Final Report of the ACA 2017
Pension trends survey

ACA
ASSOCIATION OF CONSULTING ACTUARIES

Our 11th Biennial Pension trends survey reveals a strong consensus view from UK businesses on which pensions policies need to change

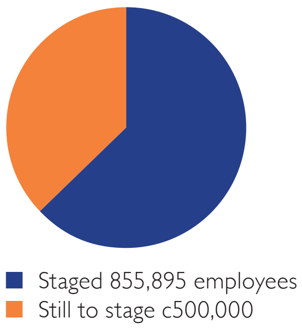
Decision time approaches

Survey conducted by the Association of Consulting Actuaries | November 2017

At a glance survey results

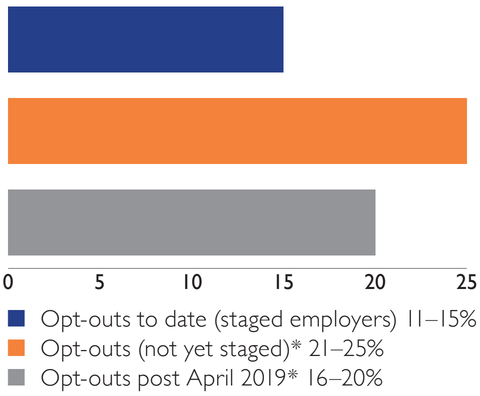
This year's survey included responses from 466 employers of all sizes

Auto-enrolment (AE) staging



Close to ½ million
employers have yet to stage (as at 30 October 2017) – mostly micro employers with fewer than 5 employees.

AE opt-outs

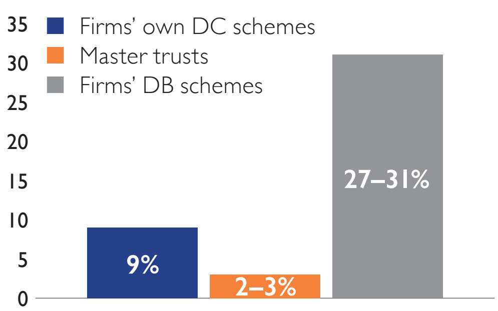


Median opt-out figures of eligible employees from AE.
(*are employers' forecasts)

Employees not eligible for AE

Over
40% ***of employees at firms with fewer than 10 employees not eligible for auto-enrolment.***

Pension contributions



Median combined employer and employee contributions, as a percentage of average earnings, for different types of schemes.

34% ***expect the typical retirement age to exceed 67 by 2028.***

53% ***say costs associated with their defined benefit scheme are having a negative impact on pay increases.***

47% ***say the incidence of transfer requests from DB schemes exceed 5% of scheme members.***

84% ***say the law should be changed to reduce pension increases in DB schemes when continuing to provide increases at the level in scheme rules will severely and adversely affect the employer.***

77% ***want current pension tax relief structure retained with more help targeted on lower incomes.***

79% ***support increased punishments for those caught mismanaging schemes.***

59% ***say costs of social care should be met by a compulsory social insurance scheme.***

Contents

Chair's Introduction

Final Report of ACA 2017 Pensions trends survey

"The Government needs to develop a coherent 'next steps' strategy"

Ahead of the 2017 Auto Enrolment Review, our survey this year looked particularly at how pensions auto-enrolment has progressed across firms of all sizes and how the increases in minimum contributions over the next two years might play out. We also examined, ahead of the expected White Paper on defined benefit pensions, what employers are comfortable with and hopeful for in its outcome.

In assessing the survey results, we believe the Government needs to develop a coherent 'next steps' strategy that addresses the anticipated dangers of rising opt-outs as employers and employees react to the increase in minimum contributions in 2018 and 2019. This danger is particularly acute for small and micro-employers, who have relatively recently experienced their auto-enrolment staging date. This increase in costs also lands in the middle of sizeable projected increases in the 'living wage' and pre-Brexit economic uncertainties. This report includes some recommendations that we think might help in this important public policy area. We also comment on what we and employers feel is needed to ensure the greater longevity and sustainability of defined benefit provision, which still underpins the retirement incomes of many millions of pensioners and will do so for some years ahead.

Whilst much of the recent debate about pensions has dwelt on legitimate desires to drive down charges and to free-up pension monies by way of the popular 'freedom and choice' reforms, our survey again points to the greater need – part of what we see as the 'next steps' strategy – that looks to a gradual, but essential increase of the default level of contributions into defined contribution schemes. This is needed to ensure that many more people save sufficient amounts for both a comfortable retirement income and one where they have real choices to spend some of their accumulated savings as they approach or reach retirement. Without commitment from government to ensure that sums saved into AE are meaningful, we see little prospect that as a society we will be able to address the fears of a growing gulf in retirement incomes from one generation to the next.

To give subsequent generations a decent chance of enjoying secure, adequate retirement incomes as life-spans generally extend, we call on the Government to review its spending plans, tax rates and incentives to help support this objective at a time when increases in wages and salaries are likely to remain muted for many.

I would like to thank all those employers who responded to the survey questionnaire for the time this

Bob Scott
Chair
Association of Consulting Actuaries

Executive Summary

The survey was conducted by the Association of Consulting Actuaries (ACA) in the summer of 2017 for online completion and was circulated to UK employers of all sizes, selected on a random basis. Responses were received from 466 employers sponsoring over 760 pension schemes.

Key findings of Final Report

Retirement and State Pension Ages

- **17%** of employers said the typical retirement age in their firm is already above age 65.
- **34%** expect the typical retirement age to exceed 67 by 2028, when the SPA hits age 67.
- **79%** favour greater flexibility so a lower State Pension could be drawn from age 66.

Pension contributions

- Median employer contributions into employers' defined contribution pension schemes across our sample are **5%** of earnings with employee contributions of **4%** of earnings.
- Median contributions into NEST and other multi-employer arrangements are reported at a much lower level, with many employers and employees contributing at or just above the minimum initial auto-enrolment level of **1%** of earnings each from employer and employee.
- Median combined employer and employee contributions into defined benefit arrangements are between **27–31%** of earnings (excluding deficit repair contributions).

Auto-enrolment

- The median opt-out rate of employees from auto-enrolment is between **1–10%** of eligible employees across employers with upwards of 500 employees, but rises to between **11–15%** across employers with between 10–499 employees and rises still further to **21–25%** at employers with fewer than 10 employees.
- For employers in the sample yet to stage, the forecast median opt-out rate is **21–25%** of eligible employees.
- Post-April 2019, the expectation is that overall opt-outs will increase from **11–15%** to **16–20%** – perhaps less than some fear – with opt-outs generally higher for employers with 500 or fewer employees.
- Our survey found the median level of those not eligible to be auto-enrolled was between **21–25%** of employees, with this rising to over **40%** at small employers.
- **67%** of employers were keen to see the AE legislation amended to make it clear they would not be held responsible for poor performance or a failing auto-enrolment scheme.
- Whilst **57%** of employers felt the self-employed should be brought into auto-enrolment in some way, there were very mixed views, with small majorities against the earnings trigger point for auto-enrolment (presently £10,000pa) being reduced or minimum statutory contributions being gradually increased post-April 2019.

Other findings from Interim reports: defined benefit schemes

- **53%** of employers say the costs associated with their defined benefit schemes are having a negative impact on pay increases, with **80%** saying their cost was also having a negative impact on intergenerational fairness.
- **42%** say DB costs are also having a negative impact on contributions into newer schemes.
- **47%** of employers saying the incidence of transfer requests from defined benefit schemes exceeds 5% of scheme members, with a third of these employers reporting requests exceeding 10% of scheme members.
- However, completed transfers are at a lower level. Just **16%** report completed requests exceeding 5% of scheme members.
- **61%** of employers say members are having difficulty in finding advisers prepared to advise on pension transfers.
- **84%** of employers said the law should be changed so that defined benefit schemes can reduce pension increases if continuing to provide increases at the level in scheme rules will severely and adversely affect the employer.
- **32%** of employers feel consolidation of DB schemes is 'generally a good thing' and that cost savings would be real. However, many respondents remain uncertain on the pros and cons of consolidation.

Other findings: Pensions tax, Regulation and Social Care

- **77%** of employers favour retaining the current pension tax relief structure, but with more help targeted on lower incomes.
- Just **13%** support moving to pensions being paid tax-free, with pension tax relief abolished (i.e. moving to a TEE system).
- **52%** of employers say restrictions on pension tax relief have caused those on higher incomes to leave their firm's scheme.
- **36%** of employers say the restrictions on tax relief have led to pressures to revise pay and benefits packages and **22%** to reconsider their pension arrangements.
- Whilst **55%** of employers say further legal restrictions on sponsors of defined benefit schemes would hasten the closure of more schemes to future accrual, **79%** support increased punishments for those caught mismanaging schemes and **68%** support new criminal offences for directors who 'deliberately and recklessly' put at risk the ability of a scheme to meet its obligations.
- **53%** oppose higher taxes and national insurance to meet the rising costs of social care, with **59%** saying costs should be met by a compulsory social care insurance scheme.

