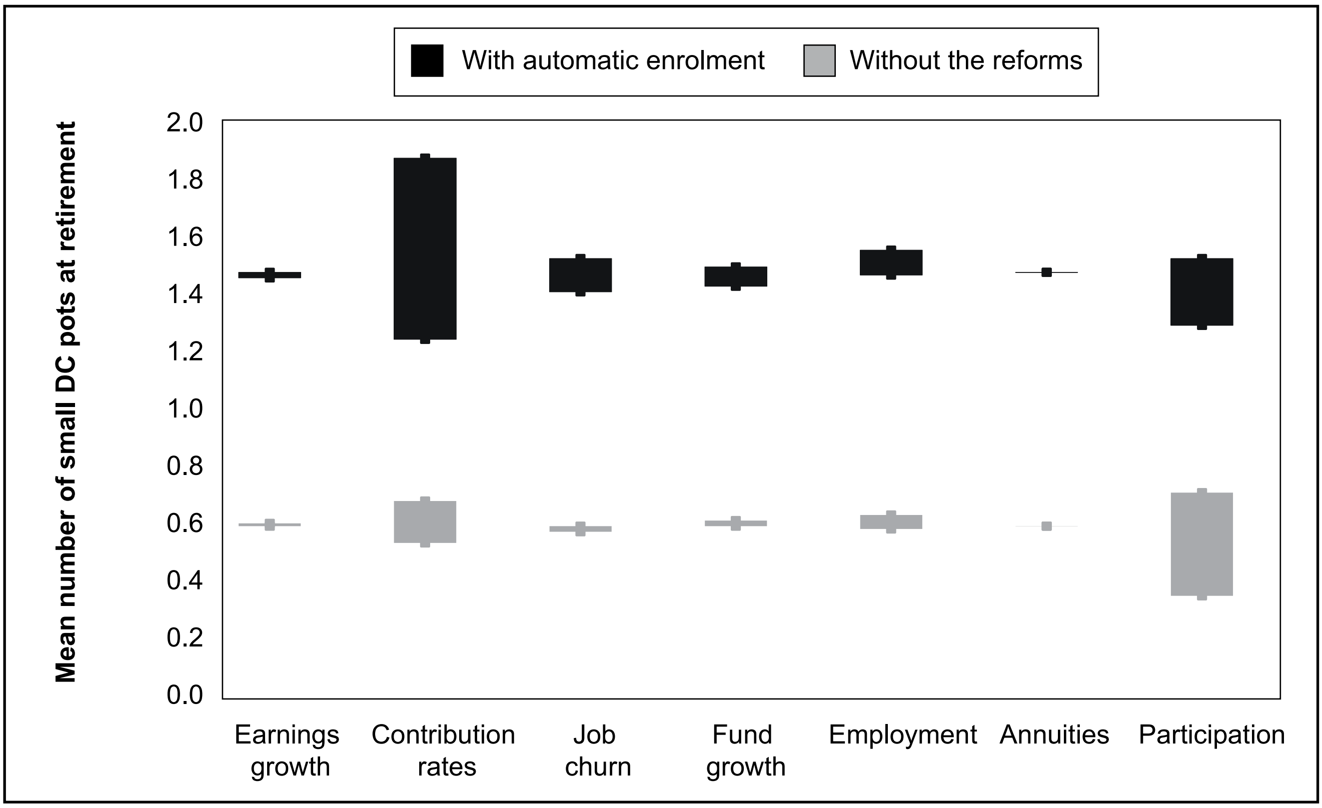


Figure 6.4 shows for each assumption the high and low scenarios for the mean number of small DC pension pots for individuals retiring from 2070 to 2100. As with the baseline analysis the reforms increase the mean number of small pension pots from a principal of around 0.6 per individual without the reforms (out of the mean 3.5 pension episodes) to a principal of 1.5 small pots per individual with the reforms (out of the mean 6.0 pension episodes). This is a greater increase than found in the baseline analysis and is mainly driven by the increased pension participation assumption under the reforms. This outcome is however, consistent with an increase in the number of small pots over the whole DC population and the more limited savings histories of some individuals in the early years of the reforms. Participation and contribution rates are the factors that look to cause big changes in the mean number of small DC pots at retirement.

