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Foreword

Welcome to the seventh and final edition of ‘Automatic enrolment: commentary and analysis’, a look back at the highlights and trends of the last year and how the programme has shifted from revolutionary new policy to business as usual for the UK’s employers.

A lot has changed since our first edition, when automatic enrolment (AE) was a new concept and our role was to introduce employers (and subsequently their advisers) about what it would mean for their business. Back in 2013, this report boasted of one million staff being put into a workplace pension – that number has now increased tenfold. Even more significant is the fact that just 1,000 employers had completed their declaration of compliance – a number that today is over 1.4 million.

More than half of those who have been automatically enrolled into a workplace pension scheme by their employer are saving into master trust schemes, which are now authorised by us, a development which has also happened during the last year. This is good news, as authorisation demonstrates they are run by fit and proper people and have the right systems, processes, plans and finances in place.

Minimum contributions have increased from 5% total to 8% and, together with the Department for Work and Pensions (DWP) and the pensions industry, we will be keeping a close eye on the impact of the increases. Although it’s too early to conclude definitively that the contribution increases have not led to more opt outs, research we published last autumn shows that less than 2% of staff (in micro, small and medium businesses) asked to leave their pension as a result of the increases to minimum contributions in April 2018.

Furthermore, DWP research published in February shows most staff are pleased to be saving, were positive or neutral about last year’s contributions increase and very few expressed concern about affordability.

Our data shows that the vast majority of employers are able to comply with their duties without the need for intervention by The Pensions Regulator (TPR). Our website has information and tools designed for people who do not have pensions experience and takes employers directly to information tailored just for them, and we recently launched a suite of new information and tools for start-up businesses who have duties as soon as they take on staff. We also work with employer groups, trade associations and intermediary bodies to help them to provide information about AE to their memberships.

Our regular advertising campaigns, covering areas including maintaining contributions, re-enrolment and ongoing duties, reach a wide range of employers. All of this activity means that employers have no excuse to be unaware of their duties.

Although most employers are successfully meeting their AE duties and doing the right thing for their staff, some wilfully fail to do so, and we have used our powers against them where appropriate, including issuing fixed and escalating penalty fines. Our data-led approach has also involved a series of country-wide compliance validation inspections, targeting employers who we strongly suspect are breaking the law.
Foreword

This year, we prosecuted several employers for failing to meet their duties for a series of offences, including computer misuse, impersonating employees and deliberately providing a false declaration of compliance. We’ve also seen a company pay a six-figure penalty after failing to fulfil their duties properly, and scores of employers being made the subject of County Court Judgments for failing to pay their AE fines, jeopardising their ability to borrow money as well as their reputation.

Although this is the final edition of ‘Commentary and analysis’, you will still be able to find information about our AE activities in the quarterly compliance and enforcement bulletins, as well as our media hub and the research and analysis section of our website.

To conclude – I am very proud of the work the AE team here at TPR has done since 2012, and would like to extend our thanks to our stakeholders, government partners and all those in the pensions industry who have contributed to its success. Together, we have helped to make AE the norm for savers, who now rightly have the expectation that their employers will join with them in helping to provide for a safe and secure retirement.

Darren Ryder
Director of Automatic Enrolment
Executive summary

AE: results so far

Proportion of UK staff in a workplace pension scheme
Latest figures from: ONS ASHE GB 2008 to 2018

![Proportion of UK staff in a workplace pension scheme]

87% up from 55% in 2012

Total staff automatically enrolled by March each year

By 2013: 1 million
By 2014: 3 million
By 2015: 5.2 million
By 2016: 6.1 million
By 2017: 7.7 million
By 2018: 9.5 million
By 2019: 10 million

The proportion of private sector eligible staff participating in a workplace pension has increased sharply from 42% in 2012 to 85% in 2019

311,401 employers completed their declaration of compliance between April 2018 and March 2019

Total staff automatically enrolled by March each year

£90.4 billion
Total amount saved by eligible savers in 2018:

an increase of £16.8 billion from 2012

Meeting ongoing duties

93%
of employers do not find it difficult to keep up with ongoing duties

Median average cost of compliance for micro employers is £15 per month

Intermediaries awareness of instant duties 2019

- 97% IFA (91% in 2017)
- 100% Accountant (73% in 2017)
- 99% Payroll (69% in 2017)
- 97% Bookkeeper (67% in 2017)
Executive summary

Engagement and support in 2018-2019

Unique visitors to our AE employer landing page: 596,597
Unique visitors to our new employer landing page: 182,057
Use of online tools (including Duties Checker, new employer tool and re-enrolment date tool use only): 171,897

During the year, our Customer Support team handled around:
170,000 telephone calls and 46,000 emails and letters
Of these, 97% of enquiries were resolved within five days and 99.9% were within 10 days
94% of customers were satisfied with the time taken to resolve queries
92% of customers rated the service they received as ‘Excellent, Very good or Good’