Section 1

Survey respondents: background information

Our 2017 survey report, following a questionnaire broadcast in the summer of this year, received responses from 466 employers sponsoring over 760 pension schemes covering every size of business.

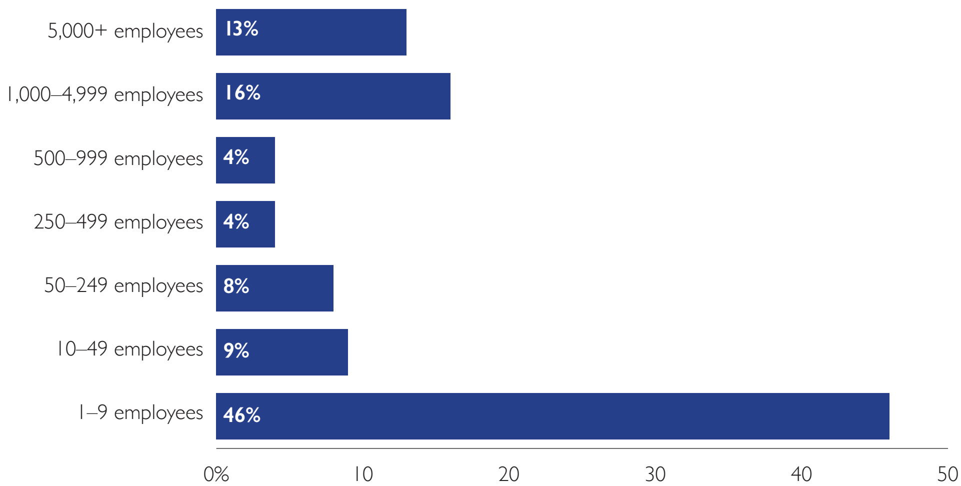
Close to two-thirds of the responses this year came from smaller firms employing fewer than 250 employees, with over a tenth replying from organisations with 5,000 employees or more (*see Figure 1*). The sample does not represent a 'mirror image' of UK employers broken down by size. If it did, over 97% of the sample (rather than 55%) would be drawn from firms with fewer than 50 employees[1], but it provides a good indication of trends across all types of enterprises, as it has done since its inception in 1997.

"The actual percentage of the workforce that are in pension arrangements as we approach the end of AE staging is much the same as the percentage enrolled in schemes in the 1960s through to the late 1980s"

At the end of 2011, some 30% of the UK's employers provided workplace pension schemes with around a further 7% making contributions into employees' personal pensions.[2] However, this is a picture that has changed markedly over the period since 2012 with the Government's pension auto-enrolment policy[3]. As we write this report, around 78% of 'eligible' employees are now in workplace pension schemes, and schemes are present in some 855,895 employers. As a result, just 7% of this year's survey respondents (as at July 2017) offered no pension scheme.

But pause on the figures. These Government figures could be felt to be a little misleading in that those 'not eligible' for auto-enrolment schemes, who presently amount to over 7¾ million, are omitted from the statistic as it refers to 'eligible employees'. Those not enrolled automatically are workers below aged 22, those on low incomes and those above State Retirement Age. As a result, the actual percentage of the workforce that are in workplace pension arrangements as we approach the end of AE staging, also taking into account opt-outs and the increased number of non-pensioned self-employed, is much closer to 60% of the total workforce. If you look back in time this is much the same as the percentage enrolled in schemes – mostly more generous final salary based schemes – in the 1960s through to the late 1980s, before the slide in workplace pension provision occurred.

Figure 1: Organisations responding to the survey



(Source: ACA 2017 Pension trends survey, Table 1, page 26)

All footnotes in this Report are featured on page 25.

Of the employers responding to the survey at July 2017, **88% had already reached their staging date for enrolling employees into a qualifying auto-enrolment scheme, with the balance set to reach their staging date within a matter of months** (see *Table 2, page 26*).

The principal types of open pension schemes run by the employers responding to the survey are defined contribution in structure with two-third of the employers that have staged for auto-enrolment offering NEST or another multi-employer scheme as their auto-enrolment scheme (see *Figure 2*).

It is clear that very many of those employers who have passed their staging date for auto-enrolling employees into a qualifying scheme have turned to NEST or another of the master trusts/multi-employer scheme providers to establish their first pension arrangement or to enrol previous non-joiners of established schemes and new entrants (see *Figure 6, page 11*).

It also seems likely that a number of employers have taken the opportunity to close established trust and contract-based in favour of in the main lower-cost multi-employer schemes. The survey found:

Over 40% of trust-based DC schemes and 10% of contract-based DC schmes were now reported closed to new entrants.

This yyear the survey did not test the extent of levelling-down of pension provision for existing employees – although it is clear this has been considerable in terms of those no longer able to accrue defined benefit pensions, some 55% this year, as opposed to 36% some 4 years ago.[4] Fewer than one in five defined benefit schemes are now open to new entrants.

"Fewer than one in five defined benefit schemes are open to new entrants. 55% are also closed to future accrual"

Of the employers that have not reached their staging date for auto-enrolment (12% of the sample), 58% of these operated no pension arrangements at all as at July 2017.

Figure 2: Number, types and status of pension schemes provided by employers responding to survey

Percentages are of all employers with schemes	Employers with scheme type	Of which:		
		Closed to new members	Also closed to future accrual/ contributions	Used for auto-enrolment
Firm's contract based defined contribution	38%	10%	6%	24%
Firm's trust based defined contribution	24%	41%	21%	5%
NEST	35%	-	-	32%
Other Master Trust/Multi-employer scheme	41%	7%	5%	33%
Firm's defined benefit scheme	35%	83%	55%	5%
Firm's mixed DB/DC scheme	4%	82%	65%	<1%

(Figures are staged employers only) (Source: ACA 2017 Pension trends survey, Table 3, page 26)

Section 2

Retirement ages and future of State Pension Age

A number of reports and official statistics have pointed to a situation where more employees are working beyond the hitherto typical retirement and the present State Pension age of 65 and there has also been a reported trend for retirees to return to work post age 65. Financial circumstances, extended healthy life-spans for some and a strong employment market are seen as contributory factors.

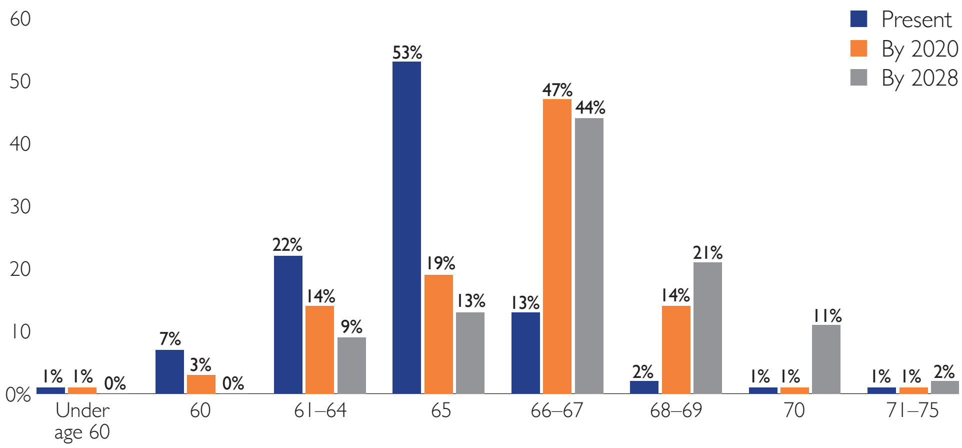
Our survey largely endorsed these findings with:

17% of employers reporting that the typical retirement age in their firm is already above age 65.

Looking further ahead, as the State Pension Age increases to 66 and then 67, employers continue to expect typical retirement ages to also increase, with:

34% expecting the typical retirement age to exceed 67 by 2028, when the SPA hits age 67 (see *Figure 3*).

Figure 3: Typical current retirement ages and how employers expect this to change by 2020 (when SPA reaches age 66) and by 2028 (when SPA reaches age 67). Figures in brackets are 2015 results.



