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## Auto-enrolment: time for action

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From 1 October 2012, the Government will require employers to enrol eligible workers into workplace pension schemes. This will be phased in over a number of years, starting with the UK's largest employers.

While the Government's plans have been known for some time, there has been a great deal of inertia thus far in terms of companies getting ready for this. Preparing for auto-enrolment will be a huge, costly and resource intensive undertaking for most companies. Based on our experience, typically only 40% of employees are members of their employers' pension schemes.

Under the plans, employees (all those aged between 22 and the state pension age, earning above the income tax personal allowance) will be enrolled automatically into their employer's 'qualifying' scheme without any active decision on their part. The majority of defined benefit schemes are now closed to new entrants and therefore employees will be enrolled into some form of defined contribution arrangement. Contributions must be paid based on an employees' 'qualifying earnings' with at least a 3% contribution paid by the employer.

Different companies will be required to be ready at different deadlines, starting with the largest employers first. It is these organisations that must put auto-enrolment preparation higher up the priority list:

- ◆ Companies with 120,000 employees must be ready by October 2012
- ◆ Those with 20,000 to 29,999 employees must be ready by February 2013
- ◆ Those with 6,000 to 9,999 employees must be ready by April 2013
- ◆ Those with 3,000 to 3,999 employees must be ready by July 2013
- ◆ And those with 1,250 to 1,999 employees must be ready by September 2013

These pension reforms represent a major opportunity to get more people saving for retirement, which is crucial in the context of improving life expectancy and the related, unsustainable financial burden on the state, as well as the demise of defined benefit pension provision.

This research was undertaken to test whether the main decision makers at companies in relation to auto-enrolment – Finance Directors (FDs), as they will provide the budget, and Human Resource Directors (HRDs), as they will project manage the implementation – are aware of the scale of the challenge, in terms of the resource and time needed to deploy that resource ahead of the deadlines. We hope this research will raise awareness of the issues relating to this project in a timely fashion and help employers get ready in time. By default we hope this will help ensure employees are enrolled into schemes that deliver good outcomes.

We also expect that emphasising the importance of being prepared in time will enable companies to give due consideration to communicating the benefits of saving into these schemes to employees. This should ensure the resource dedicated to the project delivers something meaningful that is valued by workforces thereby helping to prevent mass opt-outs helping to safeguard the financial future of both individuals and society at large.

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# Executive summary

## Lack of preparedness

- ◆ Many of the UK's largest employers don't know when they need to be ready to automatically enrol their employees into pension schemes and the vast majority grossly underestimate the time required to prepare.
- ◆ This is worrying, as the largest employers have less than 18 months until all their employees must be automatically enrolled.
- ◆ To prepare adequately, a company should allow 18 months to get ready – the largest employers should be acting now.
- ◆ There is complacency (93% are confident they will be ready in time), linked to a serious under-estimation of how long it will take, with 39% thinking it will take less than six months to get ready.
- ◆ More needs to be done to make companies aware of the deadlines and what's required for a successful implementation. Otherwise, there will be a rush nearer the time of the staging dates which will cause a capacity and pricing crunch.
- ◆ There are three main risks to UK employers from leaving it too late to prepare: these are soaring, unnecessary costs; undue business disruption and the risk of non-compliance.

## Capacity crunch

- ◆ The delay in getting ready could mean substantial and unnecessary extra costs for companies.
- ◆ It is highly likely the pensions provider market will be more selective about the business it takes on as it won't have the capacity to deal with the influx of companies looking for new pensions solutions.
- ◆ This will push more companies towards NEST, which in turn could put significant and unexpected pressure on this scheme.

## Cost uncertainty

- ◆ There is a great deal of uncertainty over the costs, both in setup and the extra cash contributions that will need to be paid to employees' pensions.
- ◆ Over half don't know how much auto-enrolment will cost their organisation overall, for either set up or contributions. Just 17% are confident they know how much it will cost.
- ◆ Related to this, only 55% are confident they will have the budget both for set up costs and contributions. This number is surprising given only 9% say they know the costs for setting up the necessary infrastructure and only a third say they know how much it will cost in extra contributions.

- ◆ It's clear that both FDs and HRDs are yet to tackle the costs of auto-enrolment. Given most of these employers need to be ready by April 2013, they will need to plan their budget by mid-2012 for the extra cash contributions.

## Challenges

- ◆ A worrying 48% don't have the necessary infrastructure to deliver auto-enrolment to their workforces.
- ◆ Getting this in place should be the number one priority as it is the biggest hurdle that could stand in the way of being ready in time.
- ◆ When asked what they thought were the key challenges related to delivering auto-enrolment, FDs and HRDs cited the extra contribution costs, ongoing administration of an enlarged scheme, and communicating the changes to the workforce.
- ◆ However, the fact that only 20% thought that being ready in time was a 'top three' issue is a cause for concern. Particularly, given the fact the timescales have been hugely underestimated and the Regulator will impose penalties on those who are not ready in time.

## Reception in workforce

- ◆ There is a huge communication challenge for companies – 87% believe their workforces don't understand the changes, while 83% don't think their staff will either welcome the changes or that it will make any difference to them.
- ◆ If, as the research suggests, the majority of employers want their employees to make the 'right decision' and/or remain enrolled in a pension scheme, then there is significant work to be done here to communicate the benefits of saving into a pension scheme.
- ◆ Also, if enabling staff to make the 'right decision' is the desired outcome for companies, only allowing for six months to do this will undermine this aim, as it will be impossible to get the necessary infrastructure and communications material in place in time.

