
Automatic Enrolment in the UK

Ian Patton
US/UK Conference
20 July 2005

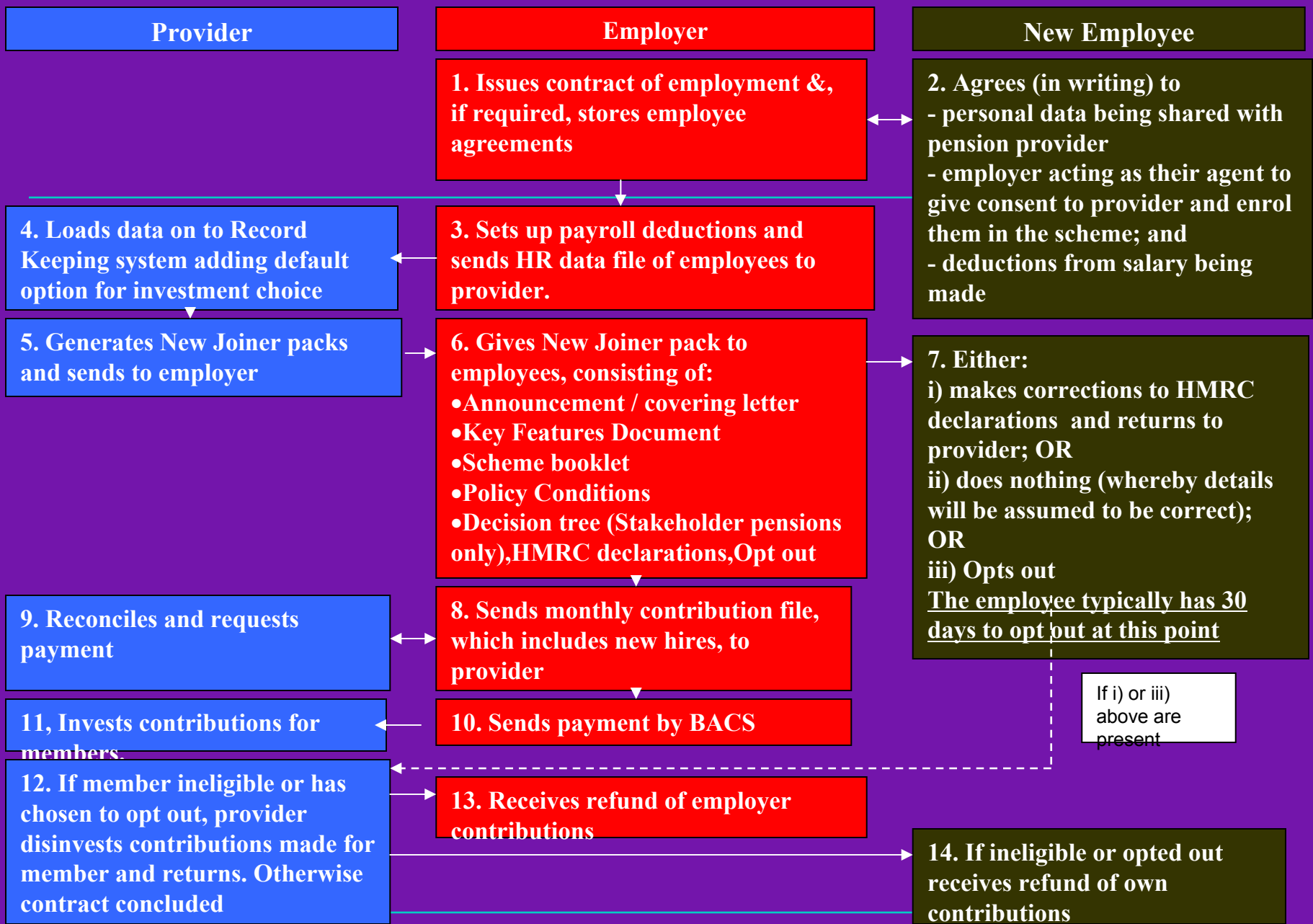
Aims of session

- **Understanding A/E in the UK context.**
- **Overview of UK pension provision.**
- **Explore UK Evidence on A/E.**
- **Consider barriers inhibiting the use of A/E in the UK.**