Proportion of communications via different channels

- 75% Calls
- 22% Email
- 3% Letters

Totals throughout may not sum due to rounding.
Executive summary

Type of scheme used

Type of pension scheme used by employers with 30 or more staff for AE
- 9% DB
- 1% Hybrid
- 55% DC trust
- 34% DC contract
- 0% Unknown

Type of pension scheme used by employers with fewer than 30 for AE
- 0% DB
- 0% Hybrid
- 89% DC trust
- 10% DC contract
- 0% Unknown

Compliance and enforcement

In 2018-2019 we issued:
- 58,285 compliance notices
- 37,100 fixed penalty notices
- 20,648 unpaid contribution notices
- 12,019 escalating penalty notices
- 405 inspections
- 350 information notices

Our interventions

- 128,807 uses of our formal powers
- 127,402 cases were closed in 2018-2019

Totals throughout may not sum due to rounding.
AE: Background

The automatic enrolment (AE) programme began in October 2012 and the staged approach, where employers were required to meet their duties in batches according to their business size, has now finished. Until October 2017, over 1.45 million employers were given a staging date from which their duties would come into effect. These legal duties\(^1\) included putting eligible staff into a pension scheme, re-enrolling them every three years, and ensuring they pay contributions in line with the increases introduced in April 2018 and April 2019. New employers need to put staff into a pension right away – their legal duties begin on the day their first member of staff starts working for them.

How AE works

Employers have to put all eligible jobholders into a qualifying pension scheme and make contributions. This applies to staff aged at least 22 but under state pension age (SPA), ordinarily working in the UK and earning more than £10,000 per year, unless they are already a member of a pension scheme that meets certain criteria set out in law. A staff member who is automatically enrolled into a scheme has the option to opt out of it within one month if they choose.

Table 1: Categories of worker

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower earnings threshold or below (£6,136)</td>
<td>16-21</td>
</tr>
<tr>
<td>More than lower earnings threshold up to and including the earnings trigger for AE (£10,000)</td>
<td>22-SPA</td>
</tr>
<tr>
<td>Over earnings trigger for AE</td>
<td>SPA-74</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Entitled worker</th>
<th>Non-eligible jobholder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of worker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower earnings threshold or below (£6,136)</td>
<td>Entitled worker</td>
<td></td>
</tr>
<tr>
<td>More than lower earnings threshold up to and including the earnings trigger for AE (£10,000)</td>
<td>Non-eligible jobholder</td>
<td></td>
</tr>
<tr>
<td>Over earnings trigger for AE</td>
<td>Non-eligible jobholder</td>
<td>Eligible jobholder</td>
</tr>
</tbody>
</table>

\(^1\) Pay regular contributions to the pension scheme on behalf of existing members of the scheme.

- Monitor the ages and earnings of new staff and existing staff who are not already members of the scheme. All staff who meet the criteria must be enrolled into the pension scheme.
- Manage requests to join or leave their pension scheme.
- Keep records of how they have met their legal duties, including a register of members, records of contributions and any requests to join or leave the pension scheme.
- Re-enrolment – every three years employers need to put staff back into their pension scheme if they have left it, and if they meet the criteria to be put into a pension scheme.
AE: Background

Employers must provide information to us to show they are meeting their AE duties, which involves completing a declaration of compliance (DoC) using our online service within five months from their duties start date.

Every three years, staff who were automatically enrolled but opted out of or ceased active membership of a pension scheme more than 12 months before an employer’s re-enrolment date must be automatically re-enrolled into the scheme. Again, they have the choice to opt out. This prompts them to revisit their initial decision to opt out. The employer must then submit a re-declaration of compliance with us to confirm they have met their re-enrolment duties.
How AE has affected the pensions landscape

Trends affecting UK pensions

By the end of March 2019, over 10 million people had been automatically enrolled into a pension scheme. Between the introduction of the reforms in 2012 and April 2018, the overall proportion of eligible staff saving into a workplace pension increased from 55% to 87%. One of the key effects of AE has been to dramatically reduce the gap between workplace pension participation between the public and private sector.

Figure 1: Eligible workers’ participation in workplace pensions by sector

![Graph showing participation in workplace pensions by sector]

Source: DWP estimates derived from the ONS ASHE, GB, 2008 to 2018

Between 2008 and 2012, there was a general downward trend in workplace pension participation from 59% (11.8 million eligible employees) to a low of 55% (10.7 million eligible employees). Since 2012, there has been a significant increase of 8 million to 18.7 million eligible employees participating in a workplace pension (87%) in 2018, showing the positive impact of the workplace pension reforms to date.

Public sector pension participation remains high at 93% (4.9 million eligible public sector workers), an increase of 5 percentage points since 2012.

The largest increases in workplace pension saving have been seen within the private sector. Since 2012, private sector participation has risen by 43 percentage points to 85% of private sector eligible employees participating (13.9 million eligible employees) in 2018.
How AE has affected the pensions landscape

As seen in Figure 2, the annual amount saved by eligible savers was £90.4 billion in 2018 - an increase of £16.8 billion on the total amount saved in 2012, and an increase of £7 billion over 2017.