6.2.5 Median weekly private pension income

As has been shown throughout this section, several factors affect an individual's pension income. While we have looked at some of these in more detail (such as labour market movement, pension participation, pension episodes and contributions), there are others such as earnings growth, fund growth and annuity rates at retirement that also need to be considered. Table 6.2 shows the relative importance of each of these factors on an individual's median private pension income by gender in 2070 in 2015 price terms to indicate the spending power of the pension income. For each high and low scenario in the table, the relevant factor (i.e. earnings growth, contribution rates, etc.) has been changed, but all others have been held constant. These findings are consistent with those reported in the baseline analysis.

Table 6.2 Median weekly private pension income by gender in 2070 under various assumptions

	Counterfactual		With automatic enrolment	
	Low	High	Low	High
Median weekly pension incomes (all)				
Earnings growth	101	112	178	198
Contribution rates	100	114	145	211
Job churn	103	113	189	190
Fund growth	85	141	143	258
Employment	104	121	185	215
Annuities	104	110	181	196
Pension participation	87	104	179	189
Median weekly pension incomes (men)				
Earnings growth	124	140	240	274
Contribution rates	124	144	195	290
Job churn	122	146	254	258
Fund growth	101	183	190	359
Employment	128	157	128	288
Annuities	128	137	246	269
Pension participation	183	136	244	257
Median earnings (women)				
Earnings growth	86	96	138	151
Contribution rates	84	96	116	159
Job churn	87	96	144	145
Fund growth	73	113	113	188
Employment	85	97	85	162
Annuities	86	93	141	149
Pension participation	74	85	137	150

Source: DWP estimates derived from the Pensim2 model, 2070.
Note: Median weekly private pension incomes is calculated across all private pensions, including personal pensions. These values include observations with zero private pension income.

Figure 6.5 shows median weekly private pension income under high and low fund growth scenarios (fund growth ranges between 5 per cent and 9 per cent per year both with and without the reforms). As in the baseline analysis it is clear that the impact of fund growth is substantial, and drives the widest range of uncertainty in weekly private pension income both with and without the reforms.

Figure 6.5 Median weekly private pension income in 2015 price terms, under high and low fund growth scenarios at retirement