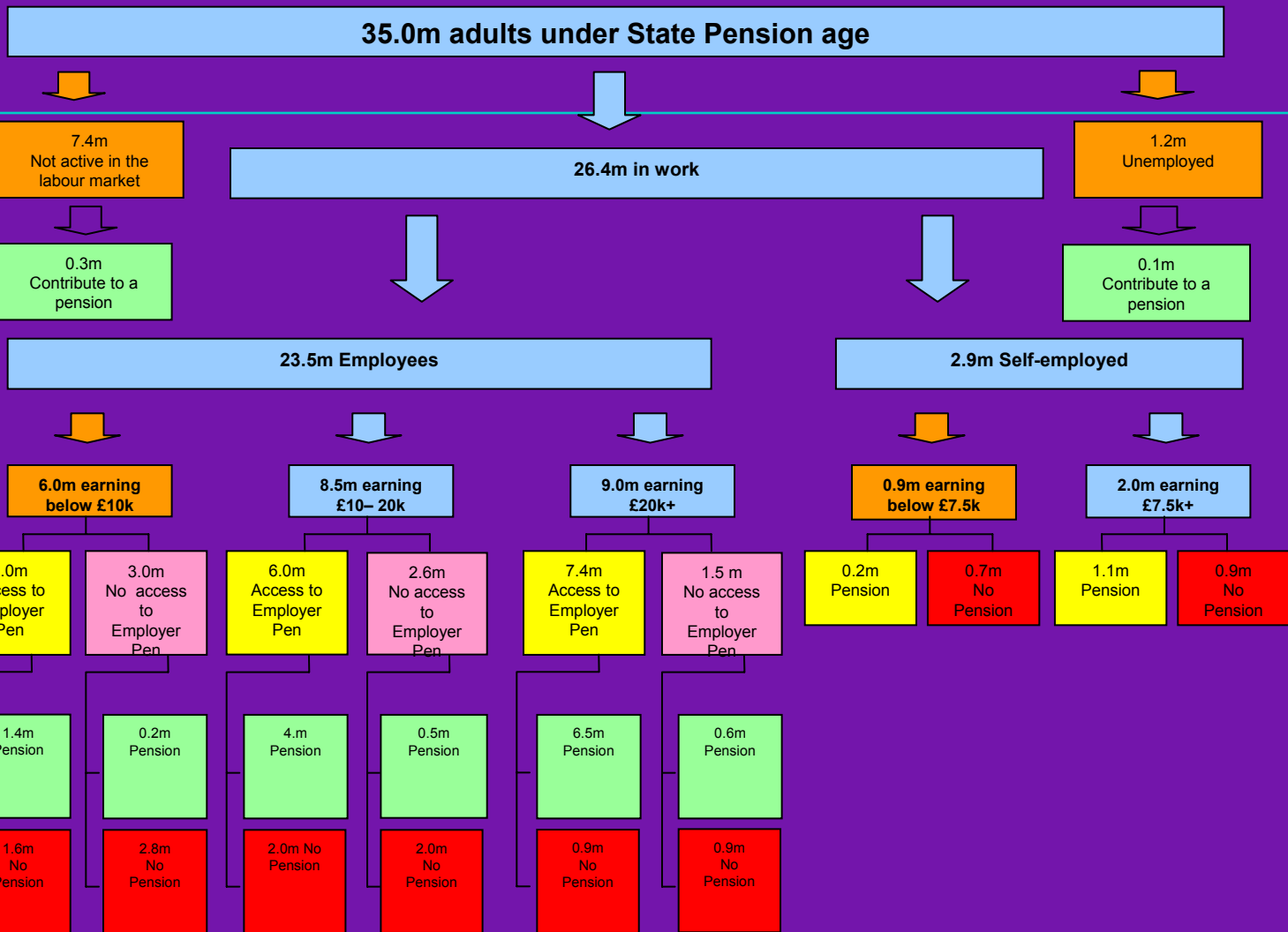
A/E –A Simple Definition

- Where employees automatically become members of their employer's pension scheme unless they choose to opt out.

