



Chapter 8: Next steps

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“The Government has worked in a collaborative way with all interested parties on the design of personal accounts. This approach needs to continue as the legislation to introduce personal accounts is developed.”
(Association of British Insurers)

- 8.1 The introduction of automatic enrolment and the personal accounts scheme will be a significant change in how moderate to low earners save for their retirement. It will help millions of people to provide an income in their retirement that meets their expectations. This is a challenging undertaking and the Government has set a timetable for implementation to deliver against this objective. It is our aspiration that personal accounts will be introduced from 2012.
- 8.2 Much remains to be done before personal accounts can be launched, including:
- set up of a delivery authority, independent of government, with the expertise necessary to design personal accounts and source suppliers to operate them;
 - legislation to enact the personal accounts scheme and automatic enrolment; and
 - implementation of the scheme, including a communications and marketing strategy.
- 8.3 Responsibility for the implementation of personal accounts will rest with the executive delivery authority which will make arrangements for the registration of employers and enrolment of employees into personal accounts, and decide on the timetable for achieving this in a controlled manner. This will require the registration of around 1 million employers and the enrolment of around 10 million employees.

Commercial and procurement strategies

- 8.4 The Government has had a very positive and constructive response to the May 2006 White Paper from a range of organisations across and beyond the pensions market. We would welcome their responses to this White Paper, along with those from other organisations who can add value to the implementation of personal accounts.

- 8.5 To meet the very challenging timetable, the Government has begun the work to produce a commercial strategy. This work will continue and be taken forward by the personal accounts delivery authority when the legal framework is in place.
- 8.6 In taking forward the commercial strategy, the Government will ensure appropriate due diligence and that a competitive procurement exercise will be conducted. We will ensure that the appropriate organisations, which can demonstrate they have the capability to deliver personal accounts, are identified to undertake these important roles.

Legislation

- 8.7 The Government recently introduced legislation into Parliament to establish the advisory personal accounts delivery authority.
- 8.8 Subsequently, the Government will be seeking legislation to enable the delivery authority to take on an executive role to finalise the commercial arrangements and the infrastructure of the personal accounts scheme.

Further research and analysis

- 8.9 The Government will be taking forward an analytical programme of research in support of personal accounts. The programme will improve the capacity to assess gender impacts, the welfare benefits flowing from reforms, attitudinal changes and behavioural responses. This ongoing programme will include research and analysis on:
- individual and employer attitudes towards pension reform options and their likely responses;
 - responses from the financial services industry to personal accounts;
 - the investment strategy and the optimum design elements for personal accounts;
 - the information and communication strategy needed for personal accounts; and
 - the transition to personal accounts.

Consultation arrangements

- 8.10 An electronic version of this document and the accompanying Regulatory Impact Assessment are available at <http://www.dwp.gov.uk/pensionsreform>
- 8.11 The consultation is being conducted in line with the Code of Practice on Consultation. The criteria are listed below. The full version can be accessed at <http://www.cabinet-office.gov.uk/regulation/Consultation/Code.htm>. The six consultation criteria set out by the Cabinet Office are:
- Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
 - Be clear about who may be affected, what questions are being asked, and the timescale for responses.
 - Ensure that your consultation is clear, concise and widely accessible.
 - Give feedback regarding the responses received and how the consultation process influenced the policy.
 - Monitor your department's effectiveness at consultation, including through the use of a designated Consultation Co-ordinator.
 - Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.
- 8.12 We will publish a summary of the comments we receive, along with a response from the Government on how we intend to proceed, within three months of the close of consultation.
- 8.13 The Government welcomes comments on all aspects of its proposals. Box 4 lists areas of particular interest.

Box 4: Questions for consultation

The Government is interested in views on the following areas:

1. With regard to the target group for personal accounts:
 - Whether there should be a cohort of employees approaching State Pension age at the time personal accounts are launched who should not be automatically enrolled into personal accounts.
 - Whether in practical terms, this might adversely affect the interests of this group, because they would be less likely to exercise the positive choice to opt in.
 - Whether three years is the right period for repeat automatic enrolment of employees who have opted out of personal accounts.
 - How this would affect employers and employees.
2. Delivering personal accounts:
 - How can members' interests best be represented in the governance of personal accounts?
 - What sort of information should support personal accounts and the responsibilities of different organisations in communicating this information?
3. The appropriate method of charging members for personal accounts:
 - What overall charge structure is most appropriate?
 - How much flexibility should the personal accounts delivery authority or the personal accounts board have in deciding the charging structure?
 - Are there particular circumstances or activities where it is appropriate to make an additional charge?
4. For employers offering 'non-occupational' workplace pension arrangements:
 - How can the Government treat such arrangements as 'schemes' for the purposes of exemption from personal accounts requirements?
 - How can the Government ensure that, in the absence of automatic enrolment, these can offer similar levels of coverage and saving to those estimated for automatic enrolment?