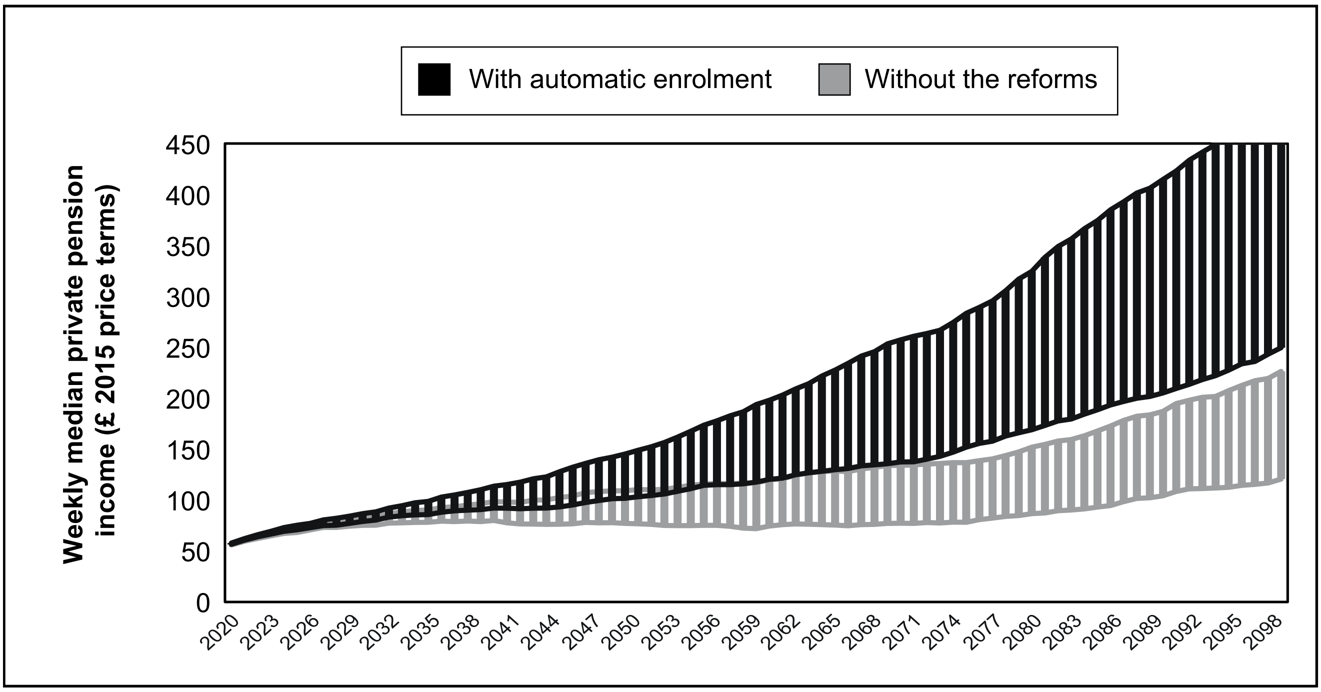


Figure 6.6 shows median weekly private pension income under high and low average earnings growth scenarios. For this analysis earnings growth is modelled as real earnings growth, so individuals' incomes rise (or fall) while inflation is held constant. While the effect of average earnings growth is not as significant as fund growth, it does still have a major effect on median weekly private pension income. It illustrates the strong correlation between median weekly private pension income and average earnings growth when all other key assumptions are held constant. These trends are also consistent with those reported in the baseline analysis.

Figure 6.6 Median weekly private pension income in 2015 price terms, under high and low average earnings growth assumptions at retirement