# Getting ready for auto-enrolment deadlines

## Key findings

### Awareness and confidence

- ♦ Awareness of auto-enrolment is universal, with 97% of HRDs and FDs having heard about the Government's plans.
- ♦ Despite this, over a quarter don't know when their companies need to be ready to automatically enrol employees into schemes. This figure rises to 40% of FDs.
- ♦ It is therefore surprising that despite a significant percentage not knowing when the deadline is, almost the whole sample is confident about meeting it (93%). This figure rises to 98% of FDs. Only 89% of HRDs exhibit similar levels of confidence.

### Timelines for implementation

- ♦ The majority (68%) of companies believe it will take less than a year to get ready for auto-enrolment.
- ♦ Only 18% think it will take 12 to 18 months with only 7% believing it will take 18 months or more.
- ♦ A large proportion of the sample believe it will take less than 6 months – 39%, the largest proportion of any group within the sample.
- ♦ 37% of respondents plan to appoint a consultant to assist them with the process versus 53% who don't.

fig 1 Do you know when your company needs to be ready to auto-enrol employees into pension schemes?

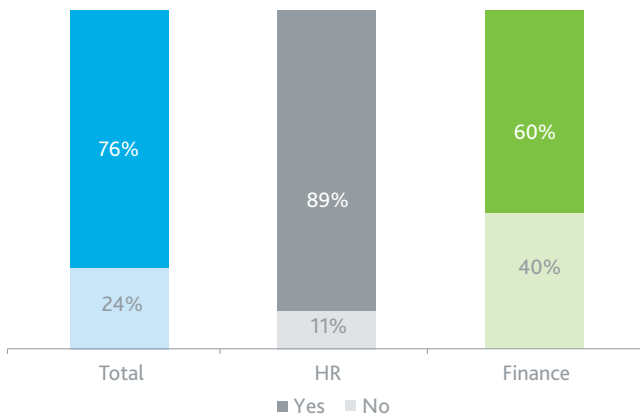


fig 2 How long do you think it will take your organisation to be ready for auto-enrolment, from the moment you begin to address the issue to paying the first pension contribution for an employee that has been auto-enrolled?

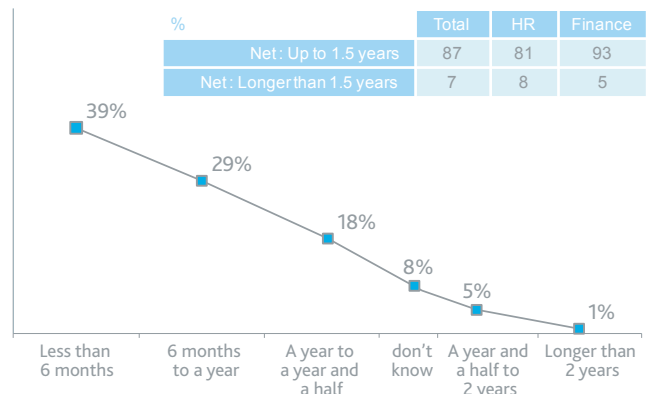
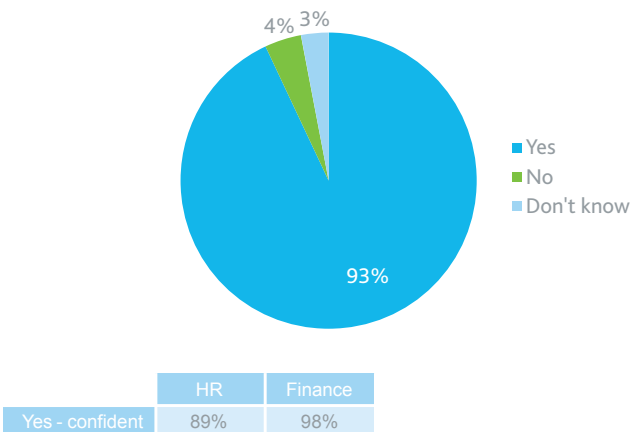


fig 3 Are you confident your company will meet the deadline to be ready for auto-enrolment?





### Our view

#### Companies haven't started planning yet

Clearly, it's very worrying that a significant proportion of large companies don't know the deadlines for implementation. This strongly suggests that they haven't begun planning for this yet. The first companies will need to be ready in October 2012 which is less than 18 months away. However, companies need to give themselves 18 months to get ready otherwise they will face a raft of issues.

The fact that the vast majority are grossly underestimating how long it will take to get ready for their deadline, underlines the fact they can't have begun planning for this yet. If they had, they would have a better grasp of the reality of the task at hand and would realise that 18 months is a far more realistic timescale. The time line at the bottom of the page identifies the various actions that need to be completed over the 18 month period.

#### Risks from leaving it too late – costs, inefficiency and non-compliance

There will be a number of pressing issues arising for companies who leave it too late to get ready. In short, a company could get ready in six months, but it will mean substantial, extra unnecessary costs. In addition, the systems they put in place are likely to be inefficiently run and there is likely to be higher risks of non-compliance.

#### Extra costs from a capacity and pricing crunch

One of the main reasons why leaving it late will result in substantial extra costs is, if most companies leave it to the last minute this will put a great deal of pressure on the pension provider and payroll supplier market. They simply won't have the capacity to cope with the huge influx of companies searching for appropriate solutions.

To give some context to the scale of the problem, in the first six months from October 2012, 600 of the largest organisations in the UK (employing about a third of the UK workforce) will need to auto-enrol employees and comply with the regime. There will be a huge stampede that both the pensions provider market and National Employment Savings Trust (NEST) simply cannot cope with.