Figure 2: Increase in saving from 2008

Source: ONS ASHE GB 2008 to 2018
Trends in workplace pension participation

Overall

Between 2012 and 2018, workplace pension participation rose by 8 million amongst eligible employees. Participation increased from 10.7 million (55%) to 18.7 million eligible employees (87%), showing the positive impact of the workplace pension reforms. Since 2012 private sector pension participation has risen by 43 percentage points to 85% (13.9 million) in 2018.

Employer size

In 2018 the highest levels of private sector participation were seen in the larger employer bands, but smaller employers have experienced larger increases since 2017. Participation increased by 12 percentage points for small employers and 20 percentage points for micro employers between 2017 and 2018.

Earnings

Those earning between £50,000 and £60,000 show the highest participation levels overall. In 2018, 93% of eligible employees within this earning band were participating. In the private sector participation rates are higher in 2018 than they were in 2017 across all earnings bands. The lowest earners (those earning between £10,000 and £20,000) saw the largest increase over this period, rising 7 percentage points from 72% to 79%.
Gender

In 2018 participation levels increased to 85% for both male and female eligible employees in the private sector (4 and 5 percentage points increase respectively compared to 2017). Before the introduction of the reforms, there was a higher proportion of male employees participating in workplace pensions.

Figure 3: Percentage of eligible employees participating in workplace pensions

Source: DWP estimates derived from the ONS ASHE, GB, 2008 to 2018
How AE has affected the pensions landscape

**Age**

The largest increases in participation have been seen amongst eligible employees in the youngest age groups. In the private sector, the largest increase was seen in the youngest age group (22 to 29 years old), increasing by 60 percentage points since the introduction of AE in 2012 (from 24% in 2012 to 84% in 2018).

*Figure 4: Private sector eligible employees participating in workplace pensions*

In the private sector, pension participation had been falling across all age bands until 2013, when all groups showed an increase. Again, the largest increase was seen in the 22 to 29 age group, increasing from 24% in 2012 to 84% in 2018 (a 60 percentage point rise). All other age groups have shown significant increases over this period as well, such as those aged 30 to 39 increasing by 44 percentage points.

**Working pattern**

Overall, in 2018, participation remains higher for eligible employees working full time at 88% compared to 82% for those working part time. Both full-time and part-time workers in the private sector have seen increases in participation since 2017.
Economic status

Participation rates for non-eligible employees rose from 16% in 2012-2013 to 30% in 2017-2018. Unlike employees, the self-employed group has seen a continuous decline in participation from 27% in 2008-2009 to 15% in 2017-2018.

Figure 5: Percentage of non-eligible employees participating

Source: Modelled analysis derived from the FRS, UK, 2008-2009 to 2017-2018
How AE has affected the pensions landscape

**Ethnicity**

Between 2011-2012 and 2013-2014, and 2015-2016 and 2017-2018, there was clear evidence of large increases in participation rates among all ethnic groups. The largest increase was amongst the Pakistani and Bangladeshi ethnic group, where participation rose from 36% to 60% (NB: three-year rolling average figures used to provide statistically robust sample sizes for each ethnic group).

**Figure 6: Percentage of Pakistani and Bangladeshi eligible employees participating**

In 2018, the annual total amount being saved by eligible employees was £90.4 billion, an increase of £7 billion from 2017. Within the private sector, there was a £4.5 billion increase from 2017 to £50.2 billion, whilst the public sector saw an increase of £2.5 billion from 2017, to £40.2 billion. Annual contributions into workplace pensions have increased £16.8 billion since 2012.

Trends in pension saving

Source: Modelled analysis derived from the FRS, UK 2008-2009 to 2017-2018
Meeting ongoing duties: employers and their advisers

Since 2012 we have carried out regular surveys and published reports looking at how employers (and the intermediaries they rely on) use the information we provide them to comply with their duties.

The emphasis of these surveys has evolved to concentrate on how employers are complying with their ongoing duties, and the costs and time they incur in meeting their obligations. We have also used these surveys to investigate their knowledge of and preparations for implementing the planned increases in minimum pension contributions.

Employers’ ongoing duties

This year we carried out the fourth wave of our survey looking at how employers who have already staged are meeting their ongoing duties. The five ongoing duties asked about in the survey were:

- keeping records of all AE activities
- monitoring the ages and earnings of new and existing staff every time they are paid to check whether they are eligible to join the pension scheme
- enrolling staff and writing to them as they become eligible to join the pension scheme
- managing requests to join or leave the pension scheme
- paying contributions into the staff members’ pension scheme.

Employers were classed as ‘fully aware’ if they were aware of all five duties and ‘partially aware’ if they were aware of between one and four duties.