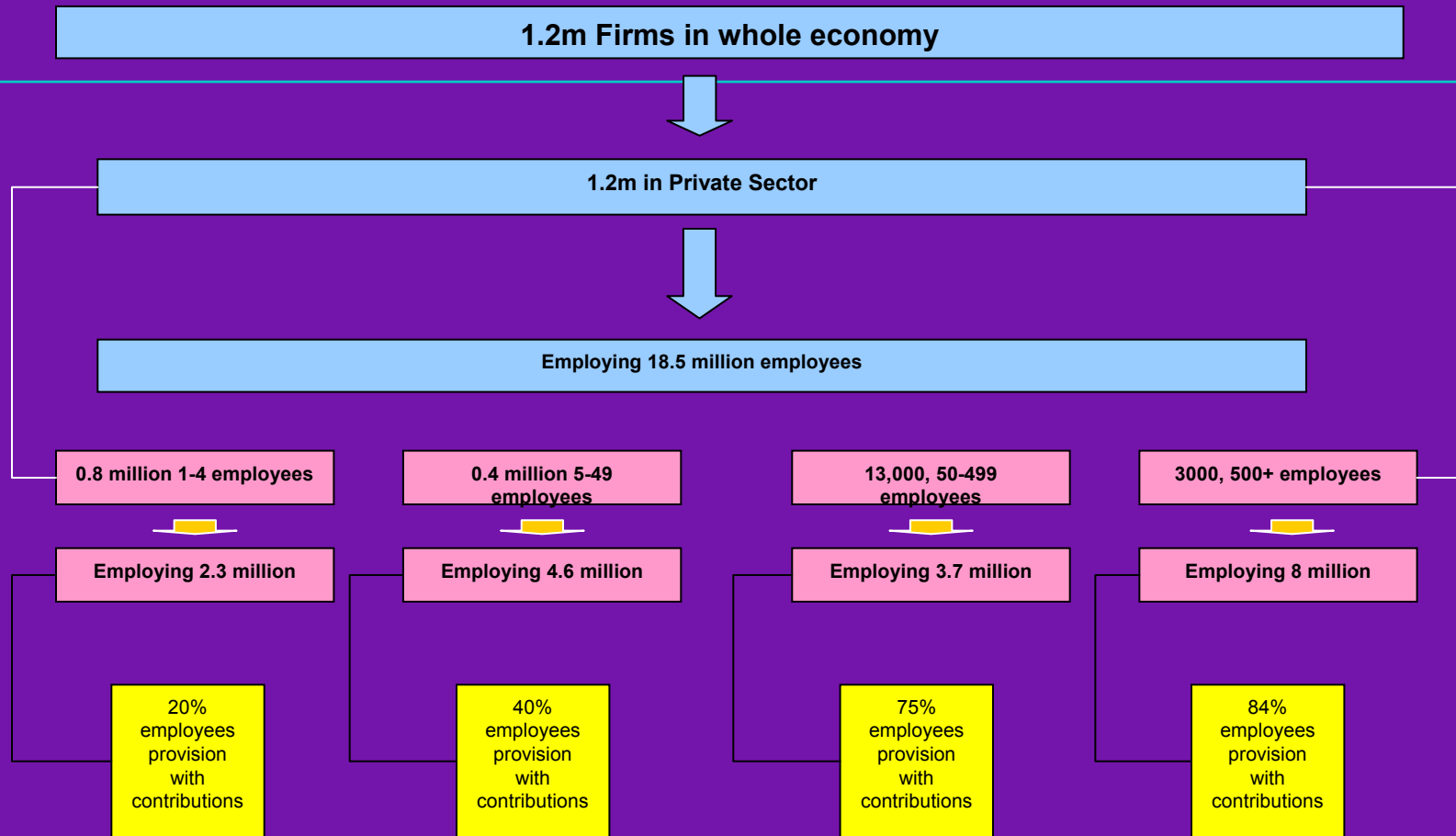
-not quite that simple....