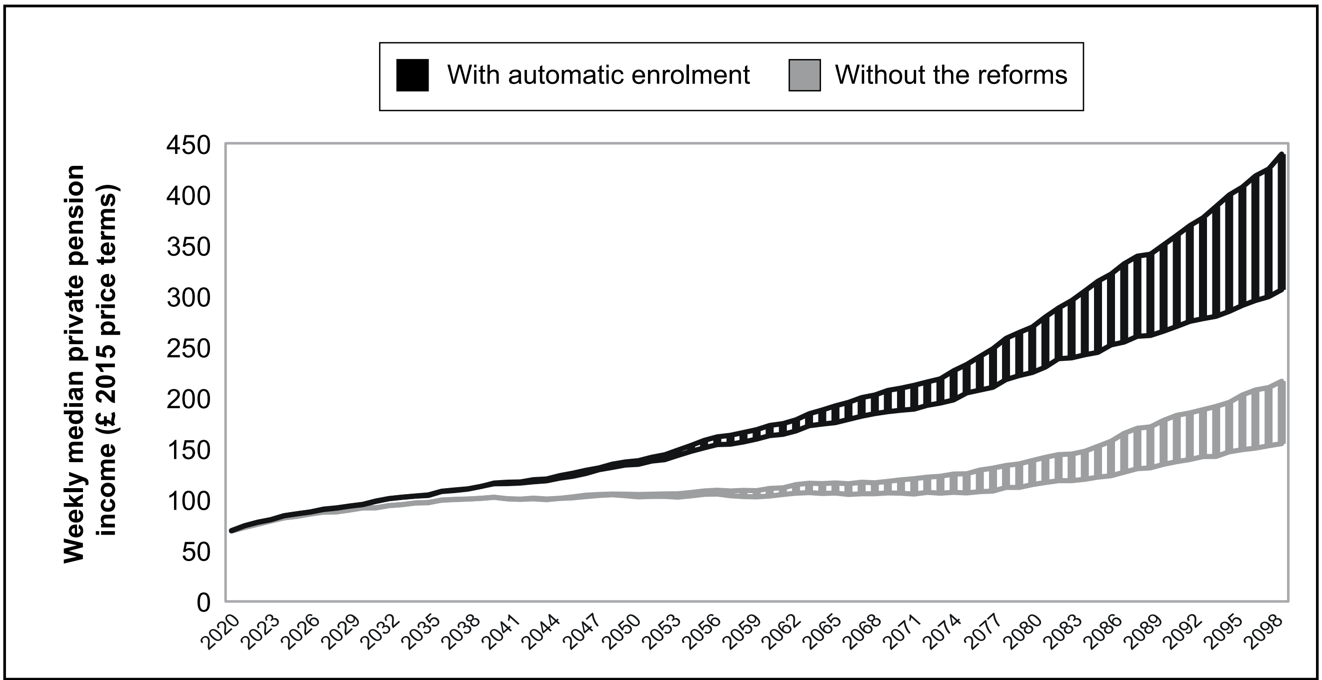
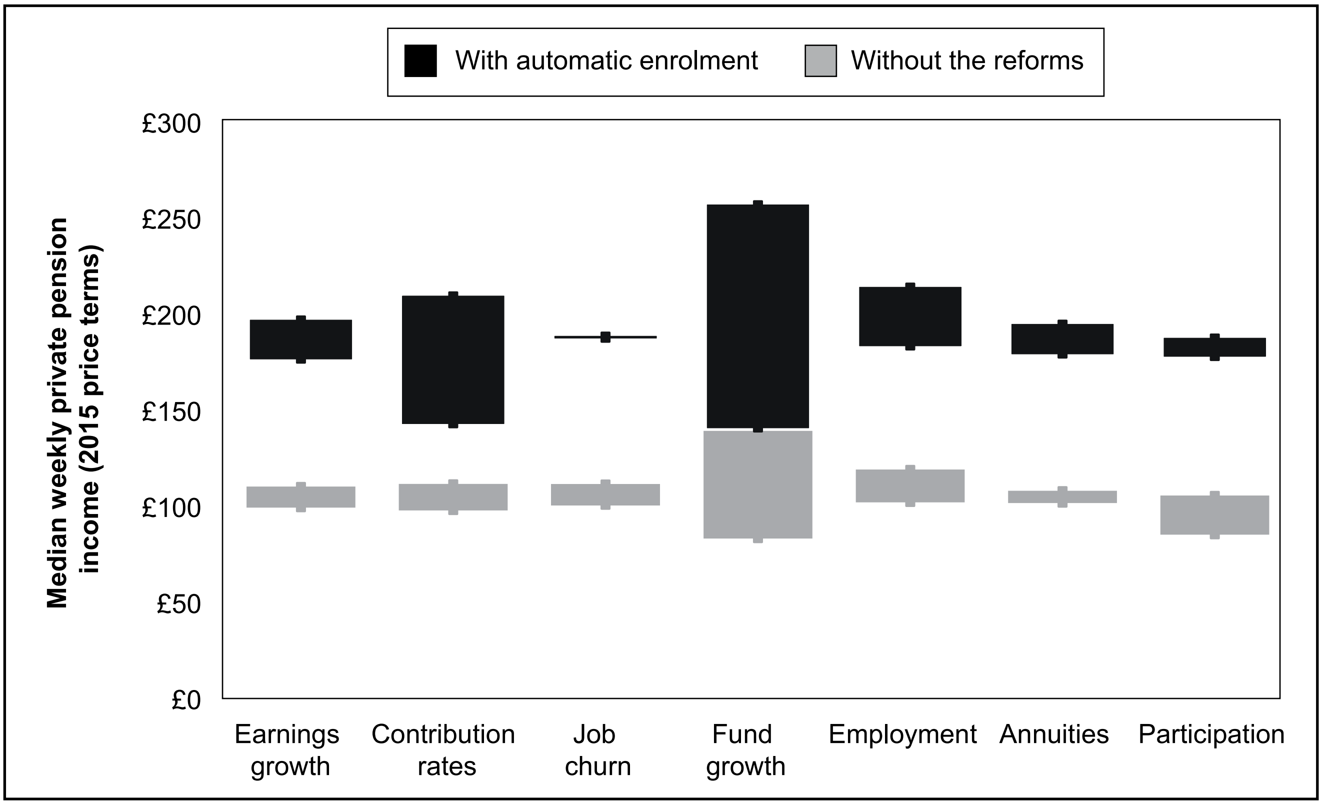


Figure 6.7 shows median high and low weekly private pension income for individuals retiring in 2070. While all the key assumptions have an effect on median weekly private pension income, fund growth can be seen as one of the most important factors in determining private pension income, with pension participation, levels of employment, and average earnings growth also having a significant effect on private pension income. This does not mean other assumptions such as annuity rates have little to no impact on private pension incomes in real life. These findings are consistent with those reported in the baseline analysis.

