

The logo for 'ink' is written in a white, lowercase, sans-serif font. The letters are slightly rounded and have a clean, modern appearance.

Better at work

# Workplace Pensions and Automatic Enrolment: What changes can employers expect in the next few years?

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**01**

## Automatic Enrolment Review 2017

What changes were originally recommended to the Government and what has now been put forward?

**02**

## Changes to the Normal Minimum Pension Age

The age at which your employees can access their pension is changing – do they know and will this cause them any issues?

**03**

## Pension Dashboard

Something that's been talked about for many years appears to (finally) be getting closer to launch.



Department of Work &  
Pensions Report:  
Automatic Enrolment  
Review 2017 – Maintaining  
the Momentum

**Highlights:**

- **Over 9 million eligible employees enrolled in a Workplace Pension.**
- **£87 billion total annual contributions in 2016.**
- **Over 900,000 compliant employers.**

## Report recommendations

- 1.** To **reduce the lower age limit** at which workers are automatically enrolled from **22 to 18**.
- 2.** To calculate pension contributions from the **first pound of earnings**. This would only be a change for employers using Qualifying Earnings as their definition of pensionable pay.
- 3.** To review the evidence and **look again at the level of minimum contributions** into workplace pensions.

## What has now been put forward?

On 5<sup>th</sup> January 2022, Richard Holden, Conservative MP for North West Durham, introduced a Private Members Bill (Pensions (Extension of Automatic Enrolment)) Bill) to:

- A.** To **reduce the lower age limit** at which workers are automatically enrolled from **22 to 18**.
  
- B.** To **remove the minimum earnings requirement** (auto-enrolment earnings trigger). This is currently £10,000 per annum (£833 per month/£192 per week).

# Why look to introduce these changes?

- **So that school leavers and apprentices don't miss out on pension contributions.**
- **Part-time workers, the majority of whom are women, would also benefit.**
- **Give employers time to prepare for these changes.**

## Report recommendations vs what's been proposed

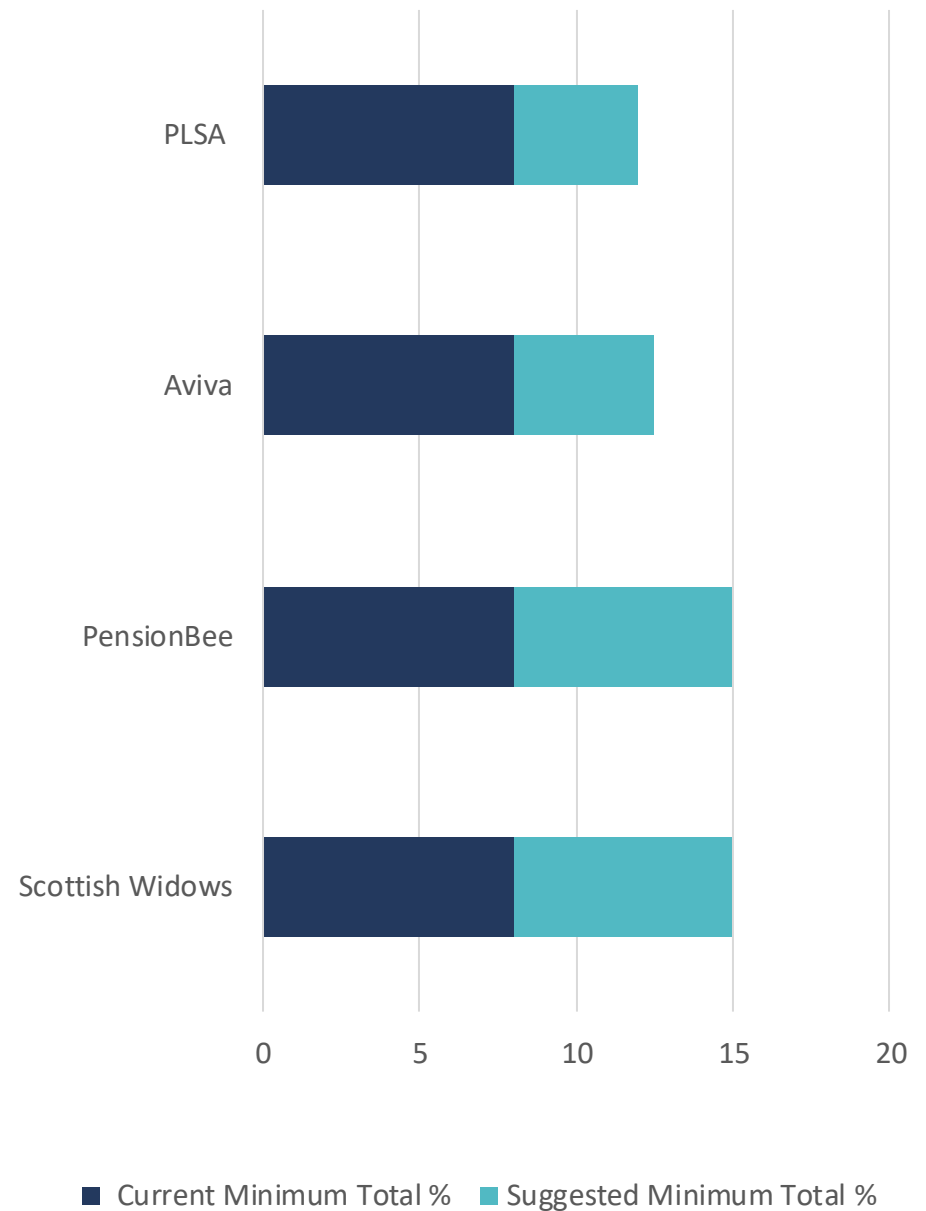
2017 Report Recommendations	2022 Bill's proposals
Reduce the lower age limit from 22 to 18	Reduce the lower age limit from 22 to 18
Pay contributions from first pound of earnings	Remove the £10,000 minimum earnings requirement
Look again at minimum contributions	