Awareness of all five duties remained very high, with the vast majority of employers being aware of all five, regardless of size. See Figure 7 on page 18.
Meeting ongoing duties: employers and their advisers

Figure 7: Awareness of all five duties

**Micro employers**
- Winter 2017: 3% unaware, 9% partially aware, 88% fully aware
- Autumn 2017: 4% unaware, 9% partially aware, 87% fully aware
- Summer 2018: 2% unaware, 10% partially aware, 88% fully aware
- Winter 2019: 1% unaware, 17% partially aware, 82% fully aware (significantly higher/lower than previous survey)

**Small employers**
- Winter 2017: 1% unaware, 9% partially aware, 90% fully aware
- Autumn 2017: 2% unaware, 10% partially aware, 88% fully aware
- Summer 2018: 1% unaware, 10% partially aware, 89% fully aware
- Winter 2019: 9% unaware, 91% fully aware (significantly higher/lower than previous survey)

**Medium employers**
- Winter 2017: 4% unaware, 7% partially aware, 96% fully aware
- Autumn 2017: 1% unaware, 7% partially aware, 92% fully aware
- Summer 2018: 3% unaware, 10% partially aware, 98% fully aware (significantly higher than previous survey)
- Winter 2019: 7% unaware, 94% fully aware (significantly lower than previous survey)

Turquoise/red text denotes significantly higher/lower than previous survey.
Micro (290/300/300/300), Small (305/301/300/300), Medium (205/200/200/200).
Meeting ongoing duties: employers and their advisers

Full awareness of ongoing duties was lower among those with no eligible job holders and among those who used an external adviser or provider (such as an accountant) to help them with these duties.

Table 2: Awareness of ongoing duties measure (by employer profile)

<table>
<thead>
<tr>
<th>Eligible jobholders</th>
<th>Use external adviser/provider for ongoing duties</th>
<th>Workforce stability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Unaware</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Partially aware</td>
<td>10%</td>
<td>30%</td>
</tr>
<tr>
<td>Fully aware</td>
<td>90%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Base: All respondents. Eligible job holders (737), No eligible job holders (63)/Use external adviser/provider (314), Do not use external adviser/provider (483)/Static workforce (669), Changing workforce (130).
Employer burden

The survey also explored the amount of time employers spent complying with their ongoing duties, and the costs of complying. As with previous surveys, the majority of employers of all sizes continued to report that they found their ongoing duties less onerous than they initially expected, as shown in Figure 8 below:

**Figure 8: Level of employer agreement with the statement: 'My ongoing duties are actually less onerous than I initially expected'**

<table>
<thead>
<tr>
<th></th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winter 2019</td>
<td>63%</td>
<td>63%</td>
<td>70%</td>
</tr>
<tr>
<td>Summer 2018</td>
<td>67%</td>
<td>63%</td>
<td>60%</td>
</tr>
<tr>
<td>Autumn 2017</td>
<td>64%</td>
<td>63%</td>
<td>60%</td>
</tr>
<tr>
<td>Winter 2017</td>
<td>59%</td>
<td>68%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Turquoise/red text denotes significantly higher/lower than previous survey.

Between 33% and 43% of employers paid someone to help them complete their ongoing duties. For those who pay for support, the median monthly cost varied from £15 for micro employers to £50 for small employers and £100 for medium employers (down from £176).

The time spent complying with ongoing duties was similar to that seen in previous waves of the survey. The amount of time increased with employer size. 93% of micro, 83% of small and 68% of medium employers spent no more than than two hours a month complying with their ongoing duties.

The role of intermediaries

Since October 2017, all businesses employing eligible staff for the first time have to provide a workplace pension from the first day of their service. This is referred to as having ‘instant duties’. Although the duty to comply is with the employer, intermediaries play an important role in ensuring that new employers comply with their duties as well as helping existing employers to comply with their ongoing duties. Figure 9 shows that intermediaries help between 62% and 81% of their new employer clients to comply with their duties.

As can be seen in Figure 9 on page 22, intermediaries’ awareness of employers having instant duties is now almost universal.
Meeting ongoing duties: employers and their advisers

As can be seen in Table 3, below, intermediaries’ awareness of employers having instant duties is now almost universal.

Table 3: Intermediaries’ awareness of employers’ instant duties

<table>
<thead>
<tr>
<th>Aware of instant duties</th>
<th>IFA</th>
<th>Accountant</th>
<th>Payroll</th>
<th>Bookkeeper</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>97%</td>
<td>100%</td>
<td>99%</td>
<td>97%</td>
</tr>
<tr>
<td>2017</td>
<td>91%</td>
<td>73%</td>
<td>69%</td>
<td>67%</td>
</tr>
<tr>
<td>Change</td>
<td>+6pp</td>
<td>+27pp</td>
<td>+30pp</td>
<td>+30pp</td>
</tr>
</tbody>
</table>

Base: All respondents (2019/2017)
IFA (68/95), Accountant (153/141), Payroll (126/108), Bookkeeper (75/96)
Completed declarations of compliance (DoC)

Employers confirm to us that they have complied with their duties by completing a declaration of compliance (DoC). This chapter reports on the volume of completed DoCs to 31 March 2019.