This analysis shows that the reforms are expected to have a substantial effect on increasing median weekly private pension incomes in steady state, but the precise effect is subject to uncertainty in key assumptions.

Figure 6.7 Median weekly private pension income arising from high and low scenarios at retirement, in 2015 price terms



6.2.6 Extreme high and low scenarios

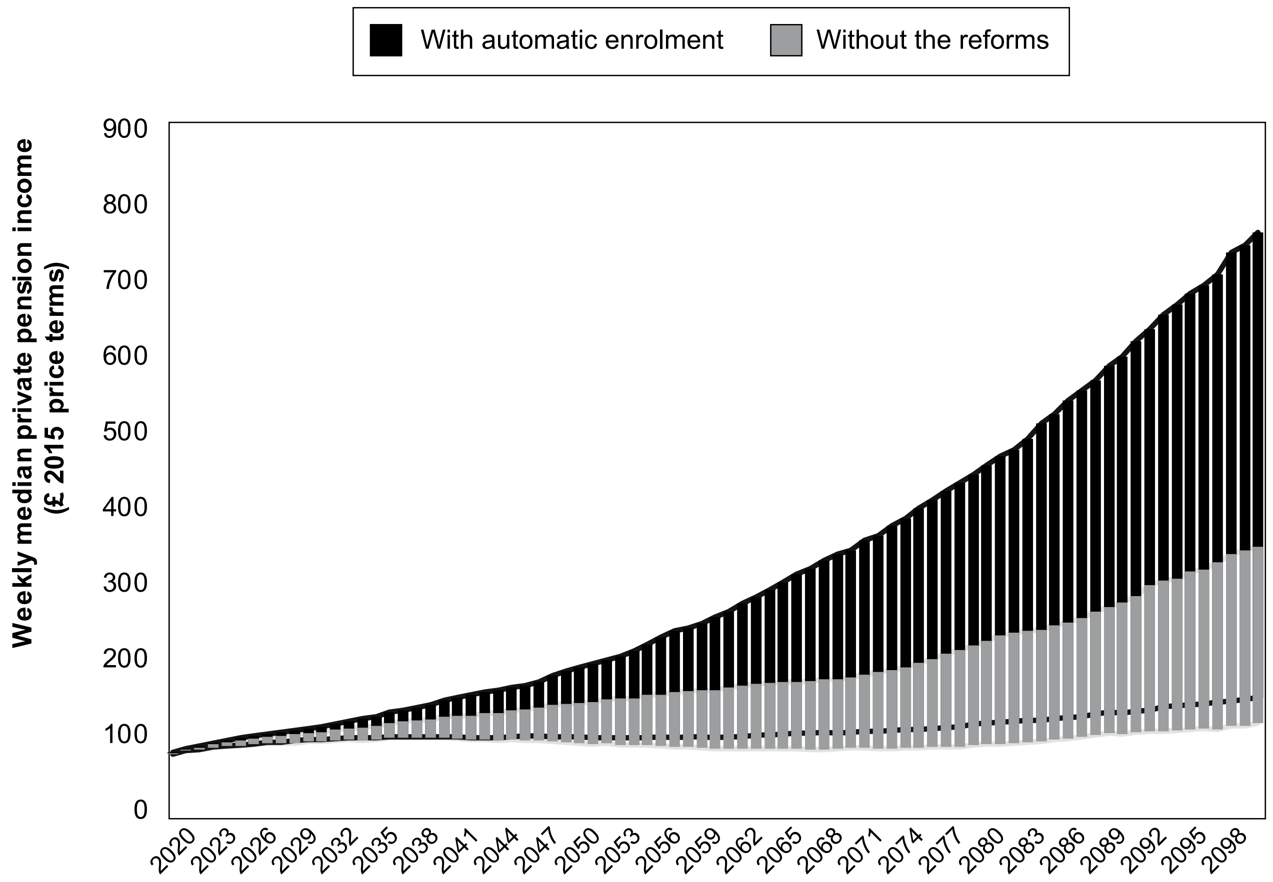
It is possible to construct extreme high and extreme low scenarios to reflect what would happen if a combination of events occurred. The assumptions have been made to ensure they do not contradict one another. Descriptions of these extreme scenarios are given in table B.2 in the annex.