(Source: ACA 2017 Pension trends survey, Table 4, page 27)

"79% favour greater flexibility so a lower State Pension could be drawn from age 66"

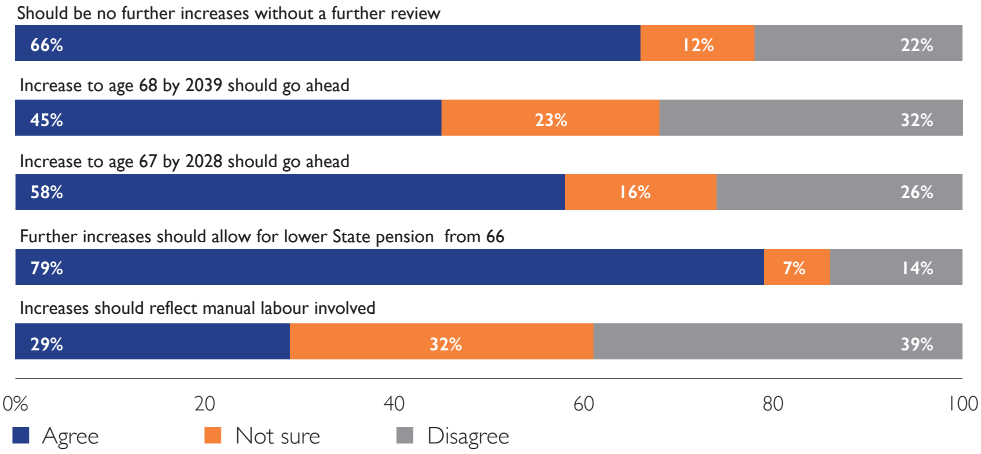
Whilst the expectation is that typical retirement ages will rise, employers' enthusiasm for the continued increase in State Pension Age (SPA) is more muted. The Government has committed to increase the SPA to age 68 by 2039 (although not yet amended the legislation).

Our survey found:

45% of employers support this, whilst on the other hand 66% feel there should be no further increase without a further review.

79% favour greater flexibility so a lower State Pension could be drawn from age 66, a position to date that has been opposed by Government (see *Figure 4*).

Figure 4: Views from employers on how the Government should progress increases in the State Pensions Age in the light of advances in life-spans and hence increasing costs to the taxpayer.



(Source: ACA 2017 Pension trends survey, Table 5, page 27)

Section 3

Pension contributions and impact of auto-enrolment

Our survey found:

Median employer contributions into employers' defined contribution pension schemes across our sample are 5% of earnings (see *Figure 5*) **with employee contributions of 4% of earnings.**

These levels for schemes largely set up ahead of auto-enrolment are much the same as two years ago and suggest there has been little levelling down of contributions into these types of schemes for existing employees.

However, median contributions into NEST and other multi-employer arrangements are reported at a much lower level, with many employers and employees contributing at or just above the minimum initial auto-enrolment level of 1% of earnings[5] each from employer and employee.

Median combined employer and employee contributions into defined benefit arrangements, at between 27–31% of earnings (excluding deficit repair contributions), are running at many times more than those going into defined contribution schemes of all types.

Higher defined benefit contributions reflect the cost of delivering salary related pensions in the years ahead as longevity extends and in a low interest rate environment.

Figure 5: Median contribution rates into pension arrangements provided by responding employers (by types of scheme). (Figures in brackets are 2015 figures from the *ACA 2015 Pension trends survey* report)

	Employer	Employee
Contract based DC	5% (4%)	4% (3%)
Trust based DC	5% (5%)	4% (4%)
NEST	1 – 2% (1%)	1% (1%)
Other multi-employer schemes	1 – 2% (3%)	1% (1%)
Mixed DB/DC	16 – 20% (11 – 15%)	5% (5%)
Defined benefit	21 – 25% (16 – 20%)	6%(6%)

(Figures are staged employers only) (Source: ACA 2017 Pension trends survey, Table 6, page 27)

Whilst ahead of auto-enrolment beginning in 2012 there had been small increases in median employer and employee contribution levels into defined contribution arrangements reported in our surveys, it is clear from this year's research that overall this trend has reversed due to the much lower minimum contributions paid by both employers and employees into many new auto-enrolment schemes. It seems certain from the survey results, confirmed by other DWP[6] and ONS reports, that as more mid-sized and smaller employers have met their staging dates, they have auto-enrolled at very modest contribution levels, which are below the median contribution rates our survey found from the minority of employers who already provided schemes ahead of auto-enrolment[7].

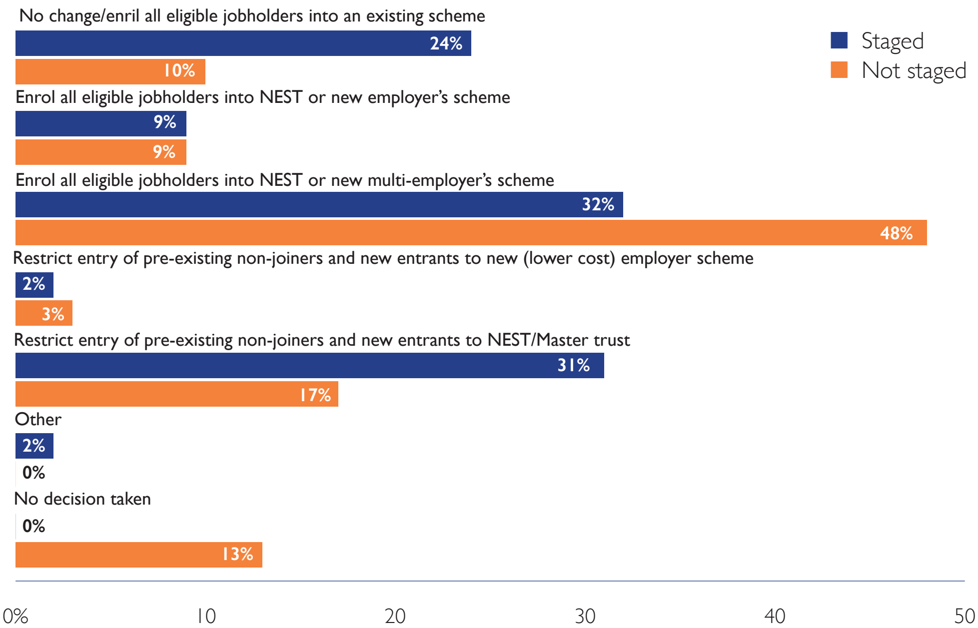
All footnotes in this Report are featured on page 25.

We must expect this position to persist until phasing is completed in April 2019. However, set against this, many more employees are presently saving something into pensions, which they were not prior to 2012.

The survey also confirmed the degree to which:

employers have controlled the cost of auto-enrolling more employees into pensions, with many placing previous non-joiners and new entrants into lower cost schemes – NEST and Master trusts – whilst those not previously offering pensions have largely (and increasingly) solely used NEST or other Master trusts (see *Figure 6*).

Figure 6: As a result of auto-enrolment what has been the change/what will be the most likely change to workplace pension arrangements?



(Source: ACA 2017 Pension trends survey, Table 7, page 28)

Problems experienced in preparing for auto-enrolment ease

Previous surveys had indicated widespread concern about the preparatory stage of auto-enrolment, with worries also about the complexities of implementation.

This year's survey, with the majority of employers having staged for auto-enrolment, found lower levels of those concerns than before.

Across all the employers, 53% said they have not found setting up a scheme cumbersome and indeed a quarter said that it 'had been simple'.

As might be expected, firms with 250 or fewer employees expressed slightly lower levels of positivity, but – confusingly – over a quarter said the process had been 'complex', set against another quarter who found it 'simple', the latter being at a higher level than amongst larger schemes, where presumably communication issues have added to the administrative and implementation process (see *Table 8*, page 28).

Employee opt-out rates and 'non-eligibles'

There has been a general welcome for the 'low' employee opt-out rates reported elsewhere to date, with a figure of 9% amongst larger employers[8] (increasing to around 12% – 14% when more smaller firms and cessation rates are included[9]). In some quarters there was clearly an expectation of much higher opt-out rates, although it is not quite clear why this should be the case. Our *2011 ACA Pension trends survey*[10], conducted ahead of auto-enrolment starting found, on average, that larger employers were budgeting for an opt-out rate of 12%. It was mid-sized, small and micro-employers who pushed the opt-out rate up to around 25% across all schemes. And, because of the generally low levels of opt-outs by employees at larger employers the average opt-out rate across all employees will tend to the lower levels reported to date.

Our survey this year found that:

the low median opt-out rate of between 1–10% of eligible employees applies across employers with upwards of 500 employees, rises to between 11–15% across employers with between 10 and 499 employees and rises still further to 21–25% at employers with fewer than 10 employees.