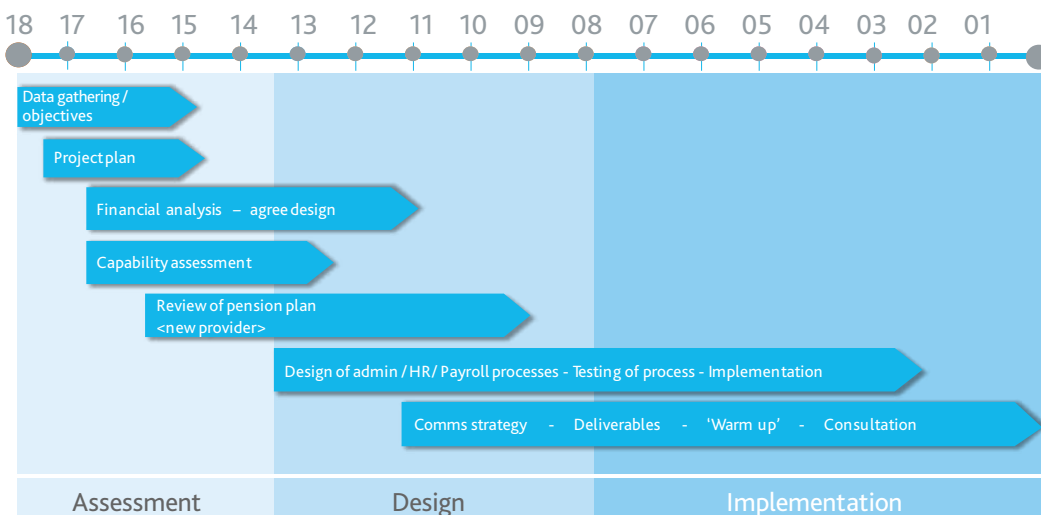
The pension provider market has a finite capacity for dealing with new clients. At best this will push up pricing, at worst it will leave many employers unable to source a solution, meaning those who leave it latest will lose out the most.

This will also push more companies towards NEST, who will face similar capacity issues. The demands of large employers could represent a serious risk to NEST being able to deliver to its target market – smaller employers.

Department of Working Pensions (DWP) and The Pensions Regulator (TPR) needs to do more to make companies aware of deadlines and timescales. Given the issues above, there is a clear 'call to action here' for the DWP and TPR to make more companies aware of the deadlines and the timescales involved in getting ready to avoid this capacity and pricing crunch.

### Planning for auto-enrolment

Months to staging date



## Compliance

Organisations are clearly underestimating the administration burden associated with compliance when it comes to getting payroll systems ready. Auto-enrolment requires a complete re-engineering of the payroll process at a very basic level, and much more. As an example, a large employer undertaking a change of payroll provider will typically allow at least 24 months to complete the project. The changes required to payroll as a result of auto-enrolment are comparable, so the fact that most companies think it will take under a year to get ready is very worrying.

Payroll suppliers clearly have a key role to play in supporting an employer with the changes that must be made to the payroll system. Experience so far suggests that suppliers still have much to do to grasp the scale of the changes being imposed and devising appropriate solutions.

## Communications

Added to the administration associated with compliance is an equally big issue – communicating this huge change to employees. The average company will be automatically enrolling an additional 60% of its employees, many of whom will be very sensitive to any changes to their net pay. A company should allow at least six months prior to their staging date to educate and inform their workforce. This in itself is a huge task.

Proactive and timely communications can ensure employees are well informed and have their expectations managed, thereby minimising additional administration costs further down the line.

Finally, given the level of resource that will have to be directed to this project, companies need to make sure they maximise the value they receive for their outlay. In that context, effectively communicating and engaging workforces on these changes. ”

## Implementation process

There are five key steps that employers should take.

**1. Set your objectives** – agree what a successful outcome looks like. Getting the right balance between cost control and remaining an employer of choice, for example, may be critical to the success of the project.

**2. Financial design** – what is the optimal pension structure for your organisation post 2012? Carry out financial modelling, based on your staff characteristics, to help determine potential solutions covering contribution structures, trust versus contract based, administration costs, etc.

**3. Capability assessment** – analyse your in-house resources and external providers to identify areas of potential weakness. For example, is your existing pension arrangement the most suitable for auto-enrolment?

**4. Administration process and systems set up** – existing payroll, HR and pension processes will need to be re-designed, systems will need to be re-programmed and all will need to be tested, not only to ensure efficient compliance with the regulations, but also to make sure employees end up where you and they want to be.

**5. Employee communications** – first develop a communications strategy, then design the deliverables so that they dovetail with your revised processes and systems. Effective communications can help you achieve your objectives.

# The steps to implementation

## Key findings

### Infrastructure

- ◆ 48% either don't have the infrastructure or only have it partially in place to deliver auto-enrolment.
- ◆ A further 37% believe they have it partially in place.
- ◆ 11% do not have the infrastructure.
- ◆ 51% believe they already have the necessary infrastructure in place to deliver auto-enrolment to their workforces.

### The stages companies are at in terms of preparation

- ◆ The majority of businesses claim to be at various stages of planning already:
  - 12% don't know what stage they are at.
  - 26% are setting objectives.
  - 9% are looking at financial design.
  - 21% are assessing their in-house and external capabilities.
  - 12% are setting up payroll systems.
  - 4% are testing systems.
  - 7% are at implementation stage.
  - 9% are already communicating to employees.