Figure 6.8 shows median weekly private pension income over time in scenarios where a range of high and low assumptions are combined to show the impact with the reforms and without the reforms.

There is a significant degree of uncertainty in pension incomes, both with and without the reforms. This uncertainty is accounted for by a variety of factors, such as pension participation rates, earnings and price inflation and the level of contributions. However, it is clear that the reforms are expected to have a significant effect on median weekly private pension incomes and that the range of this effect could increase the median weekly private pension income from anywhere between £20 and £261 per week by 2070.

There is some overlap in median private pension incomes between the high range without the reforms, and the low range with the reforms. This indicates that although the reforms have a significant impact on private pension incomes, other factors will also play a part in determining an individual's private pension income. For example, a long period of high earnings growth is likely to increase private pension income over and above the impact of the reforms alone. However, a combination of high earnings growth and the reforms will increase an individual's private pension income even further.

Figure 6.8 Median weekly private pension income in 2015 price terms, under extreme combinations of high and low scenarios



Source: DWP estimates derived from the Pensim2 model, 2020–2100.

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, DWP or the regulator will consider commissioning relevant discrete quantitative and/or qualitative research with individuals, employers and industry. This will be reviewed on a case-by-case basis to ensure value for money for the taxpayer.

Sections B.1, B.2 and the accompanying tables summarise the main surveys, administrative data, models and reports used to measure recent trends and monitor the effects of the reforms. Due to the staged implementation approach, and time lag with a number of national surveys, the degree of automatic enrolment implementation being captured at the point of questioning may vary. It can also be difficult to robustly identify individuals who have been automatically enrolled in particular data sources and so research is used to give indicative findings. 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 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 ASHE, such as ethnicity and disability (see **Chapter 3**). Comparisons with previous analyses should be treated with caution owing to updates following a methodological issue identified in 2015[51]. Details of the response to an earlier methodological issue identified in 2010 can be found here.

DWP Pension Charges survey, Biennial, 2015, UK: The survey interviewed providers of pension schemes, rather than employers as was the case for the DWP Landscape and Charges Surveys 2011 and 2013 cited in previous evaluation reports. The 2015 survey

[51] DWP (2015). *Official statistics on workplace pension participation and savings trends*. At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2004-to-2014

averages charges across members, whilst previous surveys averaged charges across employers which resulted in a higher average charge reflecting the large number of small employers who tend to have higher charges for smaller size schemes. This methodological change means that the 2015 survey is not directly comparable with those from previous years, however, the information collected is likely to be more reliable as providers are in a better position to accurately report on charges than employers.

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 has taken 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 well-being of people aged 50 and older. The first survey wave was in 2002/03 and it has been repeated every two years up to and including 2014/15 (wave 7). ELSA has been used to look at regularity of saving over the decade prior to automatic enrolment, providing a baseline against which future persistency analyses can be compared (see **Chapter 3**).

HM Revenue and Customs (HMRC) Administrative Data, UK: information on non-employer-sponsored pensions, including stakeholder and group personal pensions, 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 and the regulator are in discussion with HMRC regarding the suitability and availability of data and/or management information to evaluate the reforms.

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 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, detailed industrial sector and location. In future reports, the longitudinal element may enable us to monitor employer responses to set up and on-going costs by tracking shifts in pension contributions with 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 un-weighted 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**). The un-weighted 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**).

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. 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**).

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**), as well as attitudes towards various vehicles for saving (see **Chapter 5**).

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 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 these organisations 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 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**)[52].

TPR Automatic Enrolment: Commentary and Analysis, Annual, 2013 onwards: information relevant to the 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, compliance and enforcement activity.

