



Personal Accounts Delivery Authority

Key facts

personal accounts
delivery authority

helping millions save
for their retirement

Background to the pension reforms

Population projections suggest that the number of people aged 65 and over will almost double by 2055. The Department for Work and Pensions (DWP) estimates that around seven million people are not saving enough to deliver the pension income they are likely to want, or expect, in retirement.

In its 2005 report to government, the Pensions Commission called for wider and fairer pension coverage. It also identified automatic enrolment into a workplace pension scheme and employer contributions as key factors in effectively tackling under-saving. In response to the Pensions Commission's recommendations, the Government is implementing an integrated package of reforms from 2012.

Whether you are an adviser, employer, or employee, the reforms are likely to affect you. This leaflet provides key facts about the changes.



Workplace pension reform – 15 key facts¹:

1. The Pensions Act 2007 reformed state pensions and introduced arrangements to increase the state pension age. The Pensions Act 2008 reforms workplace pension provision.
2. The reforms aim to make saving for retirement the norm. There are around seven million people in the UK who are not currently saving enough to generate the pension income they are likely to want, or expect, in retirement.
3. The workplace pension reforms mean that from 2012, employers will have to put eligible workers into a scheme which meets certain criteria and make minimum contributions. This is called auto-enrolment.
4. Auto-enrolment is being designed to overcome the inertia which currently prevents many people from saving and to make it easy for individuals to save in pensions.
5. Workers will be able to choose to opt out of their employer's scheme if they believe pension saving is not appropriate for them.
6. Employers will have to contribute a minimum of 3 per cent on a band of earnings, although they can contribute more than this. The total minimum contribution for eligible workers must be 8 per cent of the band of earnings. This is made up of employer contributions, worker contributions and tax relief.
7. Contributions will be phased in, starting at 1 per cent and increasing gradually to the minimum level to help employers and employees adjust to costs.
8. The employer duties and how they will be implemented will be specified by secondary legislation. The reforms will be introduced in stages from 2012, with some employers affected before others.

1. Information provided by the DWP, The Pensions Regulator and the Personal Accounts Delivery Authority. For further information about Government policy contact the DWP at: www.dwp.gov.uk. For information about compliance with the employer duties contact the Pensions Regulator at: www.thepensionsregulator.gov.uk.



Workplace pension reform – 15 key facts¹

9. Three parties will work together to implement the new reforms: DWP, The Pensions Regulator and PADA.
10. DWP is responsible for co-ordinating activity for the reform programme, including agreeing policy with ministers and overseeing delivery.
11. The Pensions Regulator is the UK regulator of work-based pension schemes and is an existing non-departmental public body (NDPB).
12. The Pensions Regulator's role in the reforms is to maximise compliance with the employer duties set out in the Pensions Act 2008 and to ensure certain safeguards protecting employees are adhered to. It will provide information to employers on how to fulfill their duties and guidance on good standards of pension scheme administration.
13. PADA is a new public body specifically established under the Pensions Act 2007 to help implement the reforms. PADA is designing and introducing the infrastructure for the personal accounts pension scheme.
14. The personal accounts scheme will be a national low-charge independent workplace pension scheme that any employer can use for auto-enrolment. It aims to provide access to workplace saving to millions of people who currently don't have access to a workplace pension – typically those on low-to-moderate incomes.
15. Employers can choose the personal accounts scheme or another qualifying workplace pension to meet their 2012 auto-enrolment duties.

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Key facts about PADA and the personal accounts scheme



Key facts about PADA

- Legislation in 2007 established PADA as a non-departmental public body specifically to introduce the personal accounts scheme.
- The personal accounts scheme will be a new national trust-based occupational pension scheme that will complement existing workplace pension provision.
- PADA is a limited-life organisation. It will assist the Secretary of State in setting up a not-for-profit trustee corporation that will run the personal accounts scheme solely in the interests of its members.

What are PADA's aims?

- We aim to help millions save for their retirement – in particular low-to-moderate earners who currently don't participate in workplace pensions.
- We aim to minimise employer burden and make the personal accounts scheme an easy-to-understand and accessible pension scheme which will help millions save for retirement.



Key facts about the personal accounts scheme

The personal accounts scheme will be:

- a trust-based occupational pension scheme regulated by The Pensions Regulator
- designed to meet all the requirements of the auto-enrolment reforms and designed specifically for low-to-moderate earners
- run in the interests of its members by a not-for-profit trustee corporation
- available to employers who want to offer the minimum contribution or more
- easy and low-cost for employers to administer and with low charges for members
- ready for the onset of employer duties in 2012

How will the personal accounts scheme work?

We envisage that the personal accounts scheme will be delivered largely through e-channels – which could include the internet, email, text messaging and future digital platforms so that:

- it is easy to access information in a timely and accurate way
- automated processes can be used where possible to deliver faster responses to users and to avoid errors and re-work

Non ‘e’ services will be used where appropriate – for example, for complex services that don’t easily fit an e-model and for members who can’t access digital channels.



Special features²

1. The scheme will be focussed on low-to-moderate earners who don't currently participate in a workplace pension scheme, with an annual contribution limit of £3,600 at 2005 levels.

Employers can use the personal accounts scheme in different ways, but in most cases there will be headroom under the limit for employers and/or members to contribute more than the minimum and to structure their contributions in different ways.

For example:

- where an employer makes contributions on the minimum band of earnings required by the Pensions Act 2008, an 8 per cent contribution for an average earner (approx £25,100³) would be approximately £1,600 per annum
- alternatively an employer might choose to make contributions on a broader band of earnings, for example by basing them on the first pound of pay. In this case an 8 per cent contribution for an average earner (approx £25,100³) would be approximately £2,000 per annum

2. Transfers in and out of the scheme are banned (except in some special circumstances, such as at retirement).
3. The scheme provides a portable and flexible option for members who change jobs frequently (where their different employers choose the personal accounts scheme to meet their auto-enrolment duties).
4. The scheme will be open to any employer of any size or sector that wishes to use it to fulfil their auto-enrolment duties.

2. The government is committed to reviewing the annual contribution limit (and the ban on transfers) in 2017.

3. 'Average' refers to median earnings – Source: ONS (ASHE) March 2009 Economic and Labour Market Review, Vol 3, No 3.

Timeline 2008/09 – dates in *italics* are indicative

November 2008	Royal Assent of the Pensions Bill 2007 created the Pensions Act 2008.	May 2009	PADA investment strategy discussion paper published.
December 2008	PADA decumulation consultation: <i>Securing a retirement income</i> published.	May 2009	Summary of responses to PADA's decumulation paper published.
January 2009	PADA starts procurement for the administration of the personal accounts scheme.	<i>Autumn 2009</i>	DWP consultation on Employer Regulations (Pack 2) – part two of the detailed employer duties.
January 2009	PADA consultation process on the approach to investment strategy for the personal accounts scheme starts with an event on responsible and socially responsible investment.	<i>Autumn 2009</i>	Scheme Order and Rules response published.
		<i>Autumn 2009</i>	Summary of responses to PADA's investment strategy discussion paper published.
March 2009	DWP consultation on Employer Regulations (Pack 1) – part one of the detailed employer duties.		
April 2009	Scheme Order and Rules consultation jointly with DWP.		