Regulatory Policy Committee	**Validation of the One-in, Two-out Status and the Net Direct Impact on Business**
Validation Impact Assessment (IA)	Lifting annual contribution limits and transfer restrictions on National Employment Savings Trust (NEST)
Lead Department/Agency	Department for Work and Pensions
IA Number	
Origin	Domestic
Expected date of implementation	April 2017
Date of Regulatory Triage Confirmation	8 April 2013
Date submitted to RPC	1 December 2014
Date of RPC Validation	19 December 2014
RPC reference	RPC13-DWP-1739(2)
Departmental Assessment	
One-in, Two-out status	**Zero Net Cost (non-monetised benefit)**
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	**N/A**
RPC assessment	**VALIDATED**

Summary RPC comments

The validation IA is fit for purpose. The Department has provided sufficient information to justify that the proposal is deregulatory and likely to benefit businesses, and smaller businesses in particular, but that monetising these benefits would be disproportionate.

The RPC is able to validate that the proposal is deregulatory with non-monetised benefits (an OUT). As the Department has not monetised the estimated benefits, the proposal is a 'zero net cost' for One-in, Two-out purposes.

Background (extracts from IA)

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

"NEST is a pension scheme established under the Pensions Act 2008 to support Automatic Enrolment (AE) to address a market failure for low to moderate earners and smaller employers. NEST has a Public Service Obligation (PSO) to admit any worker regardless of profitability. To focus NEST on its target market, there are some constraints, imposed through legislation, including an annual contribution limit and transfer restrictions.

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DWP undertook a call for evidence to assess whether these two constraints were preventing the delivery of the PSO during the roll out of AE. This revealed a perception that some smaller employers - with "higher" earners or existing schemes could not use NEST or would face extra administrative costs in having to run two schemes, something that could influence employers' choice of scheme."

What are the policy objectives and the intended effects?

"The policy objectives of removing the constraints in 2017 (subject to Parliamentary approval) are to:

- *ensure NEST effectively supports the introduction of AE and delivers its PSO for its target market of low to moderate earners and smaller employers.*
- *address any perceptions smaller employers may have about these two constraints being a barrier to using NEST for AE.*
- *enable employers and individuals using NEST for AE to choose to contribute more than the minimum and consolidate pension savings."*

RPC comments

The proposal is to remove the restrictions on contribution limits and transfers for users of the National Employment Savings Trust (NEST).

Employers will continue to be able to choose pensions providers, but the proposal will reduce some of the costs of making such choices through ensuring that NEST can be accessed by all employees, removing the need to operate or consider operating two schemes.

Following our regulatory triage confirmation of April 2013, the Department has provided additional information on how the proposed amendments to NEST relate to the implementation of auto-enrolment. The Department explains why it expects there to be no additional familiarisation costs from these proposals that are not already present in the requirements for auto-enrolment.

European Commission requirements. In paragraph 3 of the IA, the Departments states that the European Commission cited the two restrictions "*as important measures in balancing any competitive advantage in their approval of State aid for NEST".* Any published IA should include further information on why the removal of the restrictions now will not be inconsistent with EU rules on state aid.

Signed	M B Gibbons	**Michael Gibbons,** Chairman

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