Amongst the minority of employers in the sample yet to stage, the forecast median opt-out rate is 21–25% of eligible employees (see *Figure 7*).

The survey questionnaire also examined what employers thought would happen when the minimum statutory contribution rates for employees (and employers) increase in April 2018 and 2019.

Overall, the expectation is that overall employee opt-outs will increase from 11–15% to 16–20% – perhaps less than some fear – with opt-outs generally higher at employers with 500 or fewer employees (see *Figure 8*)

Figure 7: Median employee opt-out rates on auto-enrolment at employers who have staged and forecast rates by employers yet to stage

	1–9 employees	10–49 employees	50–249 empoyees	250–499 employees	500–999 employees	1000–4999 employees	5000 employees +
Staged (Actual)	21 – 25%	11 – 15%	11 – 15%	11 – 15%	1 – 10%	1 – 10%	1 – 10%
All median	← 11 – 15% →						
Yet to stage (Forecast)	21 – 25%	16 – 20%					
All median	← 21 – 25% →						

(Source: ACA 2017 Pension trends survey, Table 9, page 28)

All footnotes in this Report are featured on page 25.

Figure 8: Anticipated median opt-out rates after increases in minimum employee contributions in 2018 and 2019

	1–9 employees	10–49 employees	50–249 empoyees	250–499 employees	500–999 employees	1000–4999 employees	5000 employees +
Staged (Forecast)	21 – 25%	16 – 20%	16 – 20%	11 – 15%	16 – 20%	1 – 10%	1 – 10%
All Median	←16 – 20%→						

(Figures are staged employers only) (Source: ACA 2017 Pension trends survey, Table 10, page 28)

Another factor that disguises the number of employees who are not auto-enrolled is the very high number of employees who do not meet the eligibility criteria based on either their age or low incomes. With many small employers still yet to stage, those not eligible to be auto-enrolled already total over 7.8 million employees[11] and it may be the lower incomes in smaller firms not yet staged and sizeable increases in part-time working (and self-employed working[12]) will mean the number of those not eligible for auto-enrolment climbs higher than originally expected. Official figures state that around 28% of the employees of the 855,895 employers staged to date were not eligible to be enrolled in AE.

"Those not eligible to be auto-enrolled already total over 7.8 million employees"

Our survey found the median level of those not eligible to be auto-enrolled was between 21–25% of employees, with this rising to over 40% at small employers (see *Figure 9*).

We comment later in this report on the need for auto-enrolment to move on to cover a wider grouping.

Figure 9: Percentage of employees not eligible for auto-enrolment (for example, because their earnings are generally too low or because of age)

	1–9 employees	10–49 employees	50–249 empoyees	250–499 employees	500–999 employees	1000–4999 employees	5000 employees +
All who staged	41 – 50%	21 – 25%	21 – 25%	21 – 25%	11 – 15%	5 – 10%	<5%
	←21 – 25%→						

(Figures are staged employers only) (Source: ACA 2017 Pension trends survey, Table 11, page 29)

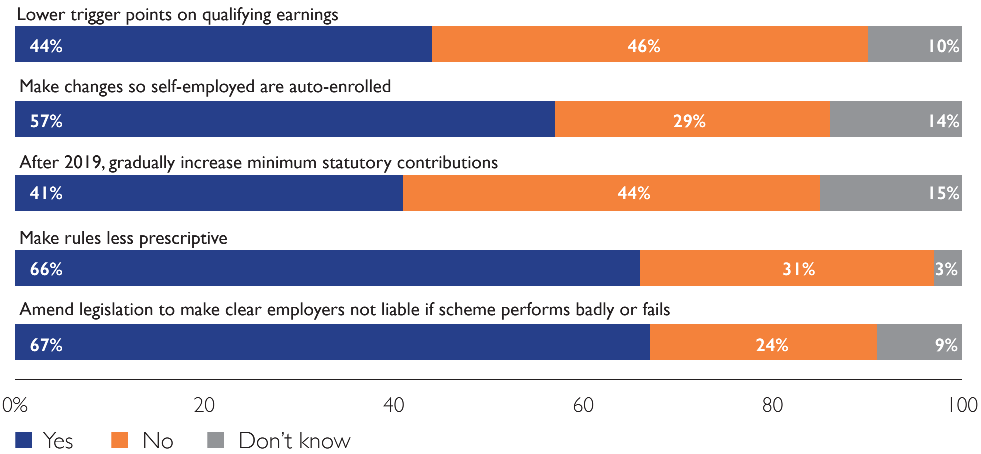
The 2017 Review of auto-enrolment is expected in December 2017 and already a number of proposals have been canvassed on what that review should encompass. Our survey explored a number of these ideas. We found:

67% of employers were keen to see the legislation amended to make it clear they would not be held responsible for poor performance or a failing scheme, given they will have selected the scheme for employees. The Government has been reluctant to state this in legislation and there has been a timely reminder from a former Pensions Minister on the likelihood that employers will be held in the future to have a 'duty of care' in respect of the scheme they have chosen, notably in terms of issues like the default strategy adopted and tax relief available to those on lower incomes[13].

66% wanted to see less prescription in the AE rules – a view that might be difficult to sustain given the earlier findings we reported in respect of the diminished concerns over the administrative process involved in setting up schemes.

Whilst 57% of employers felt the self-employed should be brought into auto-enrolment in some way, there were very mixed views, with small majorities against the earnings trigger point for auto-enrolment (presently £10,000pa) being reduced or minimum statutory contributions being gradually increased post-April 2019 (see *Figure 10*).

Figure 10: Employers' views on various proposals that have been suggested as part of the 2017 review of auto-enrolment



(Source: ACA 2017 Pension trends survey, Table 12, page 29)

All footnotes in this Report are featured on page 25.

Section 4
Defined Benefit Schemes

Our interim survey report findings this year, published in October, painted a picture of defined benefit schemes where complexities introduced over the years – largely by dint of public policy – have taken their toll. Legislative and regulatory changes seem unremitting and are continuing to present challenges to sponsors and trustees. Whilst a majority of employers fear more legal restrictions will accelerate scheme closures still further, they seem sanguine about further legal restrictions being placed on sponsors and trustees in the upcoming Government White Paper. That said, the vast majority also expect support in the White Paper for some greater flexibility in law to adjust future pension increases if they are in financial difficulty.

53% say the costs associated with their defined benefit schemes are having a negative impact on pay increases, with 80% saying their cost was also having a negative impact on intergenerational equity. 42% say DB costs are also having a negative impact on contributions into newer schemes (see *Table 13, page 29*).

The survey results also point to a huge bow wave of pension transfer requests from defined benefit schemes which is placing enormous pressures on scheme administration. Alongside other freedom and choice costs, transfer value activity is adding between 10–20% to scheme administration costs over previous years.

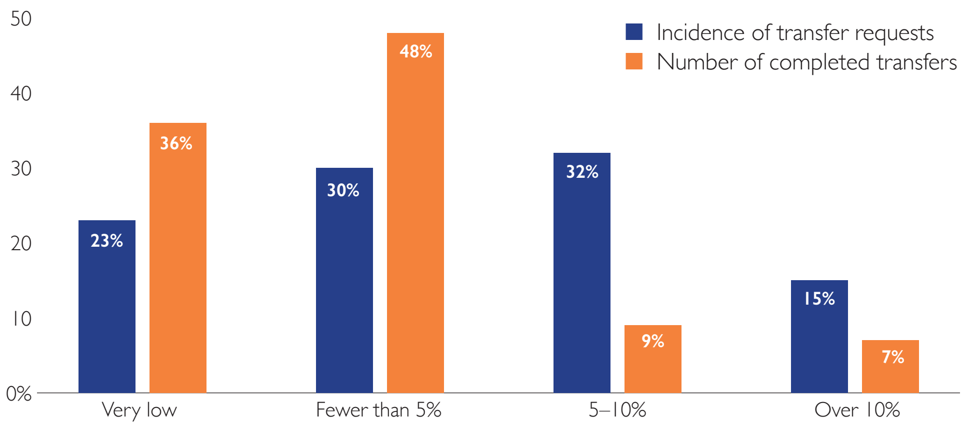
We found:

47% of employers saying the incidence of transfer requests exceeds 5% of scheme members, with a third of these employers reporting requests exceeding 10% of scheme members.

However, completed transfers are at a lower level. Just 16% report completed requests exceeding 5% of scheme members (see *Figure 11*).