Pensions Minister, Guy Opperman, has recently said the timetable for implementation of the changes recommended in the 2017 report is “still a matter for ongoing debate”.

Does this mean  
pension  
contributions  
won't  
increase?

We aren't so  
sure!

### Suggested 'Adequate' Total Pension Contributions





## Considerations for employers

**Review your workforce** to see how many workers are under 22 but over 18. **What would be the cost** of enrolling these employees?

- How many workers have not been automatically enrolled **because they earn under £10,000**. **What would be the cost** of enrolling these employees?
- This is particularly important for employers with a lot of part-time staff. For example, an employee earning £9,500 will cost:
  - £97.80 per annum if you pay 3% of Qualifying Earnings
  - £285 per annum if you pay 3% of Pensionable Pay
  - £380 per annum if you pay 4% of Basic Pay
- **Think about communication** – how will you let these employees know if/when the rules change?



## Change of Normal Minimum Pension Age (NMPA) from 55 to 57 from 06/04/2028

### Highlights:

- The NMPA is the earliest age you can legally access your pension.
- You may remember it used to be 50 and increased to 55 from April 2010.
- The change from 55 to 57 is designed to coincide with the State Pension Age moving to 67.

## NMPA change from 55 to 57

This change is included in the Finance Bill 2021/22.

### **How does this change interact with the State Pension Age?**

This change has been designed to keep the age at which someone can access their private pension 10 years behind their State Pension Age (SPA). SPA is moving to 67 in a phased 2 year timeline between April 2026 and April 2028.

### **Will it affect all pension schemes in the UK?**

Not all. This increase to 57 will not apply to members of the uniformed services pension schemes (e.g. police, firefighters).

### **Are any protections available to keep the age as 55?**

Provisions for people with an 'unqualified right' in the scheme rules to take benefits at an age below 57, are set out in the legislation. However, schemes that refer to the NMPA, or its underlying legislation, are **not** classed as having an unqualified right. We anticipate this will be the majority of workplace pensions, but are waiting for more detail on this 'protection' proposals.

## Could this be one of your employees?

### In January 2027

- John's date of birth is 01/01/1972
- As John is 55 on 01/01/2027 and the NMPA is 55, he can access his pension pot.

### In April 2028

- The rules change and the NMPA is now 57
- John is only 56 in April 2028 so cannot now access his pension.

### In January 2029

- John turns 57 on 01/01/2029.
- He can now access his pension under the new rules.

## Considerations for employers

- We'd recommend **communicating this change to all employees over age 45.**
- Be aware that **pension scammers** are using this change to encourage people to transfer their pension to supposedly 'lock in' a retirement age of 55.
- The Pensions Management Institute surveyed 2,000 workers in their 40s and found only **18%** knew about this forthcoming change.



- **Ink can support this communication** through webinars, pension workshops, presentations and/or 1-2-1 meetings.



## Pension Dashboard in 2023

### Highlights:

- An online service allowing individuals to see all of their pensions in just one place.
- “Sounds great!”
- We agree, but it’s been an industry talking point, with little movement forward, for many (many) years.

# Pension Dashboard

This change is included in the Finance Bill 2021/22.

The Pension Dashboards Programme (PDP) published their 4<sup>th</sup> update report in October 2021. Dashboards could start to be available in 2023, although the timetable for every pension scheme in the UK to provide data runs until 2026.

The update confirms the DWP is planning to consult on secondary legislation on:

- Data requirements
- Staged onboarding
- The compliance regime
- Consumer protection

In our view, this would be a 'game changer' in terms of helping people plan for their retirement.

## How The Ink Group can help

- We'll keep our clients updated with Pension Dashboard developments.
- When the Pension Dashboard is finally launched, we'll run an **employer webinar** to provide you with more details. For our clients, we'll also have an **employee presentation**, which can be delivered via webinar or face-to-face.
- **Follow us on social media**, such as **LinkedIn**, to get updates and invitations to future webinars.





## Employer checklist

- Review how many employees you may have to enrol, who are currently either too young or not earning enough.
- Ensure employees born in the 1970s are aware of the NMPA change from 55 to 57.
- Be aware that scammers are using the NMPA change to encourage unsuitable pension transfers.

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