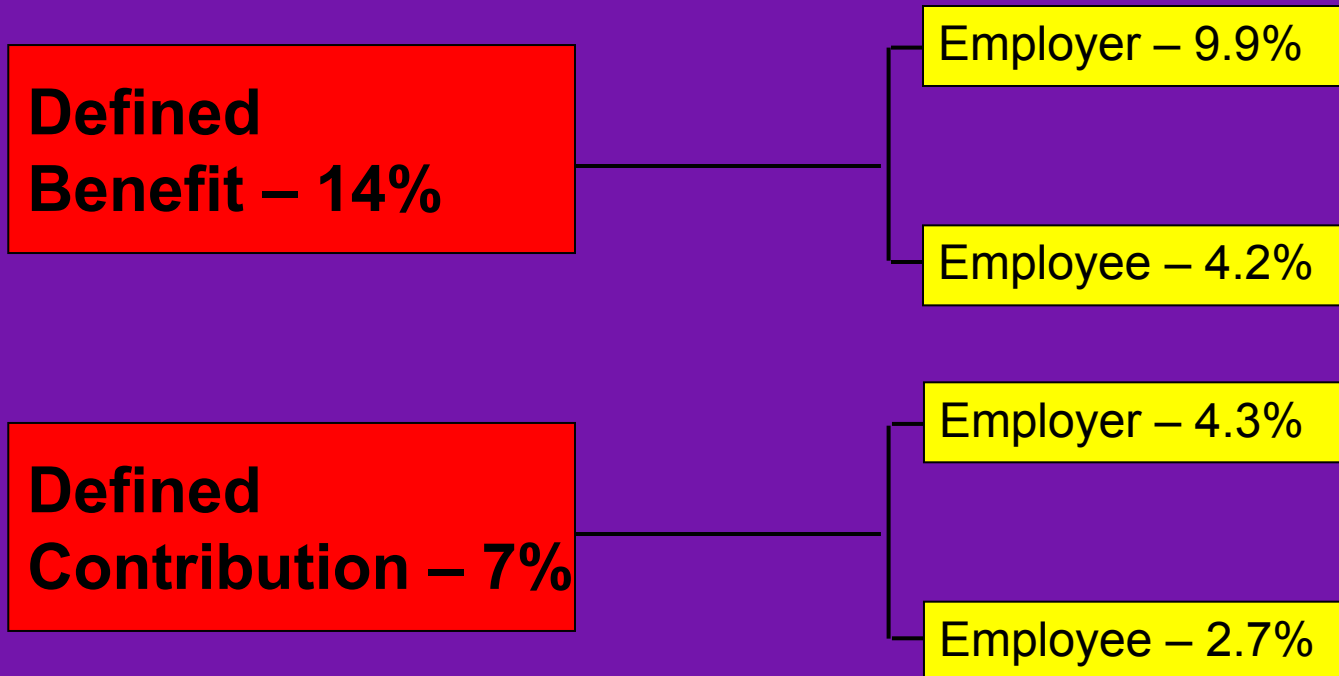
UK Pension Provision



UK Pension Provision (cont'd)



UK Pension Provision (cont'd)



Prevalence of A/E

- **NAPF 41 % of schemes surveyed operate A/E.**
- **GAD 41% of schemes surveyed operate A/E for all employees and 63% for some employees.**
- **Good A/E coverage from available data, but is it representative ?**
- **DWP EPP Survey underway.**

Is A/E Effective ?

- **GAD Research: N/E participation rates 90% among firms that operate A/E, compared to 62% where they do not.**
 - **CBI / Mercer Research: scheme membership 93% among firms that operate A/E, compared to 48% in firms who rely on communication campaigns.**
 - **WW Research: survey of FTSE 100 DC schemes found participation rates of 95% among firms that operate AE, compared to 60% where they do not.**
 - **Further DWP case study research underway.**
-

Understanding the Barriers

- **Concerns about employer costs / Business case.**
- **Low employer awareness and engagement.**
- **Industry/Employer perception of regulatory constraints.**
- **And concerns about mis-enrolment / liability.**
- **Tension between enrolment technique + info/advice.**

Addressing the Barriers

- **Working with the Industry, Employer Representative and Consumer Bodies to better understand and address the barriers.**
- **Raising profile of A/E through a number of channels.**
- **Developing and publicising more robust evidence base.**
- **Completed a cross govt review of regulations.**
- **Produced guidance on how to operate A/E within regs.**

Addressing the Barriers (cont'd)

- **Amending regulations where necessary.**
- **Identifying and sharing good employer and industry practice.**
- **The importance of scheme joining techniques now being discussed within the National Pensions Debate.**
- **Pensions Commission due to report on the adequacy of private saving in the UK and will advise on appropriate changes to deliver a stronger system.**

Key Question

- 'IS UNIVERSAL OR NEAR UNIVERSAL A/E DESIRABLE OR ACHIEVABLE ?'

Contact Details

IAN.PATTON@DWP.GSI.GOV.UK

TEL: 44 191 2253298

FAX: 44 191 2254341