61% of employers say members are having difficulty in finding advisers prepared to advise on pension transfers (see *Table 15*, page 30)

Figure 11: Employers reporting incidence of transfer requests by members from defined benefit schemes over the last year



(Source: ACA 2017 Pension trends survey, Table 14, page 29)

Over the last two years, it has been reported that over £50 billion has been withdrawn from defined benefit schemes, with average transfers out of DB schemes now exceeding £250,000. Our findings underscore mounting concerns that high transfer values (due to low interest rates) are stimulating member interest in cashing in DB pensions. The flames are being further fuelled by concerns over scheme deficits. Recent publicity suggested three million of the UK's defined benefit scheme members may only have a 50:50 chance of receiving full benefits.

There are concerns about both the availability and appropriateness of the regulated advice available to DB scheme members. Other research[14] suggests that only around half of those who took advice to transfer were properly advised. Of the other half, one third of recommendations were unsuitable and the remainder were unclear.

This is disappointing but isn't surprising. DB pensions are complex and varied and their value is not well understood. Comparing a DB pension to uncertain post-transfer investment returns and income choices is fiendishly complex.

Our survey results confirm the ongoing shortage of IFAs prepared to provide guidance services in this complex area. However, many schemes are additionally noting to our members that, where IFAs are providing advice, the questions they pose during the transfer process are varied and time consuming. The quantum of enquiries and differences in approaches is posing difficulties for administrators and pushing up administration costs. Standardisation in the questions asked would seem to be a sensible step and this may be an area where the FCA could act swiftly to help all concerned.

> ***"84% of employers said the law should be changed so that defined benefit schemes can reduce pension increases if continuing to provide increases at the level of scheme rules will severely and adversely affect the employer"***

Reflecting changes already agreed for public sector schemes, employers responding to the survey were also requested to comment on whether the law should be changed so private sector defined benefit schemes can reduce pension increases if continuing to provide increases at the level in scheme rules would severely and adversely affect the employer.

We found:

84% of employers said the law should be changed so that defined benefit schemes can reduce pension increases if continuing to provide increases at the level of scheme rules will severely and adversely affect the employer, with the largest number favouring this being subject to an agreement with trustees (see *Table 16*, page 30).

Reflecting proposals being canvassed by both the Government and the PLSA[15], we also examined employers' views on the consolidation of smaller defined benefit schemes into larger arrangements on grounds this might improve their efficiency, performance and governance.

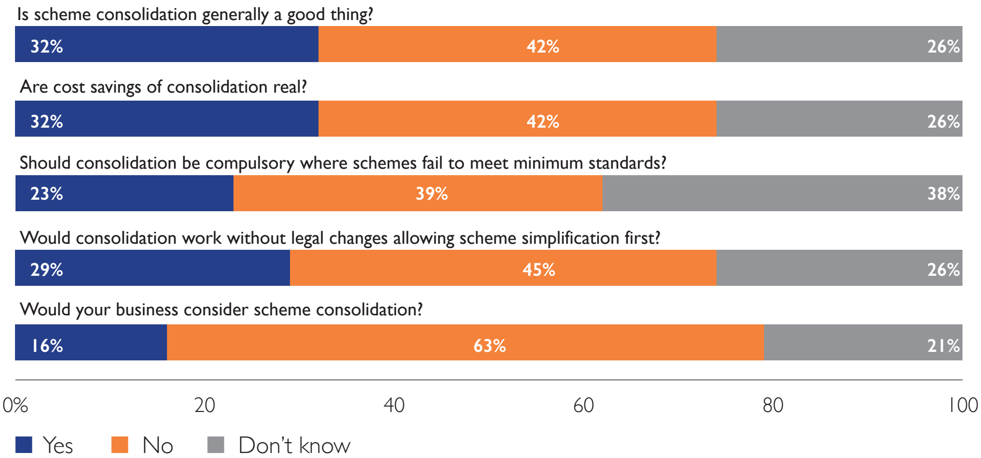
The findings revealed a relatively high level of uncertainty over the benefits of consolidation, with clear majorities against forced consolidation and in favour of the need for legal changes to allow for scheme simplification first.

All footnotes in this Report are featured on page 25.

Our survey found:

32% of employers feel consolidation of DB schemes is 'generally a good thing' and that cost savings would be real. However, many respondents remain uncertain on the pros and cons of consolidation (see *Figure 12*).

Figure 12: Employers' views on defined benefit scheme consolidation and perceived benefits in terms of costs, administration and governance



(Source: ACA 2017 Pension trends survey, Table 17, page 30)

Section 5

Pensions tax, LISAs and other prospective reforms

"77% of employers favour retaining the current pension tax relief structure, but with more help targeted on lower incomes"

On pension taxation, as our earlier interim report noted in October, it is clear the restrictions in reliefs in recent years have had a major impact on pay and benefits strategies at firms, with many senior staff 'opting out' of pension arrangements as a result. Beyond doubt, this has had an adverse impact on support for schemes within firms, often with those on lower incomes losing out as a result. As Chancellor Osborne found, there seems to be little support for radical tax reform, although employers seem accepting of those on lower incomes getting a larger share of the relief available, but we wonder whether there is any political will to pursue a policy in this Parliament that will be so contentious.

Our survey found:

77% of employers favour retaining the current pension tax relief structure, but with more help targeted on lower incomes.

Just 13% support moving to pensions being paid tax-free, with pension tax relief abolished (i.e. moving to a TEE system).

52% of employers say restrictions on pension tax relief have caused those on higher incomes to leave their firm's scheme.

36% of employers say the restrictions in tax relief have led to pressures to revise pay and benefits packages and 22% to reconsider their pension arrangements (see *Tables 18 and 19*, page 31).

On the impact of Lifetime ISAs (LISAs), our survey found:

93% of employers said the launch of LISAs had had no impact on overall scheme membership, with slightly fewer saying it had had an impact on younger members. Just over a third are prepared to consider access to a Lifetime ISA alongside their pension scheme (see *Tables 20 and 21*, page 31).

Other prospective reforms

"79% support tougher penalties for the mismanagement of schemes"

Tougher regulation: Following a number of cases where members' defined benefits pensions have been reduced or put at risk by alleged or real management failings, it has been suggested that pensions law and the powers of the Pensions Regulator should be supplemented.

Our survey found:

Whilst 55% of employers say further legal restrictions will hasten the closure of more schemes to future accrual, **79% support increased punishments for those caught mismanaging schemes and 68% support new criminal offences for directors who 'deliberately and recklessly' put at risk the ability of a scheme to meet its obligations** (see *Figure 13*).

Figure 13: It has been suggested that pensions law and the powers of the Pensions Regulator should be supplemented. Which proposals are supported by employers?

	Yes	No	Don't know
Increase punishments for those found mismanaging schemes	79%	12%	9%
Increase tPR powers to scrutinise and in extreme cases stop mergers, takeovers or large financial commitments that threaten scheme solvency	70%	16%	14%
Give tPR powers to issue punitive fines/disqualification against employers/directors who wilfully leave scheme under-resourced	73%	16%	11%
Consider new criminal offences for directors who deliberately or recklessly put at risk scheme's ability to meet its obligations	68%	18%	14%
The tPR powers are already adequate, if used	33%	46%	21%
Further legal restrictions will hasten the closure of schemes to future accrual	55%	17%	28%

(Source: ACA 2017 Pension trends survey, Table 22, page 32)

Pensions dashboard: An initiative is underway, supported by the Government and the pensions industry, to gather individuals' varied pension entitlements built up over a working lifetime and place this information in one place on a dashboard (or several dashboards). It is felt this will enhance the public's understanding of what their pension position is and also spur on some to boost their savings. We asked employers what they felt about the initiative (see *Table 23*, page 32).

Our survey found:

A clear majority of employers supported a voluntary approach to providing data to the dashboard(s), but with a much-reduced majority supporting this being made a legal requirement.

However, 90% felt issues of security and data cleansing needed to be addressed first.

"90% think security and data cleansing needs sorting out before the dashboard goes ahead"

Social care: The recent General Election highlighted that the funding of social care is a 'hot potato' that Government is struggling to resolve in a satisfactory way for either individuals or the Exchequer. Whilst there is a general acceptance that something must be done as the numbers requiring social care and its costs escalate, our survey findings revealed all too clearly the difficulties involved.