TPR Compliance and Enforcement bulletin, Quarterly, July 2014 onwards, UK: information about the number of cases and powers the regulator has used relating to automatic enrolment and associated employer duties.

TPR DC Trust, 2009 onwards, UK: information on the occupational trust-based DC pension schemes and memberships for schemes with more than 12 members. The published report has been used to provide supplementary information on the number of DC schemes to support ASHE and OPSS estimates (see **Chapter 5**).

52 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

TPR Employer Tracking Survey, Biannual, Spring 2011 onwards, UK: survey information from employers to understand knowledge of, and attitudes towards, the reforms. Last year the 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.

TPR Post-Declaration of Compliance survey, by staging month, November 2014 onwards, UK: survey information from employers once they have declared their compliance with the regulator, to monitor the burdens of compliance, and employers' use of intermediaries.

B.2 Model

Pensim2: The Department's dynamic micro-simulation model, was used to establish the pension landscape both with and without the reforms (see **Chapter 6**). The model is based on a fused dataset, which ages a representative sample of the GB household population over time using a combination of assumptions, probabilities, and logistic regressions, which all determine the behaviour of individuals throughout the model. These assumptions are driven primarily on the analysis of historical data, with economic forecasts driven by assumptions from the Office for Budget Responsibility, HM Treasury's external forecasts and the Department's benefit forecasting division. A full updating of the fused data set has taken place recently, bringing these assumptions to a working reference point of 2011/12. These assumptions do not include cyclical effects in the economy, and as such, should only be treated as scenarios with and without the reforms, rather than as forecasts.

The long-term impact has been modelled at the individual level. Individual behaviour is determined by random numbers being either greater or less than the probability of an event occurring. Therefore, if the model was run twice, using the same assumptions, but a different set of random numbers, the outputs between each run would vary slightly. In both versions of the model, the random numbers have been kept the same, so that any differences can be attributed purely to the effect of the reforms.

There have been many changes to the model since the original baseline analysis was run in 2012. Table B.1 lists the most influential policy effects on pension outcomes and whether they are included in this analysis. Policies that are still in development or where the likely effects on pension membership have yet to be established, have been excluded.

Table B.1 Major policy and model changes since the baseline analysis

Policy	Description	Included in analysis
Equalisation and raising of State Pension age	Current policy is that the pension age will rise to 67 for men and women by 2028 and 68 by 2046.	Yes
Introduction of single-tier pensions (State Pension reform)	Change to the State Pension, where the earnings link for State Second Pension will be abolished and all individuals will receive the same flat rate of State Pension, provided that the individual has made enough qualifying years of National Insurance contributions. To be introduced from April 2016.	Yes
Public sector pensions reform	Following government proposal, new accruals to public sector schemes will move from a final-salary basis to a career-average basis.	Yes
Annuity rates	Following a ruling by the European Court of Justice, from December 2012 it became illegal for annuity providers to calculate different annuity rates based on gender.	Yes – all annuity rates are now unisex.
Pension flexibilities	A number of changes were made to pension tax rules to give greater flexibilities to individuals in accessing their pension savings from aged 55. These came into effect in April 2015.	No – insufficient evidence.

In addition to the policy considerations listed above the following changes relating to automatic enrolment have also been made to the model:

- Following evidence gathered on opt out rates (see **Chapter 3**) the programme assumption for opt out has been lowered to 15 per cent from around 30 per cent.
- Re-enrolment is now captured with the model.

Table B.2 provides descriptions of the extreme scenarios being applied in **Section 6.2.6**.

Table B.2 Descriptions of extreme high and low scenarios

Low	High
Without reforms	
This scenario assumes a low trend in economic growth. Low economic growth leads to depressed earnings growth, and a relatively low employment rate. Low employment rates also imply lesser job security, meaning that individuals churn through jobs more frequently. The fall in real incomes leads to a decrease in pension participation rates and contributions, while the poor performance of the general economy means that rates of fund growth in DC schemes are also low.	In this scenario, the economy quickly recovers, and the long-term trend in economic growth is strong. Strong growth leads to increased average earnings and strong real earnings growth. The high level of earnings growth means that private pension participation rates increase and contributions to private pensions is also high. Fund growth in private pensions is strong and employment remains high, with more stability in the labour market.
With reforms	
Automatic enrolment ensures that participation and contribution rates to private pensions is increased, but a poor trend economic growth means that earnings and real incomes are low, leading to lower than expected participation and contribution rates. Like in the counterfactual, overall levels of employment are low, meaning that the impact of automatic enrolment is diminished.	Strong economic performance exacerbates the impact of automatic enrolment, leading to strong real earnings growth and higher than expected participation rates and contributions. Employment rates remain high, with fewer individuals moving between jobs. The high level of contributions to private pensions, and strong economic growth means that returns on investments are high.

