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Workplace Pension Reform: Rationale and Delivery

Institute of Certified Bookkeepers
Conference 2009
www.icbglobal.org

DWP Department for
Work and Pensions

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- The case for reform
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- What's happening?



From 2012 workplace pensions will be changing:

- automatic enrolment
- minimum employer contributions
- a new low cost, simple pension scheme

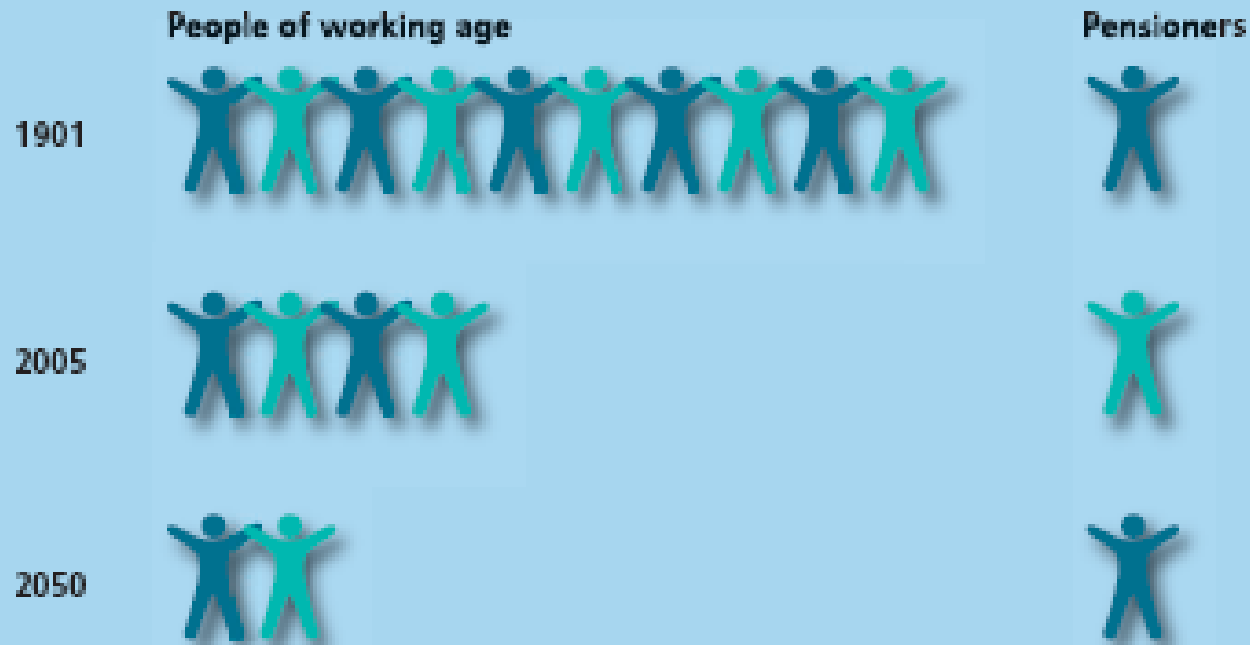
The case for reform

UK faces a major long-term challenge:

- People are living longer - 50% more pensioners by 2050.
- Widespread under saving – around 7 million not saving enough.
- Over half private sector employees earning over £5k not saving for retirement.
- Decline in traditional occupational pensions scheme membership.

Workplace Pensions are changing

Number of working age people for every pensioner



Our society is getting older. In 1901 there were 10 people working for every pensioner in the UK. By 2050, it is expected that this will change to just two workers for every pensioner.

In 2005, the Independent Pensions Commission: "A New Pension Settlement for the Twenty-First Century":

- Reforms to State Pensions, but not enough in isolation.
- More saving required to meet people's aspirations in retirement.
- Demand side failing: inertia and lack of understanding stop people from saving.
- Supply side failing: providers find it unprofitable to sell to those on lower incomes or working for small firms, exacerbated by decline in traditional pension schemes

Workplace Pensions: Key Reforms

- **Automatic enrolment** to tackle inertia: employers to automatically enrol eligible workers into a pension scheme.
- **Minimum employer contribution** to improve incentives: employer contribution of 3% on earnings between £5,035 to £33,540, plus 4% from individual and 1% tax relief.
- **Employer duties enforced** through compliance regime.
- **Personal accounts scheme** to ensure a suitable pensions savings vehicle product access for all.

Workplace Pensions: the impacts

- **Impacts over 1.2m employers**
- **Estimate that over 10m individuals will be automatically enrolled**
- **5-9m newly participating or saving more**
- **And £10bn more pensions savings**
- **On existing schemes: Need to pass a minimum standard to be used for auto-enrolment**
- **On employers: need to decide how to fulfil their new obligations**

The Enabling Retirement Savings Programme:

- DWP - responsible for enabling and coordinating activity for the Programme, including coordinating communications
- The Pensions Regulator - responsible for delivering a proportionate compliance regime
- Personal Accounts Delivery Authority - responsible for the design and delivery of the personal accounts scheme

Key Stages: 2007-2012

2007	2008	2009	2010	2011	2012
<ul style="list-style-type: none"> ■ Royal Assent of 1st Pensions Act 	<ul style="list-style-type: none"> ■ Royal Assent of 2nd Pensions Act 	<ul style="list-style-type: none"> ■ Commencement of procurement process ■ Consultation on 1st and 2nd batches of draft regs 	<ul style="list-style-type: none"> ■ Regulations made and laid ■ Trustee Corporation set-up ■ PADA and TPR contracts signed and suppliers selected ■ Communication to intermediaries 	<ul style="list-style-type: none"> ■ Suppliers building, designing and testing of systems and processes ■ Personal Accounts scheme launch ■ Start direct communication to employers 	<ul style="list-style-type: none"> ■ Go live!

We are working with our stakeholders to build on the consensus around the reforms:

- On 12th March we published a formal consultation on draft regulations
- On 28th April we published a joint consultation with PADA on its scheme order and rules
- On 24th Sept, we published a further formal consultation on draft regulations and the response on the 1st set of regulations
- Response to order and rules was published 26th Oct



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