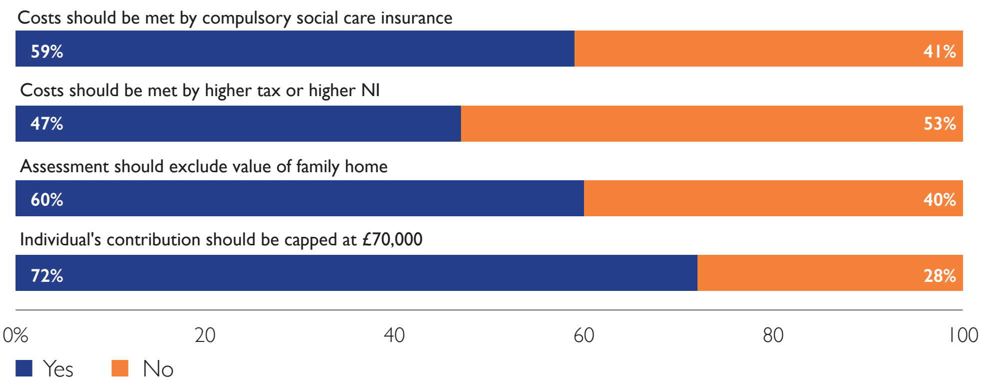
All footnotes in this Report are featured on page 25.

Our survey found:

72% supporting capping individuals' contributions to social care costs, with 60% saying the assessment should exclude the family home.

However, 53% opposed higher taxes and national insurance to meet the rising costs of social care, with 59% saying costs should be met by a compulsory social care insurance scheme (see *Figure 14*).

Figure 14: Views on the following long-term approaches to social care costs



(Source: ACA 2017 Pension trends survey, Table 24, page 32)

Section 6

The 'Next Steps' strategy: ACA recommendations

Whilst auto-enrolment is extending workplace pension coverage to millions of employees who in recent years were not offered workplace pensions, it is vitally important that the schemes which employees join are designed and developed to be fit for purpose. By this we mean that the pensions delivered are robust enough to provide more retirees with incomes that allow for a comfortable retirement, without dependency on State welfare benefits. Workplace schemes should also offer their members similar flexibilities so that 'freedom and choice' is not just confined to a minority approaching retirement.

This survey has underscored that, whilst auto-enrolment is introducing many more employees to pension saving, supported by their employer contribution and tax relief, big hurdles lie ahead as minimum contributions climb over the next few years. And now, of course, many employers will be expected to boost their employees' earnings via phased increases in the minimum living wage, set to reach £9 an hour in 2020.

We referred earlier to the oft-quoted 'success' of auto-enrolment and that this has yet to be really established with so many new pension savers, as identified by this and other reports, making minimal pension savings, especially as 'affordability' has been reported as the principal reason why individuals to date have opted-out[16]. What occurs in 2018 and 2019 when minimum contributions rise will determine the true scale of the policy's success in extending pension coverage.

Aside from opt-outs there is the even larger issue of how many employees, encompassing those earning less than £10,000pa (including many women), the self-employed and those engaged in the 'gig economy, are presently excluded from joining an AE scheme. Upwards of 12 million workers should not be relying solely on the State Pension plus uncertain other State benefits for their income in later life (or, if they are fortunate, other private savings). They too need to be saving something towards income in later life and contributing at AE minimum levels or above. We see it as highly dangerous to rely on there being State benefits at today's levels in retirement for decades ahead given the deteriorating support ratio.

"Upwards of 12 million workers should not be relying solely on the State Pension plus uncertain other State benefits for their income in later life"

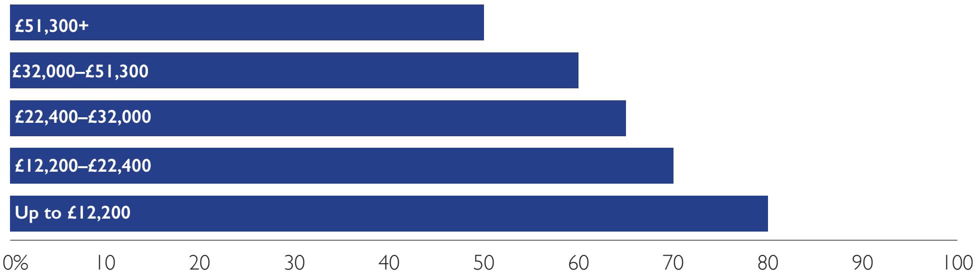
However, even if the high rates of participation are maintained, the eventual 2019 minimum 8% contribution of qualifying earnings is unlikely to generate for very many the retirement income that will lead onto a comfortable retirement. Assuming 40 years of contributions at 8%, with a 3% real return on investment, a person on average earnings is likely to fall markedly short of the Pension Commission's targeted replacement income[17] of two-thirds of pre-retirement income. Indeed, a contribution rate of between 14–16% would probably be needed to reach this benchmark. Variable earnings over a lifetime and shorter periods of savings make the argument for higher than 8% contributions all the more powerful, especially given the forward pressures in funding State pensions due to a rapidly ageing society.

A PPI study[18] has broadly confirmed these findings. Whilst a low-earner contributing 8% would have a 63% probability of achieving the Pension Commission's target replacement income (including the single tier State pension) on retirement, an average earner has a 49% probability and a high earner a 40% probability. However, these probabilities decline sharply with career breaks or if pension saving starts at a later age.

More recently PLSA has launched a consultation aimed at delivering better retirement incomes through the establishment a range of targets and the means to hit those targets which is presently open for submissions[19].

All footnotes in this Report are featured on page 25.

Figure 15: Pension Commission: target replacement ratios by income



(Source: Framework for the analysis of future pension incomes, DWP, September 2013)

We view it as vital that ahead of 2019 a 'next steps' strategy is developed to secure the progress to date of auto-enrolment and – depending on the success of the UK economy – plans are made to boost minimum pension contributions from, realistically, 2023 onwards.

We believe that the Government will have to be prepared to offer incentives to secure the ongoing success of the auto-enrolment programme and the 2017 review should consider the following next steps and forward policy commitments:

Minimum pension contributions: a plan for the future

- **Serve notice that from 2020 the Government will reduce the lower band on earnings eligible for auto-enrolment and lower the auto-enrolment earnings threshold to extend provision to more women and low earners, whilst also taking actions to draw the self-employed into AE levels of pension contributions. A start could be made by including the gig economy's quasi-employers into the regime.**

- **We further recommend some new flexibility whereby new employers are able to introduce the full minimum statutory contributions after April 2019 on a phased basis over three years. An additional flexibility might also be offered for employees to opt-down when they are facing an all or nothing choice to pay increased contributions in 2018 and 2019, rather than opting-out of their pension entirely[20].**

- **Serve notice that the Government will seek cross-party support to map out increases in the minimum auto-enrolment contributions after 2023 targeting an eventual combined contribution of at least 12%–14% of qualifying earnings by 2030. This longer-term policy should also seek to offer incentives for employers to auto-escalate contributions to above the minimum on a voluntary basis.**

- **Serve notice that the Government will assist employers and employees over the period of increases in pension contributions by way of planned reductions in NI and further increases in tax-free allowances and the Employment Allowance.**

- **Serve notice that these increases in contributions and tax adjustments will only be implemented subject to the performance of the economy, particularly in terms of there being a general growth in earnings net of tax.**

All footnotes in this Report are featured on page 25.

Auto-escalation of pension contributions

Looking to the future, one possible way of building up employee contributions into pensions is via 'auto-escalation'. Auto-escalation encourages people to commit to increasing their pension contributions at a future date, often in line with wage increases. The idea is one that the DWP has said is worthy of further examination[21] as, much like auto-enrolment, it plays on inertia. Once signed up, an individual no longer has to take active decisions to increase their contributions – that happens automatically. By synchronising the point of increase in contributions with an increase in wages, individuals not only defer to a later date the loss of immediate income that an increase in contributions represents, but also know that, when it comes, it will be tempered by their overall income increase.

Whilst the concept has been taken up by many large companies using defined contribution in the USA, the idea has not taken off in the UK. A clear economic pre-condition is, however, that earnings are generally increasing year by year. It may be that the UK economy is entering a phase where year on year wage increases will begin to re-emerge enabling auto-escalation to take hold, and in this event it is likely that larger employers will be the first to consider such an approach in the UK.

Our 2013 and 2015 surveys found over a quarter of employers prepared to support the idea whereby employees are encouraged to auto-escalate their pension contributions at a future date as wages and salaries increase. This must be seen as encouraging, but it seems likely that for the initiative to take-off there may be a need for the Government to incentivise employers to offer such an option.

One concern that many employers may have is that if the Government backs auto-escalation, they may also attach an obligation on employers to in some way match increases in employee contributions.

Other 'Next steps' policy recommendations

The overall philosophy of the Government should be to continue to boost saving for later life focusing on the promotion of a wide range of flexible retirement arrangements as part of a broader approach to encourage lifetime savings. Financial incentives should be greatest for savings locked away for the long term, with legislative and regulatory prescription minimised and simplified. Further legislation/regulation should only be considered to maintain the protection of members' benefits, and provided it does not trigger wider reductions in existing provision.

