NOW: Pensions

For immediate release: Wednesday 27 January 2016

NOW: PENSIONS COMMENT ON THE COMMITTEE OF PUBLIC ACCOUNTS REPORT INTO AUTOMATIC ENROLMENT

Commenting on the Committee of Public Accounts report into automatic enrolment published today, **Morten Nilsson, CEO of NOW: Pensions** said:

“The Public Accounts Committee is right to highlight the very real risk of auto enrolled savers being disappointed with their pension pots.

“Auto enrolment minimum contributions will not be enough for a comfortable retirement. In order for the success of auto enrolment to last into the future, contributions to workplace pensions need to be increased.

“One of the ways we would like to see this done is via the removal of ‘qualifying earnings’ from the auto enrolment calculation so that contributions are based on every pound of salary. Qualifying earnings are the band of earnings on which contributions to auto enrolment are calculated and for this tax year the band is between £5,824 and £42,385 a year. This means the first £5,824 of an employee’s earnings does not count for the purposes of auto enrolment.

“As a result of the qualifying earnings approach, if a worker earns £20,000 their qualifying earnings would be only £14,176 and the effect is even more disproportionate for people on lower incomes. So for someone on £10,000 a year, only £4,176 of their earnings are pensionable, and for them, 8% of qualifying earnings actually means just 3.4% of their total salary is being contributed.

“One of the side effects of auto enrolment will be a proliferation of small pension pots and the PAC report is right to emphasise the importance of getting this issue resolved. Small pension pots risk being forgotten about and eroded by charges over time. One way to address this would be the creation of a central Pensions Dashboard where savers can view all of their pension savings in one place. Improving visibility would help encourage savers to consolidate smaller pension pots but government need to bring down the costs of transfers and simplify the process.

“NEST has a huge commercial advantage in this market but there is growing concern that its business model is unsustainable. So far its loan totals £387 million and this will increase over the lifetime of the programme. This is a substantial burden on the taxpayer and the PAC is right to demand clarity over when it will be repaid.”

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NOW: Pensions is an independent, multi-employer trust serving thousands of employers and hundreds of thousands of employees from a wide range of sectors.

A subsidiary of one of Europe's largest pension funds, Danish pension scheme ATP, NOW: Pensions offers a simple and cost effective workplace pension solution direct to employers and via advisers and the payroll sector.

In April 2013, NOW: Pensions became the first master trust to attain the NAPF's new PQM Ready Standard. The benchmark shows employers that NOW: Pensions is a well governed pension scheme with low charges and good member communications.

In January 2015, NOW: Pensions achieved independent assurance of scheme quality in accordance with the new master trust assurance framework (AAF02/07) introduced by The Pensions Regulator (TPR) in conjunction with the Institute of Chartered Accountants in England and Wales (ICAEW).

The NOW: Pension Trustee Directors, whose role is to safeguard the interests of members, comprises well-known industry figures with different areas of expertise:

- Jocelyn Blackwell, founding partner Dunnett Shaw
- Christopher Daykin, former Government Actuary
- John Monks, member of House of Lords and former General Secretary of ETUC and TUC
- Win Robbins, former Head of European Fixed Income at Barclays Global Investors
- Nigel Waterson, former Shadow Pensions Minister

Employee charges are just £1.50 per month administration charge (reduced administration charge of £0.30 - £1.00 to be applied during auto enrolment phasing for lower earners) plus a 0.3% annual product investment management charge, with no hidden charges.

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