Findings

Employers have up to five months from their duties start date to complete their DoC. 311,401 employers declared their compliance in the past year.

Figure 10 below shows how employers have declared their compliance with AE through the life of the staging profile.

The profile began with a long lead-in while we supported large and medium employers through their duties and prepared for the ramp-up of small and micro employers.

Then there was the concentrated ramp-up, through 2016, 2017 and into 2018 by which time we saw the majority of staged employers declare compliance.

Figure 10: Cumulative totals for employers confirmed to us at declaration

We saw a sharp increase in employers needing to provide a declaration during 2017-2018 due to the last of the (mainly micro) employers reaching their staging date. Since October 2017, all new employers with eligible employees must provide a pension from the first day of service.
Completed declarations of compliance

Figure 11: Monthly declarations by employer and eligible workforce

As the size of employers decreased and the number of eligible workers grew, we adapted our approach. This involved a shift in communications to emphasise the needs of small and micro employers through simplifying our content, to compliance and advertising campaigns specifically targeted at those with little or no previous experience of pensions, along with their advisers (many of which were also non-pensions specialists).
Workforce

By the end of March 2019, a total of 10,054,000 eligible jobholders were reported as being automatically enrolled since 2012.

Based on our published declaration of compliance report, in FY 2018–2019 alone, the number of eligible jobholders reported to be automatically enrolled also represented 32% of total workers.
Pension schemes used and levels of participation

As we would expect we continue to see very low numbers of employers using DB and hybrid schemes for AE. DC continues to be the main type of scheme used for AE. The percentage of DC schemes being used for AE is 98%. The use of DC schemes (trust- or contract-based) is higher for smaller employers (99%) than for larger employers (89%). Larger employers are also more likely to use contract-based schemes for AE (34%) than smaller employers (10%).

Table 4: Schemes used for AE

<table>
<thead>
<tr>
<th>Scheme types reported in DoCs</th>
<th>% of scheme types (&lt;30 members) reported in DoCs</th>
<th>Scheme types reported in DoCs</th>
<th>% of scheme types (&gt;=30 members) reported in DoCs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB</td>
<td>3,371 0%</td>
<td>9,159 9%</td>
<td>12,530</td>
<td></td>
</tr>
<tr>
<td>Hybrid</td>
<td>925 0%</td>
<td>1,492 1%</td>
<td>2,417</td>
<td></td>
</tr>
<tr>
<td>DC (trust)</td>
<td>662,176 89%</td>
<td>55,133 55%</td>
<td>717,309</td>
<td></td>
</tr>
<tr>
<td>DC (contract)</td>
<td>77,378 10%</td>
<td>34,140 34%</td>
<td>111,518</td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td>164 0%</td>
<td>62 0%</td>
<td>226</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>744,014 100%</td>
<td>99,986 100%</td>
<td>844,000</td>
<td></td>
</tr>
</tbody>
</table>

Table 5: Schemes used for AE

<table>
<thead>
<tr>
<th>Scheme types reported in DoCs</th>
<th>vs last year’s % of total</th>
<th>Number of pension schemes</th>
<th>Number of eligible jobholders automatically enrolled (rounded)</th>
<th>vs last year’s % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB</td>
<td>1%</td>
<td>412 18%</td>
<td>341,200 3%</td>
<td></td>
</tr>
<tr>
<td>Hybrid</td>
<td>0%</td>
<td>360 16%</td>
<td>298,000 3%</td>
<td></td>
</tr>
<tr>
<td>DC (trust)</td>
<td>85%</td>
<td>984 42%</td>
<td>6,455,500 64%</td>
<td></td>
</tr>
<tr>
<td>DC (contract)</td>
<td>13%</td>
<td>344 15%</td>
<td>2,947,100 29%</td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td>0%</td>
<td>221 10%</td>
<td>3,900 0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>2,321 100%</td>
<td>10,046,000 100%</td>
<td></td>
</tr>
</tbody>
</table>
The above chart shows the proportion of scheme types reported in declarations of compliance since 2014. It shows the prevalence of defined contribution schemes as we move through the staging profile, from the larger employers to the small newborn employers.
Table 6: Scheme types used (master trusts versus non-master trusts)

<table>
<thead>
<tr>
<th></th>
<th>Master trusts</th>
<th>Non-master trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declarations of compliance</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Eligible jobholders split</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>Declared scheme number split</td>
<td>2%</td>
<td>98%</td>
</tr>
</tbody>
</table>

Includes those who do not have master trust authorisation*

*Since 1 October 2018, all master trusts have had to apply to us for authorisation in order to operate. Every master trust which has been authorised will have proven that the scheme and its trustees meet the standards laid out in the legislation and code of practice, ensuring they are run by fit and proper people and have the right systems, processes, plans and finances in place.