Defined benefit pensions

1. To help with the sustainability of defined benefit pension schemes, which still support the incomes of millions of UK families, the upcoming DB White Paper should commit to:

a. **Legislation to allow a new flexibility to enable employers who are no longer in a position to provide the promised benefits to be able to compromise to a level between PPF compensation and full benefits – subject to key safeguards and where this is demonstrably in the members' interests.** This facility needs to be more flexible than the Regulatory Apportionment Arrangement route and cheaper to implement so that it is available to smaller employers as well.

b. **Provide a statutory override – shared by the trustees and scheme sponsor – to allow defined benefit schemes whose rules 'embed' RPI to be able to switch to an alternative index.** A shared power would provide safeguards and from a member perspective, offer the opportunity for trustees to seek an increase in member security when such a switch is sought.

All footnotes in this Report are featured on page 25.

c. Subject to certification, defined benefit schemes need more flexibility than at present so they are better able to simplify legacy benefit structures (including a national standard benefit format to migrate schemes to) to reduce scheme administration costs and facilitate hedging and buy-out options. This simplification would also facilitate the introduction of the pension dashboards and help members to better understand the total value of their benefits. It is also felt that this is an essential first-step if voluntary consolidation of schemes on any scale is to successful.

Taxation of pensions

2. **The Government should specify what further pension tax reforms, if any, are to be pursued in the Parliament, given the resulting personal financial implications. We strongly urge that any measures are 'one-off' and prioritise the need to simplify the tax regime. The current regime is now truly not fit for purpose.** For example, in our view, the Lifetime Allowance discourages pension saving and is resulting in the early retirement of elements of the workforce in key roles, to avoid penal tax charges; and similar themes apply to the tapered Annual Allowance, an incredibly complex measure, fear of which is impacting on pension provision for a much wider group than the stated policy target, and which 2016/17 experience will show is a measure impossible to police. Both should be abolished. Once the regime is simplified, there needs to be a commitment to long-term stability of tax and savings policy so that people can plan for the long term.

ISA savings

3. The Government should commit to **simplify the ISA product range** so there is just one product for adults (as opposed to four products at present) which they can save into for any purpose. Competing products are unhelpful and are confusing for those who are unsure where to place modest savings.

State Pensions

4. **We believe that the commitment to retain the 'triple-lock' should be re-examined.** Whilst we appreciate the political risk involved, we recommend that the State Pension should be increased either in line with earnings or be set annually as part of the welfare state components of the Budget, taking into consideration a number of factors (including changes in earnings and prices, and pensioners' income and consumption needs in general). Increases to the State Pension should balance affordability with adequately rewarding those who have contributed, whilst also preventing wide-scale pensioner poverty.

5. The Government should take the necessary legislative steps so the **State Pension Age increases to age 68 over the period 2037–2039** as recommended by the Independent Review of State Pension Age final report.

Social care

6. The cost of supporting social care needs to be addressed as 'fudging' the issue is seriously impacting on NHS resources/performance and is also stretching personal and local authority budgets. **We believe that a longer-term solution requires a range of solutions to suit different age groups and we welcome the Government outlining a comprehensive approach that encompasses ideas such as tax-free social care vouchers for those supporting older relatives in care, realistic caps on individuals' contributions to care and the longer-term consideration of a social insurance scheme that might be suitable for younger people.** Such an approach needs to be part of the integrated savings policy for later life that ideally draws on cross-party support.

All footnotes in this Report are featured on page 25.

Footnotes

[1] **Source**: BIS Business Population Estimates 2016.

[2] **Source**: DWP Research Report *Employers' Pension Provision Survey 2011 figure.*

[3] The Government's auto-enrolment policy requires all firms with one or more employees to auto-enrol eligible jobholders into a workplace pension scheme with certain minimum standards on a staged basis by late 2018.

[4] See ACA 2013 Pension trends survey, www.aca.org.uk (research page)

[5] As present (2017/18) under auto-enrolment the first £5,876 of eligible jobholders' earnings and that above £45,000 is not subject to the statutory minimum contributions.

[6] 'In the private sector, there has been a marked decline in the amount saved per eligible saver in 2016. This is likely to be a result of the increased number of savers in the private sector, many of whom will be making contributions at the minimum level'. Extract from *Official Statistic on workplace pension participation and savings trends of eligible employees: 2004–2016*, published by DWP.

[7] See also *Official Statistic on workplace pension participation and savings trends of eligible employees: 2004–2016*, published by DWP, which found median occupational defined contributions by employers have reduced from 8% in 2012 to 3% in 2016 and by employees from 4% to 1%.

[8] *Automatic Enrolment evaluation report 2014*, published by the DWP in November 2014, Research Report No.887, page 63.

[9] See *Automatic enrolment: Commentary and analysis – March 2014–March 2015*, published by The Pensions Regulator, July 2015, page 30. Also, see Employers Pension Provision Survey 2015, pages 52–54.

[10] *2011 ACA Pension trends survey*, published 3 January 2012, page 27 at www.aca.org.uk (Research and Surveys page).

[11] *Automatic Enrolment Declaration of compliance report*, July 2012 – end October 2017, published by the Pensions Regulator in November 2017.

[12] ONS UK Labour Market, October 2017, figures report 4.7 million self-employed workers, up over 40% on 2000 figures. Of these around 17% are saving for retirement (*Hansard, 21 September 2015*, PQ answer by then DWP Minister, Justin Tomlinson MP).

[13] Sir Steven Webb, writing in the *Daily Telegraph*, on 13 November 2017, article Employers can't retire from their pension obligations.

[14] FCA research on defined benefit pension transfers, published 3 October 2017.

[15] PLSA paper, *DB Taskforce: opportunities for change*, published September 2017.

[16] *NEST insight 2015*: taking the temperature of auto-enrolment, page 18.

[17] *Figure 15*, page 22.

[18] *What level of pension contribution is needed to obtain an adequate income?* Published by the Pension Policy Institute, October 2013.

[19] *Hitting the Target: Delivering better retirement incomes*, published by PLSA, is open to consultation responses until 12 January 2018. Available at www.pls.co.uk/Policy-and-Research

[20] Research published by Royal London in August 2017 suggested opt-outs by millennials could increase by 16% when the April 2019 increase in minimum contributions takes place.

[21] DWP paper, *Reinvigorating workplace pensions*, November 2012, Cmnd 8476, pages 19-20.

Statistical Appendix

ACA 2017 Pension trends survey results

The survey was conducted by the Association of Consulting Actuaries (ACA) in the summer of 2017 for online completion and was circulated to UK employers of all sizes, selected on a random basis. Responses were received from 466 employers with over 760 pension arrangements – both open and closed.

Employers responding to the survey: background data

Table 1. Breakdown of employers responding to survey (by number of employees).

1–9 employees	10–49 employees	50–249 employees	250–449 employees	500–999 employees	1000–4999 employees	5000 employees +
46%	9%	8%	4%	4%	16%	13%

Table 2: Breakdown of employers responding to survey (by percentage of employers that have staged or not staged for auto-enrolment)

	1–9 employees	10–49 employees	50 employees +	Total
Reached staging date	76%	83%	100%	88%
Not reached staging date	24%	17%	–	12%
Percentage of employers with no scheme at present	14%	10%	–	7%

Table 3: Number, types and status of pension schemes provided by employers responding to the survey

	Employers with scheme type	Of which:		
		Closed to new members	Also closed to future accrual/contributions	Used for auto-enrolment
Firm's contract based defined contribution	38%	10%	6%	24%
Firm's trust based defined contribution	24%	41%	21%	5%
NEST	35%	–	–	32%
Other Master Trust/Multi-employer scheme	41%	7%	5%	33%
Firm's defined benefit scheme	35%	83%	55%	5%
Firm's mixed DB/DC scheme	4%	82%	65%	<1%

(Figures are staged employers only)

Retirement ages and future of State Pension Age

Table 4: Typical current retirement ages and how employers expect this to change by 2020 (when SPA reaches age 66) and by 2028 (when SPA reaches age 67). Figures in brackets are 2015 results.

	Current	By 2020	By 2028
Under 60	1% (1%)	1% (–)	– (–)
Age 60	7% (5%)	3% (1%)	(–) 1%
Age 61-64	22% (20%)	14% (3%)	9% (1%)
Age 65	53% (49%)	19% (9%)	13% (2%)
Age 66-67	13% (25%)	47% (82%)	44% (55%)
Age 68-69	2% (–)	14% (5%)	21% (36%)
Age 70	1% (–)	1% (–)	11% (4%)
Age 71-75	1% (–)	1% (–)	2% (1%)

Table 5: Views from employers on how the Government should progress increases in the State Pensions Age in the light of advances in life-spans and hence increasing costs to the taxpayer.