### Top priorities to be ready for implementation.

- ◆ Of these stages, the most important in terms of getting ready are deemed overall to be communication to employees (28%), financial design of the scheme (21%) and assessing in-house and external supplier capabilities (16%).
- ◆ Finance Directors view communications, financial design and getting payroll systems set up as the top three priorities. HR Directors opted for assessing in-house and external supplier capabilities as a bigger priority than FDs.

fig 4 Do you think you have the necessary infrastructure in place to deliver the auto-enrolment requirements?

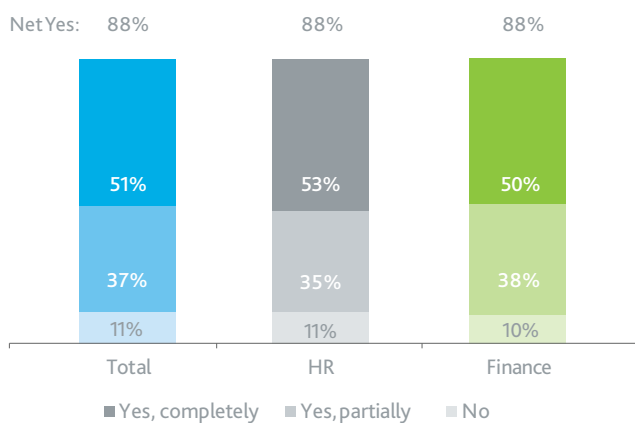
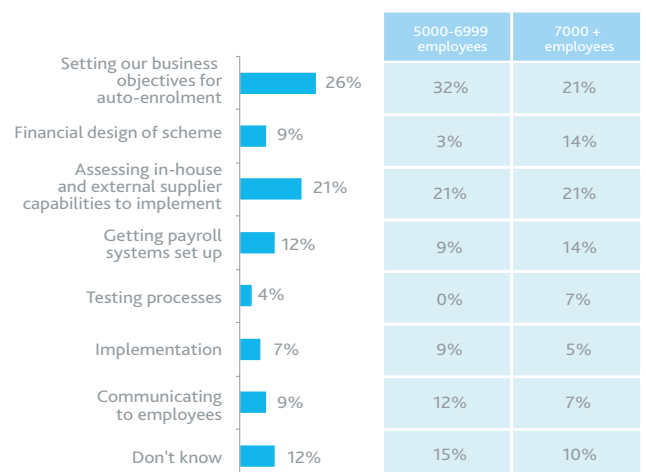


fig 5 Which of the following stages best describes where you are currently at in terms of preparing for implementation?





### Our view

#### The importance of getting the right infrastructure in place

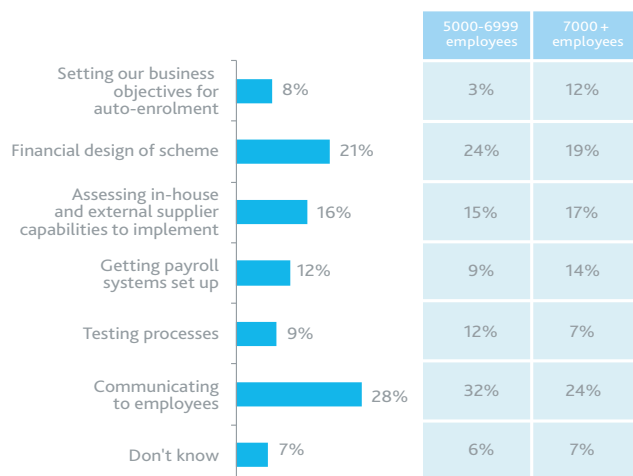
These findings show that people are quite early on in their thinking. 48% don't have the necessary infrastructure to deliver auto-enrolment to their workforces. Getting this in place to comply with auto-enrolment requirements should be the biggest priority as it is the biggest hurdle that could stand in the way of being ready in time.

Another issue is payroll – participants are underestimating the task required to re-design payroll systems and create the administration infrastructure to achieve efficient compliance with the regulations. Only 12% see getting these systems set up as a top priority. This is probably due to lack of awareness of the complexity of the issue. However, it's worth noting that the Regulator has the power to fine employers for non-compliance (up to £50,000 per event).

#### Transitioning existing pension scheme members

The other issue that companies shouldn't overlook is that if they opt for a new delivery solution it will take a long time to transition existing members over to the new scheme. Not only do many companies need to enrol 60% of their workforces for the first time, but they will also have to move the other 40% to the new scheme, which will be arduous, for example, negotiations with scheme trustees and statutory member consultation. ”

fig 6 Which of the following tasks do you see as the top priority to be ready for implementation?



# Costs of auto-enrolment

## Key findings

### Uncertainty over the costs of auto-enrolment

- ◆ There is a large degree of uncertainty about the costs of auto-enrolment, both in setup and extra contributions. The overall picture indicates just 17% are confident they know how much it will cost their organisation overall.
- ◆ Over half do not know how much it will cost their organisation, for either setup or the extra contributions.

### Setup costs

- ◆ Only 9% know the setup costs (to change HR, payroll and pensions systems), 21% "roughly" know and 70% do not know.

### Contribution costs

- ◆ Two thirds don't know how much it will cost their organisation in terms of extra contributions paid to new pension scheme members. This figure rises to almost three quarters for FDs.

### Budgets to pay for auto-enrolment

- ◆ Overall, there is also some uncertainty with regard to having the budget to pay for auto-enrolment, which isn't surprising given only 17% are confident they know how much it will cost overall.
- ◆ Only 55% are confident they will have the budget both for setup costs and contributions. 30% are not confident they will have the budget for either setup or contributions.
- ◆ A further 9% are confident about having budget for setup, but not the additional contributions.
- ◆ 5% think they will be able to find budget for the contributions but not the setup.

fig 7 Do you know how much auto-enrolment will cost your organisation to setup? For example, changing HR, payroll and pensions systems, communication, etc.?