Table B.3 Monitoring the Evaluation Questions

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

Evaluation Questions	DWP Comms Tracker	DWP EPP	DWP FRS	DWP Pension Charges Survey	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	TPR Post-DoC
Delivery of the reforms	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
Policy and legislative framework (EQ1)	Indicative										Supplementary							Supplementary					Supplementary	
NEST-PSO (EQ2.1)											Primary					Supplementary								
Financing of NEST (EQ2.2)											Primary													
Employer aware of duties (EQ3.1)		Supplementary			Supplementary					Indicative								Supplementary	Indicative		Primary			
Employees treated compliantly (EQ3.2)						Supplementary		Supplementary					Supplementary			Supplementary		Indicative	Supplementary					
Employers have a qualifying scheme (EQ3.3)		Primary			Supplementary			Supplementary					Supplementary	Supplementary				Supplementary						
Employer behaviour influenced by attitudes, awareness and understanding (EQ3.4)		Supplementary			Indicative					Indicative								Indicative			Primary	Primary		
Employer aware of enforcement powers (EQ3.5)		Supplementary			Indicative													Supplementary	Indicative		Primary			
Result of detection and enforcement (EQ3.6)																		Supplementary	Primary					

Evaluation Questions

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

Source	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)
DWP Comms Tracker	Indicative			Indicative	Indicative	Indicative		Primary	Primary	Indicative			
DWP EPP	Indicative			Primary	Primary	Supplementary	Primary			Indicative		Supplementary	
DWP FRS	Indicative	Supplementary					Supplementary			Indicative			
DWP Pension Charges Survey	Indicative									Indicative			
DWP Qualitative employer research	Indicative	Indicative		Supplementary	Supplementary	Indicative	Indicative			Indicative		Supplementary	
DWP Qualitative individual research	Indicative					Primary		Indicative	Indicative	Indicative			
ELSA	Indicative	Supplementary	Primary			Indicative				Indicative	Indicative		Supplementary
HMRC Admin data	Indicative									Indicative			
HMRC RTI	Indicative	Supplementary	Supplementary	Indicative	Indicative		Indicative			Indicative	Indicative		
NEST Insight	Indicative			Indicative	Indicative	Supplementary	Indicative	Supplementary		Indicative			
NEST MI reports	Indicative	Supplementary	Supplementary	Supplementary	Supplementary	Supplementary	Supplementary			Indicative			
ONS ABS	Indicative									Indicative		Supplementary	
ONS ASHE	Indicative	Primary	Primary				Indicative			Indicative	Primary	Primary	
ONS OPSS	Indicative									Indicative		Supplementary	
ONS WAS	Indicative		Supplementary					Supplementary		Indicative	Supplementary		Primary
Pensions Ombudsman, TPAS, MAS, GOV.UK	Indicative							Indicative	Supplementary	Indicative			
PPF/ TPR Purple Book	Indicative									Indicative			
TPR Commentary and Analysis	Indicative	Indicative								Indicative			
TPR Compliance and enforcement	Indicative									Indicative			
TPR DC Trust	Indicative									Indicative			
TPR Employer Tracker	Indicative									Indicative			
TPR Intermediary Tracker	Indicative									Indicative			
TPR Monthly Declaration of compliance	Indicative	Indicative								Indicative			
TPR Post-DoC	Indicative			Supplementary	Supplementary		Supplementary			Indicative			

Evaluation Questions

Key: Primary source for monitoring = Primary; Supplementary source for monitoring = Supplementary; Indicative source for monitoring = Indicative

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

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