	Agree	Not sure	Disagree
No further increases without further review	66%	12%	22%
Increase to age 67 by 2028 should go ahead	58%	16%	26%
Increase to age 68 by 2039 should go ahead	45%	23%	32%
Further increases should allow for lower State Pension from age 66	79%	7%	14%
Increases should reflect manual labour involved	29%	32%	39%

Pension contributions and impact of auto-enrolment

Table 6: Median contribution rates into pension arrangements provided by responding employers (by types of scheme). (Figures in brackets are 2015 figures from the *ACA 2015 Pension trends survey* report)

	Employer	Employee
Contract based DC	5% (4%)	4% (3%)
Trust based DC	5% (5%)	4% (4%)
NEST	1 – 2% (1%)	1% (1%)
Other multi-employer schemes	1 – 2% (3%)	1% (1%)
Mixed DB/DC	16 – 20% (11 – 15%)	5% (5%)
Defined benefit	21 – 25% (16 – 20%)	6% (6%)

(Figures are staged employers only)

Table 7: As a result of auto-enrolment what has been the change/what will be the most likely change to workplace pension arrangements?

	Staged	Not staged
No change/Enrol all eligible jobholders into an existing scheme	24%	10%
Enrol all eligible jobholders into a new employer's scheme	9%	9%
Enrol all eligible jobholders into NEST or new multi-employer scheme	32%	48%
Restrict entry of pre-existing non- joiners and new entrants to new (lower cost) employer scheme	2%	3%
Restrict entry of pre-existing non-joiners and new entrants to NEST/ Master trust scheme	31%	17%
Other	2%	–
No decision taken	–	13%

Table 8: Overall, has the setting up of an auto-enrolment scheme been relatively simple or complex?

	1–9 employees	10–49 employees	50–249 employees	250–449 employees	500–999 employees	1000–4999 employees	5000 employees +	**All**
Simple	26%	31%	32%	21%	21%	16%	23%	**24%**
Not cumbersome	45%	40%	41%	47%	58%	72%	67%	**53%**
Complex	29%	29%	27%	32%	21%	12%	10%	**23%**

(Figures are staged employers only)

Table 9: Median employee opt-out rates on auto-enrolment at employers who have staged and forecast rates by employers yet to stage

	1–9 employees	10–49 employees	50–249 employees	250–449 employees	500–999 employees	1000–4999 employees	5000 employees +
Staged (Actual)	21 – 25%	11 – 15%	11 – 15%	11 – 15%	1 – 10%	1 – 10%	1 – 10%
All median	← 11 – 15% →						
Yet to stage (Forecast)	21 – 25%	16 – 20%					
All median	←21 – 25%→						

(Figures are staged employers only)

Table 10: Anticipated median opt-out rates after increases in minimum employee contributions in 2018 and 2019

	1–9 employees	10–49 employees	50–249 employees	250–449 employees	500–999 employees	1000–4999 employees	5000 employees +
Staged (Forecast)	21 – 25%	16 – 20%	16 – 20%	11 – 15%	16 – 20%	1 – 10%	1 – 10%
All Median	←16 – 20%→						

(Figures are staged employers only)

Table 11: Percentage of employees not eligible for auto-enrolment (for example, because their earnings are generally too low or because of age)

<table>
<tr><th></th><th>1–9 employees</th><th>10–49 employees</th><th>50–249 employees</th><th>250–449 employees</th><th>500–999 employees</th><th>1000–4999 employees</th><th>5000 employees +</th></tr>
<tr><td>All who staged</td><td>41 – 50%</td><td>21 – 25%</td><td>21 – 25%</td><td>21 – 25%</td><td>11 – 15%</td><td>5 – 10%</td><td><5%</td></tr>
<tr><td></td><td colspan="7">←21 – 25%→</td></tr>
</table>

(Figures are staged employers only)

Table 12: Employers' views on various proposals that have been suggested as part of the 2017 review of auto-enrolment

	Yes	No	Don't know
Lower trigger point on qualifying earnings	44%	46%	10%
Make changes so self-employed are auto-enrolled	57%	29%	14%
After 2019, gradually increase minimum statutory contributions	41%	44%	15%
Make rules less prescriptive	66%	31%	3%
Amend legislation to make clear employers not liable if scheme performs badly or fails	67%	24%	9%

Defined benefit schemes

Table 13: Have the costs associated with defined benefit schemes had a negative impact on the following?

Yes, pay increases	Yes, pension contributions into newer schemes	Yes, intergenerational equity
53%	42%	80%

Table 14: Employers reporting incidence of transfer requests by members from defined benefit schemes over the last year

	Very low	Fewer than 5% of members	5-10% of members	Over 10% of members
Incidence of transfer requests	23%	30%	32%	15%
Completed transfers	36%	48%	9%	7%

Table 15: Employers' perception of the difficulty members have experienced in finding advisers prepared to advise on pension transfers from schemes

	Yes	No
Had difficulty	61%	39%

Table 16: Should the law be changed so defined benefit schemes can reduce pension increases if continuing to provide increases at the level in scheme rules will severely and adversely affect the employer?

	Yes
Yes, all schemes should have option to move from RPI to CPI	33%
Yes, so long as the trustees and employer agree	40%
Yes, so long as members are also given chance to opt to go into the PPF instead	5%
Yes, but only if the alternative is likely to be the employer's insolvency	35%
No, employers should stand by current scheme rules	16%

Table 17: Employers' views on defined benefit scheme consolidation and perceived benefits in terms of costs, administration and governance

	Yes	No	Don't know
Is scheme consolidation generally a good thing?	32%	42%	26%
Are cost savings of consolidation real?	32%	42%	26%
Should consolidation be compulsory where schemes fail to meet minimum standards?	23%	39%	38%
Would consolidation work without legal changes allowing scheme simplification first?	29%	45%	26%
Would your business consider scheme consolidation?	16%	63%	21%

Pension tax and LISAs

Table 18: Impact of restrictions in pension tax relief over recent years on businesses

	Yes
No impact	36%
Caused senior / higher income employees to leave firms' schemes	52%
Led to pressures to revise pay and benefits package	36%
Caused business to reconsider its pension arrangements	22%
Been influential in decision to close pension arrangements	17%
Increase in employees requesting reduced benefits to pay tax charges ('scheme pays')	11%

(More than one answer possible)

Table 19: Views on whether pension tax relief should be reduced or targeted in a different way

	Yes	Not sure	No
Retain current structure unchanged	37%	20%	43%
Retain current regime, but more help for lower income groups	77%	5%	18%
Further restrict relief on higher incomes	34%	10%	56%
Abolish tax relief, but pay pensions tax free instead	13%	8%	79%
Abolish NI relief on employer contributions	14%	17%	69%

Table 20: Impact of launch of Lifetime ISAs on pension scheme membership

	Overall membership	Younger employees
No impact	93%	91%

Table 21: Firms prepared to consider access to a Lifetime ISA alongside their pension scheme(s)

Yes	No
35%	65%

Other prospective reforms

Table 22: It has been suggested that pensions law and the powers of the Pensions Regulator should be supplemented. Which proposals are supported by employers?

	Yes	No	Don't know
Increase punishments for those found mismanaging schemes	79%	12%	9%
Increase tPR powers to scrutinise and in extreme cases stop mergers, takeovers or large financial commitments that threaten scheme solvency	90%	95%	91%
Give tPR powers to issue punitive fines/disqualification against employers/directors who wilfully leave scheme under-resourced	73%	16%	11%
Consider new criminal offences for directors who deliberately or recklessly put at risk scheme's ability to meet its obligations	68%	18%	14%
The tPR powers are already adequate, if used	33%	46%	21%
Further legal restrictions will hasten the closure of schemes to future accrual	55%	17%	28%

Table 23: Levels of support for approaches to pensions dashboard and the challenges ahead

	Yes	No	Don't know
Support for voluntary approach to providing data	50%	26%	24%
Support for legal requirement to provide data	43%	36%	21%
Issues of security and data cleansing need to be addressed first	90%	6%	4%

Table 24: Views on the following long-term approaches to social care costs

	Yes	No
Costs should be met by compulsory social care insurance	59%	41%
Costs should be met by higher tax or higher NI	47%	53%
Assessment should exclude value of family home	60%	40%
Individual's contribution should be capped at £70,000	72%	28%

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