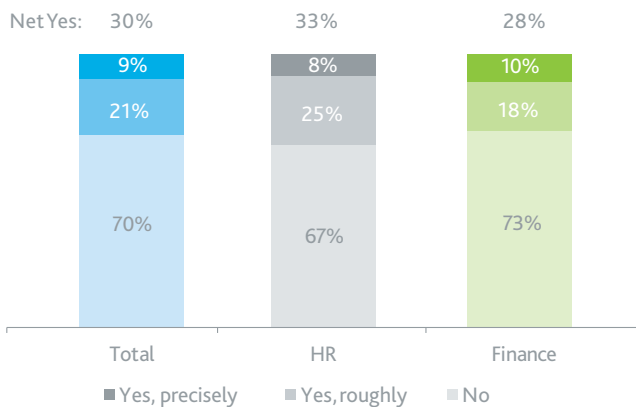


fig 8 Do you know how much auto-enrolment will cost your organisation in extra contributions?

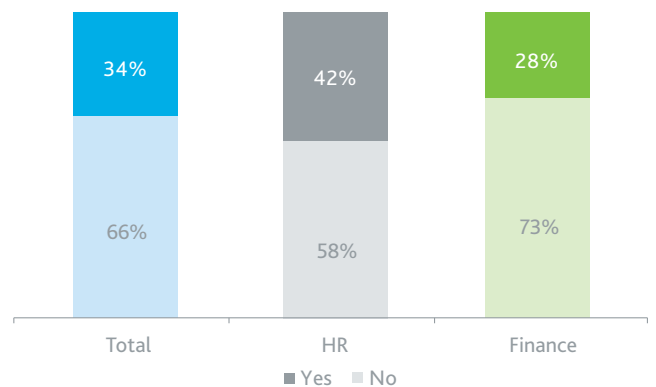


fig 9 How confident are you that you will have the budget to pay to setup auto-enrolment?

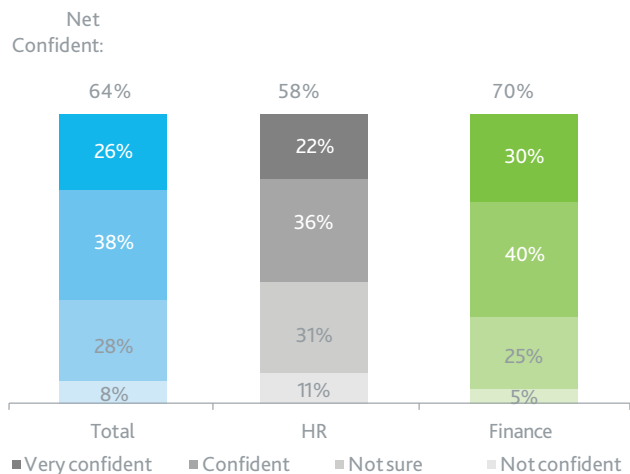
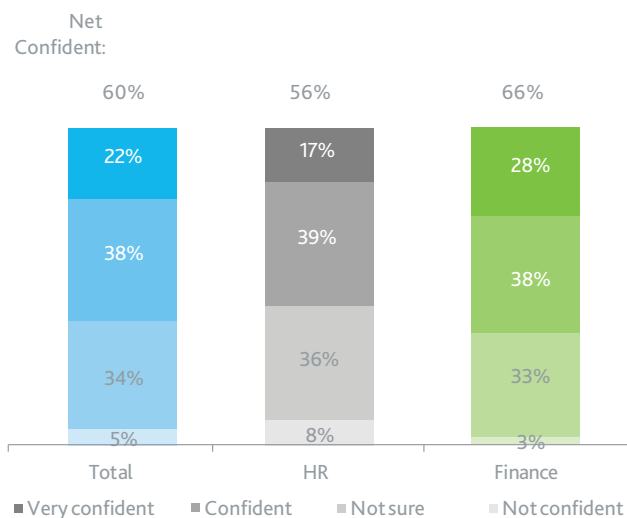


fig 10 How confident are you that you will have the budget to pay for the extra employee pension contributions that come from auto-enrolment?



“

Just 17% are confident they know how much it will cost their organisation overall ”



### Our view

#### Costs for companies

For an average company with 7,500 employees, (assuming 60% of the workforce are currently not members of the pension scheme and assuming an opt-out rate of 30%) auto-enrolment is set to cost around £3m for both setup and extra contributions. Given this expense, the fact that only 17% know how much this will cost the organisation overall is very worrying.

This £3m breaks down to £2.5m in additional cash costs for contributions, £300,000 for setting up the systems (e.g. payroll), a further £120,000 for communicating the message to employees and two full time employees devoted to the project over 18 months.

#### Having the budgets to pay

There is an interesting contradiction in the results. 55% are confident they will have the budget both for setup costs and contributions, which is surprising given only 9% say they know the costs for setting up the necessary infrastructure and only a third say they know how much it will cost in extra contributions. We worry that in reality the number of companies that may not be able to find budget could be higher, potentially, if only a minority know how much it will cost.

#### Putting aside budget now

It's clear that both FDs and HRDs are yet to tackle the costs of auto-enrolment. Given most of these employers need to be ready by April 2013, they will need to budget plan by mid-2012 for the extra cash contributions.