Table 7: Profile of master trusts used in declaration of compliance, split by size of total workforce

<table>
<thead>
<tr>
<th></th>
<th>Master trusts</th>
<th>Non-master trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declarations of compliance</td>
<td>708,255</td>
<td>135,745</td>
</tr>
<tr>
<td>&lt;30</td>
<td>655,133</td>
<td>88,881</td>
</tr>
<tr>
<td>&gt;30</td>
<td>53,122</td>
<td>46,864</td>
</tr>
</tbody>
</table>

To remain in the market they have to demonstrate to us on an ongoing basis that they continue to meet the strict authorisation criteria, including provisions to ensure member funds are protected in the event that a scheme winds up. If they do not continue to meet the criteria laid out in legislation, as well as other relevant legislation and codes of practice, we have the power to enforce against schemes and ultimately, de-authorise master trusts.

We have already made a lot of progress in protecting the millions of people either newly saving or saving more thanks to the success of AE. With the increase in contributions it is more crucial than ever that savers have confidence that their pensions are safe. Our authorisation programme ensures master trusts are run by fit and proper people and have the right systems, processes, plans and finances in place.
Increases in pension contribution levels

Increases to the minimum contribution levels have been introduced over time to a minimum total of 8%. These increases took effect in April 2018 and April 2019.

In April 2018, the contribution level increased from a minimum of 2% overall (with at least 1% from the employer) to a minimum of 5% overall (with at least 2% from the employer). The minimum contribution level increased again in April 2019 to a minimum of 8% total (with at least 3% from employers).

<table>
<thead>
<tr>
<th>Duration</th>
<th>Employer minimum contribution</th>
<th>Total minimum contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>First transitional period</td>
<td>To 5 April 2018</td>
<td>1%</td>
</tr>
<tr>
<td>Second transitional period</td>
<td>6 April 2018 to 5 April 2019</td>
<td>2%</td>
</tr>
<tr>
<td>Third transitional period</td>
<td>From 6 April 2019 onwards</td>
<td>3%</td>
</tr>
</tbody>
</table>

Our compliance and enforcement team monitors employer compliance with these minimum contribution levels through Real Time Information (RTI) data provided by Her Majesty’s Revenue & Customs (HMRC). Although the data feed we receive provides information on the employee, rather than employer contributions, this data has proven to be a robust indicator of whether increased employer contribution rates have been correctly applied. Evidence from our compliance investigations have shown that where employee contributions have been applied correctly, employer contributions have also been correctly increased in the vast majority of cases. The use of this, and other similar indicators, have allowed us to target our investigations on higher risk cases.

The evidence from the RTI data infers that since the first increase came into effect in 2018, well over 90% of employers applied the increases correctly from that date. Early indications are that there are similarly high levels of compliance with the second increase, which came into effect in April 2019.
Compliance and enforcement

Findings

Almost all new employers are starting their workplace pensions duties every month and the vast majority are successfully meeting their duties. However, where an employer fails to do the right thing for their staff, we will take action using the wide range of powers available to us. Our approach continues to be proportionate and risk-based, targeting our resources where we feel they will be most effective at maximising compliance and protecting savers’ benefits.

The payment of pension scheme contributions is central to ongoing compliance. In April 2019, minimum contributions increased from 5% to 8%. Our recent thematic review on maintaining contributions highlighted variances in monitoring and reporting payment failures by scheme providers. We will prioritise ongoing engagement with a number of schemes to ensure compliance with the reporting late payment of contributions codes of practice.

We will continue to intervene using a range of enforcement tools that escalate in severity where employers or their advisers persist in flouting or disregarding the law.

Compliance validation

The small minority of employers who flout their AE pension duties are being targeted with short-notice inspections. We use our data to pinpoint specific employers up and down the country who are suspected of breaking the law, including those who fail to put staff into a pension scheme or who make no, or incorrect, pension contributions, or who may have supplied us with false information.

We continue to be led by our data and intelligence streams which enable us to detect potential non-compliance and take swift action against individual employers. This allows us to target our resources in a very focused way across the UK as part of our role to protect pension savers.

We also directly contact other employers suspected of non-compliance to validate the information held related to them meeting their duties, to ensure they are complying fully. A significant proportion of this cohort comprises employers who may have set up a scheme, and declared compliance to us, but who we can see have paid no, or insufficient, contributions (known as ‘shell schemes’).

Since the start of the year we have continued to carry out country-wide inspections targeted at employers where our data and intelligence teams identified a risk of non-compliance. As a result, 74% of spot checks revealed breaches of pensions legislation, with 76% of these resulting in enforcement action.
Where we identify non-compliance we do not always need to use our formal enforcement powers to achieve compliance. Employers may simply require contact with TPR to prompt them to comply. However for around 40% of cases where a breach has occurred, we do need to use these powers to secure compliance.