5. In relation to waiting periods in personal accounts:

- The Government is not proposing a formal waiting period for personal accounts, although it recognises that there will be a short period before the automatic enrolment process is completed. This is an area in which the Government continues to welcome views.

In relation to waiting periods and scheme exemption, the Government is interested in views on:

- Whether employers with exempt schemes with contributions that are higher than the minimum level, could operate a short waiting period, of perhaps three or six months, to encourage them to continue to offer good-quality schemes.
- What is the minimum level of scheme contributions above which a waiting period is acceptable.

6. How the Government could ensure that employers with exempt schemes have the flexibility to manage the implementation of these reforms in the same way as employers who will operate personal accounts, for example by:

- phasing in the minimum employer contribution or levels of accrual for exempt schemes over three years or an appropriate period;
- phasing in by groups of employees; or
- some other approach.

7. With regard to the approach to compliance:

- How can employees, who choose to save in personal accounts, best be protected from suffering detrimental treatment by their employers compared to those that opt out?
- What type of information and support would encourage compliance?
- How processes can be designed to encourage compliance.
- How the proposed penalty regime could be structured.
- How valuable would a whistle-blowing helpline for employees be?

8. Given the twin aims of focusing the scheme on the target market and allowing sufficient flexibility for individuals within the scheme:

- Should the annual contribution limit be set higher than £5,000? If so, at what level?

How to respond

- 8.14 The consultation period began on 12 December 2006 and will run until 20 March 2007. Please ensure that your response reaches us by that date. If you would like further copies of this consultation document it can be found at www.dwp.gov.uk/pensionsreform. Please send consultation responses to:

Personal accounts White Paper team
4th Floor
The Adelphi
1–11 John Adam Street
London
WC2N 6HT

Tel: 020 7712 2843
Fax: 020 7962 8613
e-mail: personalaccounts-wp@dwp.gsi.gov.uk

- 8.15 When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.
- 8.16 The information you send us may need to be passed to colleagues within the Department for Work and Pensions and published in a summary of responses received in response to this consultation along with a response from the Government.

Confidentiality

- 8.17 Because of the Freedom Of Information Act (2000), all information contained in your response, including personal information, may be subject to publication or disclosure. By providing personal information for the purposes of the public consultation exercise, it is understood that you consent to its disclosure and publication. If this is not the case, you should limit any personal information which is provided, or remove it completely. If you want the information in your response to the consultation to be kept confidential, you should explain why as part of your response, although we cannot guarantee to do this. We cannot guarantee confidentiality even if your IT system claims it automatically. The contact point to discuss is:

Charles Cushing
Department for Work and Pensions
Adjudication and Constitutional Issues Policy Division
Freedom of Information and Data Protection
2nd Floor, The Adelphi
1–11 John Adam Street
London
WC2N 6HT

Tel: 020 7962 8581
Fax: 020 7962 8725
e-mail: freedom-of-information-request@dwp.gsi.gov.uk

- 8.18 More information about the Freedom of Information Act can be found on the website of the Department for Constitutional Affairs – <http://www.dca.gov.uk/foi/guidance/exguide/index.htm>.

Feedback

- 8.19 DWP values feedback on how well it consults. If you have any comments on the process of this consultation (as opposed to the issues raised) please contact the DWP Consultation Co-ordinator. In particular, please tell us if you feel that the consultation does not satisfy these criteria. Please also make any suggestions as to how the process of consultation could be improved further. Please contact

Roger Pugh
DWP Consultation Co-ordinator
Room 2A, Britannia House
2 Ferensway
Hull
HU2 8NF

Tel: 01482 609571
Fax: 01482 609658
Mobile: 07887 732176