However, for setup, for many of these companies, they should be planning the budgets for this now ahead of next year. But how can companies do this if most of those surveyed are only at the objective setting stage? ”



# Scheme design

## Key findings

### Preferred pensions vehicles for auto-enrolment

- NEST is not the vehicle of choice for large companies. When asked, just 12% said they were planning on using it as their vehicle for auto-enrolment.
- Trust-based schemes (for example, an existing DC section of a DB scheme) were the most popular option (30%), followed by contract-based DC (e.g. existing or new group personal pension arrangements) (29%) came ahead of NEST as the preferred pensions vehicle.
- However, 18% didn't know what type of scheme they would enrol employees into. This increased to a quarter of HR directors.



## Our view

### NEST not the vehicle of choice

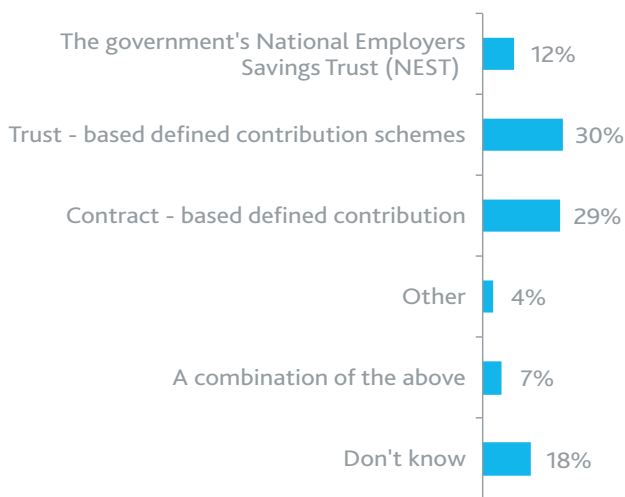
The fact that NEST is not the preferred vehicle for this sample isn't surprising, given it is aimed at employers with smaller workforces. What is surprising is that so many are planning to automatically enrol employees into existing trust-based schemes as this will in many cases result in a large increase in costs due to additional third party administration fees.

### Scheme design

Many existing unbundled trust schemes will not be able to meet the specific demands of auto-enrolment (see table below). When companies come to look at this issue in more detail, they will realise that a 'bundled' solution such as a contract-based scheme or master trust is likely to be a more appropriate option.

Given this is the case, once companies do begin to look at the issue there will be a surge in demand for bundled solutions. But unfortunately, as we've already highlighted, the market won't have the capacity to deal with this and companies will be forced to use their existing scheme or NEST. ”

fig 11 What pension's vehicles do you plan to automatically enrol employees into?



The pros and cons of different delivery solutions for auto-enrolment.

	Unbundled Trust	Bundled Trust	Master Trust	NEST	Contract based
Administration costs	x	√	√	√	√
Scalable administration	x	√	√	√	√
Tailored employer solution	√	√	√	x	√
Short service refunds	√	√	√	x	x
Deferred members	x	x	√	√	√



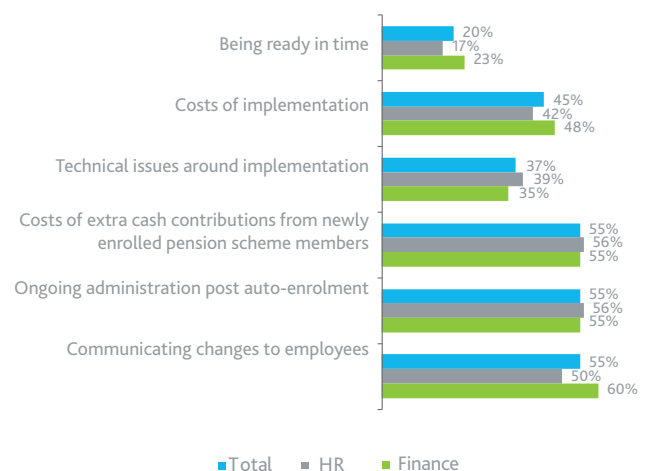
## The barriers to success

### Key findings

#### Biggest issue relating to auto-enrolment

- ◆ When asked what is the biggest issue in relation to auto-enrolment for their company, there were three stand-out issues, each selected by over half of the sample. These were; the extra cost from additional contributions, the ongoing administration of an enlarged pension scheme, and communicating the changes to the workforce.
- ◆ Communicating the changes is seen as more of an issue by FDs than HRDs (60% vs 50%).
- ◆ Of these three main issues, the additional cost of contributions was the point most commonly selected first by participants (25%).
- ◆ Following this was the cost of implementation (21%), despite this not featuring in the top three overall.
- ◆ Only 20% thought being ready in time would be a top three issue.

fig 12 Of the following issues that could occur in relation to auto-enrolment, what do you think will be the three biggest in relation to implementation for your company?





### Our view

#### Biggest challenges presented by auto-enrolment

The issues selected by the sample probably will be the three biggest headaches for FDs and HR Directors at most organisations. In terms of the ongoing administration of an enlarged pension scheme, the biggest issue here for companies will be compliance. For example, an employer will need to undertake periodic checks to ensure that contributions have been paid in line with the minimum criteria for all eligible employees and maintain records for up to 6 years.