Table 9 below shows a breakdown of the last intervention used to secure compliance where a formal enforcement power was required, by the different type of activity (announced visits carried out, desk-based assessments carried out, assessments of shell schemes carried out.)

Table 9: Volume of compliance validation exercises where we used our powers

<table>
<thead>
<tr>
<th>Last intervention</th>
<th>Announced visits</th>
<th>Desk-based</th>
<th>Shell schemes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Notice</td>
<td>256</td>
<td>100</td>
<td>125</td>
<td>481</td>
</tr>
<tr>
<td>Unpaid Contributions Notice</td>
<td>21</td>
<td>8</td>
<td>51</td>
<td>80</td>
</tr>
<tr>
<td>Fixed Penalty Notice</td>
<td>76</td>
<td>22</td>
<td>42</td>
<td>140</td>
</tr>
<tr>
<td>Escalating Penalty Notice</td>
<td>26</td>
<td>6</td>
<td>10</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>379</td>
<td>136</td>
<td>228</td>
<td>743</td>
</tr>
</tbody>
</table>
Case studies

Case study 1

A London-based cafe with 12 eligible employees had its duties start date in October 2015 but failed to declare compliance with us within the five-month window. As a result, we began our usual enforcement process, progressing from a £400 Fixed Penalty Notice to an Escalating Penalty Notice, which grew to £5,000. When the employer failed to pay this fine, it became subject to a court order.

In November 2016, the company’s accountant filed a declaration of compliance claiming that staff had been enrolled into a pension scheme. When we checked on the company at a later date we discovered this was untrue – a pension scheme had been set up but no staff had been put in and, when we interviewed the accountant under caution, he admitted he had lied on the declaration.

We made the decision to prosecute the accountant for providing us with false or misleading information, the first time we’ve used this power against an adviser rather than an employer. He pleaded guilty in August 2018 and in November was ordered to pay nearly £7,000.

The company is now compliant, has enrolled eligible employees into a scheme, and backdated their contributions.

Case study 2

This recruitment agency had a duties start date in February 2014 and had received a series of five letters from TPR, with information about their duties and how to comply with the law. In January, the agency registered with a pension provider and enrolled their staff. When members are put into the scheme they receive an individualised ID number, which they need to quote if they want to opt out of the scheme.

The directors of the company wanted to maximise the number of workers opting out of the scheme as they feared AE would cost the business too much money. To do this, senior staff at the company pretended to be some of the workers. They rang the provider to get the ID numbers, then went online and used the numbers to opt the workers out of their pensions.

The pension scheme became suspicious of the behaviour (a large majority of the workers had opted out, compared to a national average of less than 10%) and contacted TPR. We opened an investigation in conjunction with local police, and the directors and senior staff have since been charged with and pleaded guilty to an offence under the Computers Misuse Act 1990.
Intelligence

We receive intelligence from a variety of sources, including our customer support team, our dedicated intelligence team, whistleblowers and other government and private sector organisations. Although we are not able to give specific detail about our intelligence work for obvious reasons, we publish case studies in our compliance and enforcement bulletins to share examples of the good and bad practice we find.

Whistleblowers

Number of disclosures

We engage closely with intermediaries, including business advisers, payroll and pension providers, to assist them in helping their employer’s clients comply with their duties. We also work collaboratively with other agencies and regulators, sharing intelligence and completing joint proactive exercises.

We accept whistleblowing reports by web form, email or telephone.

We received 6,963 disclosures during the reporting period of 1 April 2018 to 31 March 2019 which fell within the remit of our statutory functions and objectives.

Number of disclosures and summary of actions

We took further action in relation to 794 of the 6,963 qualifying disclosures, with the majority of action taken as a result of disclosures reporting a suspected breach of, or failure to undertake, AE duties or pay contributions.

In 196 of the instances where we took further action, we issued a Warning Notice or Unpaid Contribution Notice, Fixed Penalty Notice, Escalating Penalty Notice or Compliance Notice.
Cases

Where we are alerted to non-compliance we take proactive action, which starts with contacting the employer and opening a case. The number of cases open does not indicate the number of non-compliant employers as one or more cases may be opened in respect of a particular employer. Conversely, on investigation, we may conclude that there is no case to be taken forward.

Figure 15: Intelligence referrals and raised as cases 2018-2019

The number of intelligence referrals into TPR spiked in Q3 and then reduced down in Q4. By comparison, last year saw a spike in Q4.
Figure 16: Intelligence referrals and raised as cases
Closed cases

In 2018-2019 we closed 127,402 cases. As the chart below shows, the number of cases closed during the year has steadily declined as the number of employers due to complete their automatic enrolment has fallen. We are now only seeing new employers and re-declarations, plus a very small number going through their second cycle of re-enrolment.

