First Briefing, January 2018
Automatic Enrolment Review

Introduction

Although the automatic enrolment regime is not yet fully rolled out (the minimum contributions increase in April 2018 and again in April 2019) the DWP has already carried out a review. The results of this review, which examined coverage of automatic enrolment, how engagement can be improved and future contributions have just been published.

At a glance

Proposals coming out of the review include:

- lowering the automatic enrolment age limit from 22 to 18;
- reducing the three current categories of workers to two, namely eligible and non-eligible jobholders;
- calculating pension contributions from the first pound of earnings rather than from the Lower Earnings Limit; and
- identifying the most effective options to increase pension saving among self-employed people.

Alongside the review, the Government has carried out the statutory annual review of the automatic enrolment thresholds. It has decided that for 2018/19, the earnings trigger should be frozen at £10,000 and, where pension contributions are based on band earnings, the band will continue to be between the National Insurance Lower and Upper Earnings Limits.

What should you do?

Other than any action to deal with the increase in minimum contributions that take effect in April or the annual change to the automatic enrolment thresholds, there is no immediate action required.

The next steps the Government intends to take are to:

- discuss the proposals with stakeholders during 2018/19 and consider ways to make the changes affordable for workers, employers and the Government, with a view to implementing any changes in the mid-2020s;
- monitor the impact of the forthcoming increases in minimum contributions to inform discussions with stakeholders about future contribution rates;
- begin testing targeted self-employment interventions in 2018 to understand how pension saving for this important group can be improved;
- report on the feasibility study for the Pension Dashboard in spring 2018; and
- have the Single Financial Guidance Body in place after autumn 2018.

First Briefing, January 2018
Automatic Enrolment Review

Can we consider the review a success?

A key issue discussed in the review paper is the impact of automatic enrolment on "under-saving".

If automatic enrolment had not been introduced, the review estimates that 14 million individuals would now be under-saving for retirement.

The introduction of auto-enrolment has only reduced the number of under-savers to 12 million, which is surely still an unacceptably high figure. The effect of reducing the age limit and starting pension contributions from the first pound earned, will only reduce this figure by around 200,000, although the level of under-saving will be reduced for more people.

This still leaves 11.8 million under-savers which should be a real concern for Government and, of course, the individuals concerned.

This, coupled with:

- the limited initial steps to be taken to get the self-employed saving;
- no automatic enrolment for multiple job holders whose earnings in each job are below the earnings trigger; and
- the fact that changes to the automatic enrolment framework will not take effect until the mid-2020s

does beg the question of why the Government decided to undertake the review at this stage.

Better engagement to reinforce savings behaviour

It is widely acknowledged that the current automatic enrolment policy is only the start of an effective policy with further steps needed to meet the considerable under-savings challenge that still exists.

Better engagement by individuals in their retirement saving is one way of addressing this challenge. This is an area where the Government is looking for improvements.

The Government is committed to doing this by introducing a Single Financial Guidance Body to replace the Money Advice Service, The Pensions Advisory Service and Pension Wise. It is also committed to taking forward work on a Pensions Dashboard (offering individuals a consolidated view of their entire retirement provision). Once achieved, these may support the concept of a mid-life financial MOT, which could act as a useful trigger to encourage people to take stock of their retirement savings.

Alongside these initiatives, the Government is hoping that the pensions industry will take forward plans for simpler annual statements and consider whether a 'statement season' could be introduced so that savers get consistent information at a similar time each year.

Who can you contact for further information?

Please contact your usual First Actuarial consultant or any of the First Actuarial auto-enrolment team if you would like to discuss anything contained in this Briefing or to do with auto-enrolment generally.

South	North
Antonia Balaam Email: antonia.balaam@firstactuarial.co.uk Tel: 01732 207 517 or 07852 929 804 **Simon Redfern** Email: simon.redfern@firstactuarial.co.uk Tel: 01732 207 577 or 07453 973 174	**Ian Barrett** Email: ian.barrett@firstactuarial.co.uk Tel: 0161 348 7478 or 07490 496 134