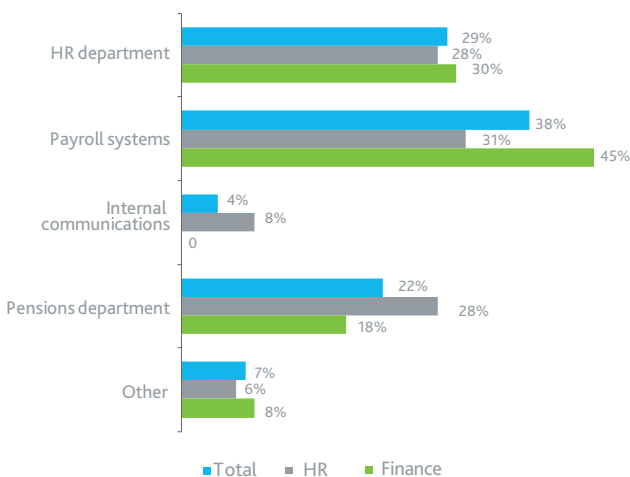
Penalties are likely if companies don't face up to the challenge of being ready in time. However, the fact that only 20% thought that being ready in time was a 'top three' issue is a cause for concern, especially as timescales for implementation have been hugely underestimated and the Regulator will impose penalties on those who are not ready in time. This could be an issue particularly for the larger organisations, as they will be the first to go through the process. It's likely the Regulator may wish to make an example of companies who don't comply in time to discourage others further down the line from failing to get their employees enrolled.

The assumptions about which departments will feel the greatest strain are in line with the experience of most companies we work with going through the process currently. In terms of timing, HR will be the department that will need to be mobilised first to get the project moving forward, but the resource and strain will then transition to payroll. ”

#### Departments facing greatest strain

- ♦ The department facing the biggest strain from auto-enrolment is agreed upon by both FDs and HR Directors as payroll (45% and 31% respectively). Second to this is HR (29%), followed by the pensions department (22%).

fig 13 Where will the biggest resource impact on your organisation be from auto-enrolment?



# Attitudes to auto-enrolment and responsibility for saving

## Key findings

### Workforce attitudes

- ◆ 87% of those surveyed don't think their workforces understand the forthcoming changes.
- ◆ Only 17% think it will be welcomed by employees. 36% don't think it will make any difference and almost half (47%) believe they won't welcome it.
- ◆ HR directors are more downbeat about the reception it will receive – 11% of HR directors versus 23% of FDs.
- ◆ Those who thought it would be welcomed were asked to pick the top reason why. 54% said their staff would be pleased they are being forced to think about pensions. This figure rose to three quarters of HR Directors. 38% overall said they would recognise the benefits of paying into a pension.

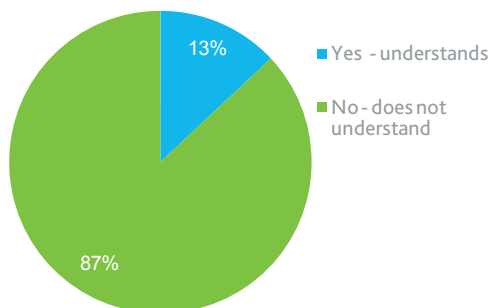
### Desired outcomes of auto-enrolment

- ◆ In terms of the outcome hoped for from auto-enrolment, a significant minority (13%) openly admit that the best outcome for them would be the majority of the workforce opting out. HR directors are stronger in their belief on this (17% vs 10%).
- ◆ 32% state the best outcome would be employees remaining enrolled and being happy with the scheme. 53% said they hoped that employees are able to make "the right decision" based on good information.

### Responsibility for retirement savings

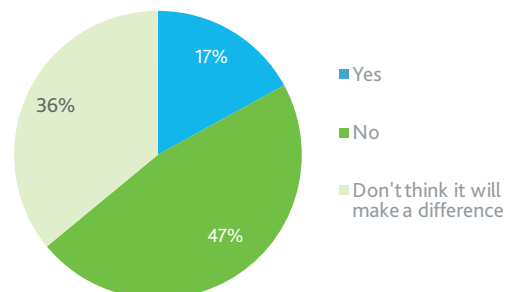
- ◆ The majority of employers believe that responsibility for saving for retirement lies with individuals. Overall, 67% said this is where most responsibility should lie, rising to 73% of FDs.
- ◆ A fifth thought responsibility should lie primarily with the State to provide for people in retirement, rising to 28% of HR directors.
- ◆ Only 9% thought most responsibility lay with employers.

fig 14 Do you think your workforce understands the forthcoming changes?



	HR	Finance
No - does not understand	89%	85%

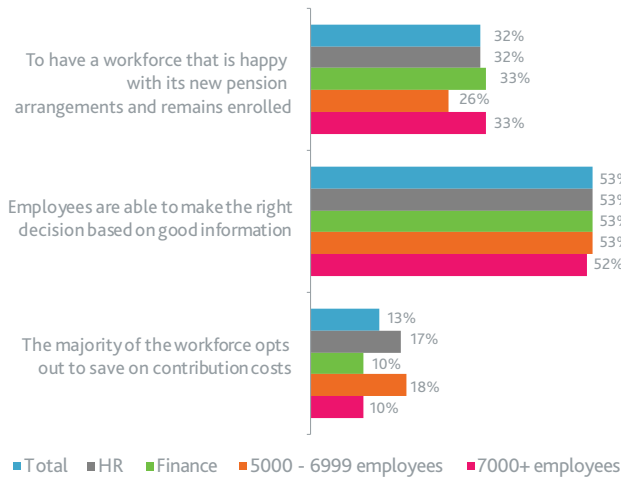
fig 15 Do you think auto-enrolment will be welcomed by your workforce?



	HR	Finance
Yes	11%	23%



fig 16 From your organisation's point of view, what is your preferred outcome from implementing auto-enrolment?



Our view

Helping the workforce understand the changes

The fact that so many of those surveyed believe their workforces don't understand the changes, and that furthermore, most don't think their staff will either welcome the changes or that it will make any difference to them, demonstrates the size of the communications challenge. If, as the research suggests, the majority of employers want their employees to make the 'right decision' and/or remain enrolled in a pension scheme, then there is some significant work to be done here to communicate the benefits of saving into a pension scheme to workforces.