Figure 17: Cases closed

In 5% of these, no further actions were required following our initial contact, in 53% we issued a breach warning letter to the employer, and in 41% it was necessary for us to use our formal powers, such as issuing compliance notices, unpaid contributions notices and statutory inspection notices.
Use of formal powers

Figure 18: Use of formal powers

Between April 2018-March 2019 we used our formal powers on 128,807 occasions. The proportion of formal notices has risen dramatically since last year. This is expected as we have made the transition from enforcing against medium employers to the higher-volume small and micro employers.

Table 10: Use of formal powers 2018-2019 compared with 2017-2018

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Number issued 2018-2019</th>
<th>Number issued 2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Notice</td>
<td>58,285</td>
<td>60,952</td>
</tr>
<tr>
<td>Unpaid Contribution Notice</td>
<td>20,648</td>
<td>4,499</td>
</tr>
<tr>
<td>Information Notice</td>
<td>350</td>
<td>249</td>
</tr>
<tr>
<td>Inspection</td>
<td>405</td>
<td>906</td>
</tr>
<tr>
<td>Fixed Penalty Notice</td>
<td>37,100</td>
<td>28,864</td>
</tr>
<tr>
<td>Escalating Penalty Notice</td>
<td>12,019</td>
<td>7,027</td>
</tr>
<tr>
<td>Warrant</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

You can read more about our enforcement activity and the powers we’ve used, along with illustrative case studies, in our quarterly compliance and enforcement bulletins.²

Re-enrolment

Re-enrolment happens every three years, and the employer duties are similar to those carried out on the staging date (now known as the duties start date).

We write to employers six months before the third anniversary of their staging date or previous re-enrolment date to remind them about the duty to re-enrol certain staff. We then write to them at key points before their re-declaration deadline.

Employers must put certain staff back into their pension scheme if they were previously in the scheme but left more than 12 months before their chosen re-enrolment date. They must separately re-declare their compliance with us before their re-declaration deadline.

At the end of March 2019, nearly three quarters of the workforce who were re-declared were active members of a qualifying scheme. This is consistent with previous years and suggests that savers are continuing to stay in pension schemes even though minimum contributions have increased over the period.

The proportion of eligible jobholders re-enrolled remained consistent with the previous year at 3%.

Figure 19: Workforce details provided by organisations that completed the re-declaration of compliance as end of FY 2018-2019
Employer forecast

Figure 20 below provides a ‘rolling’ view of a steady state in which new employers will have instantaneous duties plus employers who will go on to have full AE duties because they eventually employ eligible staff. This is based on over a years’ worth of data on employers with instantaneous duties.

All employers will still be subject to some duties even if they do not employ eligible staff, such as needing to provide information to their employees and declaring their compliance with us. If their staff ask to join or opt in to a pension scheme, they will need to meet their request. They should also monitor the age and earnings of their staff and enrol any future workers who are eligible, or existing ones that later trigger eligibility (e.g., when a 21 year-old turns 22).

As this is a forecast, we are presenting this data as a range of the number of employers who are due to reach their duties start date and have jobholders to automatically enrol based on a lower and upper estimate. The forecast does not account for future economic factors, threshold changes or the effect of the national living wage. It also does not account for changes to employer births and deaths as a result of underlying data changes (e.g., tax rules or internal process changes).

Figure 20 below shows the range of all employers who are due to have duties per quarter, based on upper and lower estimates. It also shows the range of employers we believe will have full duties based on upper and lower estimates. As with previous years, it also includes an indication of the many small and micro employers that will reach their first re-enrolment window.

Figure 20: Quarterly forecast of employers due to comply with AE
Forthcoming trends and challenges

Data-led regulation

We are using RTI to help us identify employers that fail to enrol new workers or pay contributions. Along with other intelligence streams including whistleblowing and information from pension providers, this data allows us to see where employers are failing to automatically enrol staff or make the correct contributions.

Increasing contributions

The payment of pension scheme contributions is central to ongoing compliance. In April 2019, minimum contributions increased from 5% to 8% of total qualifying earnings and, together with the DWP and the pensions industry, we will be keeping a close eye on the impact of the increases.

Paying contributions

Our recent thematic review on maintaining contributions[^3] highlighted variances in monitoring and reporting payments failures by scheme providers. We will prioritise ongoing engagement with a number of schemes to ensure compliance with the reporting late payment of contributions codes of practice.

Continued enforcement against non-compliance

We will continue to intervene using a range of enforcement tools that escalate in severity where employers or their advisers persist in flouting or disregarding the law.

Keeping standards high in master trusts

Master trusts have played a major role in the success of AE and so the introduction of the mandatory authorisation and supervision of these schemes has been vital to better protect the nearly 14 million savers in these schemes. We need to ensure a level playing field for the protection of consumers investing in contract-based and trust-based multi-employer pension plans.

Maintaining the success of AE over the long term

Although much of the success of AE has relied on inertia and ‘nudge’ tactics, we also want people to get to know their pension and decide what they’ll need to save to be able to look forward to their retirement. Increasing engagement and knowledge means giving people easy access to information they need, which is why a successful roll out of the pensions dashboard will be so important.
