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# **Amendments to The Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment) Regulations 2015 that provide exceptions to the automatic enrolment employer duties**

**Department for Work and Pensions**

**RPC rating: validated**

## **Description of proposal**

Employers are currently required to auto-enrol workers in workplace pension schemes, unless workers choose to opt-out of these schemes. There are currently some groups of workers who are exempt from these requirements.

The Department proposes to introduce new exemptions for two additional groups of workers: company directors and genuine limited liability partners.

## **Impacts of proposal**

The Department states that stakeholder evidence suggests that both groups are extremely likely to have their own pension saving arrangements in place. Therefore, the Department assumes that that virtually all genuine limited liability partners and company directors will choose to opt-out of workplace pension schemes.

Employers will benefit from a reduction in the administrative burden of completing the opt-out process for these individuals at their staging date (the date at which auto-enrolment requirements apply to a business). The Department estimates that there are 17,950 limited liability partnerships and that each of these is likely to save £203 in administrative costs. This would result in savings of approximately £3.6 million over the next two years.

The Department states that it expects an equivalent set of administrative savings, in relation to company directors, over the next two years. However, it has not monetised these savings.

There may be some familiarisation costs for employers. However, the Department expects these to be negligible as the changes are very simple and employers are already required to familiarise themselves with the guidance on auto-enrolment before their staging dates.

The RPC is able to verify the estimated equivalent annual net cost to business (EANCB) of -£1.7 million.

## Quality of submission

The Department appraises the proposal over a two year period. This is because current staging dates are spread over the next two years. As this will capture all the direct costs and benefits of the proposal, this is reasonable.

The Department states that the administrative savings relating to company directors have not been quantified as it is difficult to estimate the number of employers with company directors that would be affected by this change, as HMRC do not allow access to the relevant information. The IA would be improved by additional analysis in this area. However, it would be disproportionate to require it given that the proposal is small, permissive and deregulatory.

The Department has conducted sensitivity analysis on the percentage of limited liability partnerships that would no longer have to complete the auto-enrolment process at their staging dates. It indicates that even if this percentage changed the EANCB would not be significantly affected. The IA also acknowledges that a very small minority of genuine limited liability partners and company partners would not opt-out of workplace pensions in the baseline scenario. Therefore, the proposal is likely to save businesses the cost of contributing to workplace pensions for these individuals.

The IA would benefit from being amended to acknowledge the risk that it might be difficult to determine which workers are 'genuine' limited liability partners in practice.

## Departmental assessment

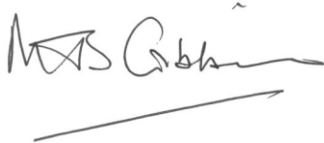
Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	-£1.7 million
Business net present value	£3.5 million

## RPC assessment

Classification	Qualifying regulatory provision (OUT)
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Opinion: EANCB validation  
Origin: domestic  
RPC reference number: RPC-3315(1)-DWP  
Date of implementation: not known

EANCB – RPC validated <sup>1</sup>	-£1.7 million (two year appraisal period)
Small and micro business assessment	Not required (deregulatory)



**Michael Gibbons CBE**, Chairman

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<sup>1</sup> For reporting purposes, the RPC validates EANCB figures to the nearest £100,000.