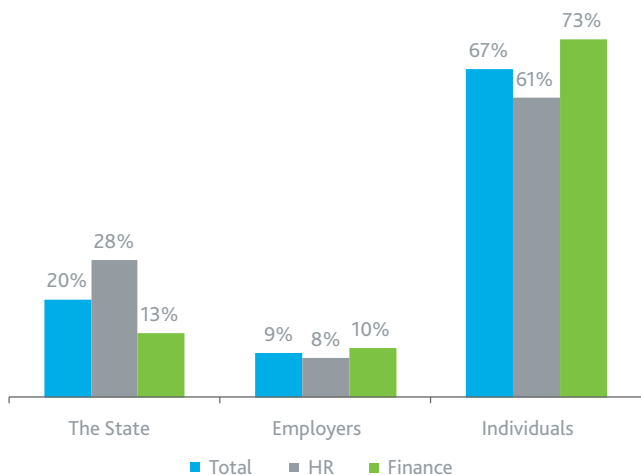
Also, if enabling staff to make the 'right decisions' is the desired outcome for companies, only allowing for six months to do this will undermine this aim, as it will be impossible to get the necessary infrastructure and communications material in place in time.

The fact that 13% (and 17% of HR directors) openly admitted that the best outcome would be for the majority of the workforce to opt-out to save costs perhaps gives an insight into the attitudes of some organisations, who are understandably worried about the ongoing cost of the extra pension contributions.

Duty to communicate

The fact remains companies, whether they like it or not, are going to have to get the necessary systems in place for auto-enrolment and dedicate a considerable resource to it. In this context it would seem wasteful and a missed opportunity not to engage the workforce and get 'more for their money' through making employees feel like they are getting an improved benefit. The importance of communicating these changes in the right way cannot be underestimated, and that requires adequate planning and time. Failure to do so will mean that money is wasted - a situation a closely scrutinised plc should seek to avoid.

fig 17 Where do you think most responsibility should lie for providing for people in retirement?



## Conclusion

Auto-enrolment, the biggest change to workplace benefits for years if not decades, is less than 18 months away for the largest companies. Despite this, for many organisations it appears preparations are yet to start and are unlikely to start until it's far too late. The message is clear – proper preparation takes 18 months, not six or 12 as the majority of large companies currently believe.

Whether they like it or not, companies are going to have to put the necessary systems in place and dedicate considerable resource in order to do this in time. Leaving it to the last minute will mean that even more resource will need to be directed at the project.

Getting a business ready for auto-enrolment is far from straightforward, and the penalties for not being ready are likely to be significant, both from a regulatory but also an internal resource perspective, as the table below shows. Higher costs of implementation and administration, employee confusion at best or at worst discontent and potential fines from the Regulator all loom large.

However, as the table also demonstrates, there are significant gains to be made from starting to prepare now. An engaged workforce, ready to accept and embrace the changes is just one of these. In this respect, the importance of communicating about auto-enrolment in a timely and effective manner cannot be underestimated.

	Current state	No active response	Active response
Direct pension cost	The market average pension structure is worth 11% with a 4% employee contribution. This is well above the minimum auto-enrolment requirement.  Typically 60% of employees choose not to join their employer's pension plan.	Higher employer cost.	Lower overall direct pension cost to employer.  Implement solutions that further reduce employee and employer costs (e.g. salary sacrifice).
Employee impact	As above.	Employee discontent at high reduction in take-home pay.  No perceived value from substantial investment in additional pension cost.	Implement transitional arrangements to ease the pain for employees.  Communicate with employees to get value for spend.
Pension delivery	DC solutions setup for relatively lower membership numbers.  Average admin charges are c.£100 per head where paid direct by the employer. Around 0.5% of fund when met by employee.	Higher direct costs for employer in meeting pension admin costs; and/or  Higher costs for employees in running pension accounts.  Poor employee experience.	Ability to negotiate lower costs for higher membership numbers.  Lower employee charges.  Opportunity to transition to a providers latest systems.
Compliance	Relatively minimum compliance requirements.	Resource and cost implications of managing compliance.  Risk of failing to meet compliance requirements.	Adequate timing to automate compliance requirements.  Ability to pass on some activity to providers, lowering implementation and running costs.  More time to meet any statutory communication requirements.
Infrastructure	Relatively minimum investment requirements.	Substantial capital investment in payroll and HR system and processes.	Time to source and leverage 3rd party and provider solutions.

## Methodology

The findings in this report are the result of research carried out by TNS UK Limited on behalf of Hymans Robertson among HR and Finance decision makers at UK organisations with over 5,000 employees. In total, TNS interviewed 76 respondents by phone between 4th and 26th April.

## Sample breakdown

The 76 respondents were broken down in terms size of organisation and job role as follows:

Sector	Total (76)	HR (36)	Finance (40)
5,000 to 6,999	34	15	19
7,000 to 9,999	17	7	10
10,000 & Over	25	14	11

Breakdown of pension provision currently being offered to employees from the sample survey.

- ♦ 75% of the sample currently offer to pay pension contributions to all of their employees (25% do not offer)

Of the 75% that do offer to pay pension contributions:

- ♦ 33% only offer to pay contributions for employees who have been employed for a certain length of time (vs 67% who don't)
- ♦ 4% only offer to pay contributions for employees over a certain threshold (vs 96% who don't)
- ♦ 56% only offer to pay contributions to permanent employees, but not to contractors or temps (vs 44% who don't)



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