

A VIEW FROM THE TOP

CBI 2013 PENSIONS SURVEY



Sponsored by

Standard Life

CONTENTS

<i>Foreword</i> by Katja Hall, CBI	4
<i>Foreword</i> by Paul Matthews, Standard Life	5
Executive summary	6
1 Survey respondents	8
2 Businesses need an effective, affordable and stable pensions framework	12
3 DB costs are holding back business growth prospects, slowing the recovery	16
4 So far, so good on auto-enrolment – but real challenges lie ahead	21
5 Businesses are looking to make DC attractive to employees	26
References	30

Katja Hall

FOREWORD



This biennial survey is an invaluable tool to get an insight into UK business leaders' views on pensions. It provides the views of a broad range of respondents, from FTSE100 firms' CEOs to those of small and mid-cap firms. The diversity and seniority of opinion makes this survey unique in its field and we are very pleased to be teaming up with Standard Life this year to produce it.

The 2013 edition of the survey is a particularly timely one. Slowly but finally, the UK is starting to get out of the economic doldrums and companies are feeling more upbeat about the future. However, even in this improved environment defined benefit costs cast a long shadow of uncertainty over company finances. 70% of chief executives tell us uncertainty is acting as a roadblock to greater business investment, so crucial to ensuring sustainable, long-term growth.

The Pensions Regulator has a pivotal role to play in improving the situation, but it is concerning that almost 30% of companies are unhappy with their dealings with them. That figure has more than doubled since 2011, when it was 12%. CBI members hope the new statutory objective given to the Regulator to promote the sustainable growth of the employer will help change those perceptions. However, the Regulator now urgently needs to up its game to ensure this is the case in its day-to-day interaction with businesses.

2013 is also the year in which auto-enrolment celebrates its first birthday. And while it has been a real success story so far, there are a number of lessons to be learned to ensure this continues to be the case. The survey provides a useful insight into the experience and opinions of those larger businesses that have already auto-enrolled their staff, as well as the priorities and concerns of those smaller ones entering the regime in the next few months and years.

The top message across business is that ease of administration is their top priority when it comes to auto-enrolment – from ongoing compliance to communicating effectively with employees. With auto-enrolment bringing millions of new savers into pensions, the survey also highlights business leaders' concerns around lack of employee engagement.

Overall, with just over 16 months to go before the next General Election, there is a clear message from UK business leaders to government on pensions: get the big ticket reforms right. This means helping companies navigate the auto-enrolment changes and effectively implementing the new State Pension regime. If the Government can do that successfully, looking forward to the next Parliament, keeping DC simple and affordable will be a pivotal issue to consolidate auto-enrolment and rebuild a savings culture in the UK.

A handwritten signature in black ink that reads "Katja Hall".

Katja Hall
Chief policy director

Paul Matthews

FOREWORD



Automatic enrolment is dramatically changing the pension savings landscape in the UK. It is a vital lynchpin in encouraging a long-term savings culture and, in turn, brighter financial futures. Initial signs have been very encouraging and, while we must acknowledge we are in the early stages, opt-out rates have been much lower than had been predicted by many.

Findings in this report support the importance UK business places on this initiative, with over a third of CBI members stating that 'getting auto-enrolment right' should be a top priority for government and a large proportion of respondents showing significant interest in the impact and outcomes for their employees. 77% of CEOs said they feel an obligation to contribute to employees' pensions and more than half said they feel a similar obligation to help employees plan for retirement.

As we enter into the second year of auto-enrolment, this research among a broad range of businesses couldn't have come at a better time. We move from an environment where the industry has established workplace pension schemes at a rate of one every three hours to one where – in 2014 – it will be setting up a scheme every six minutes. That requires significant changes in the way we do things.

The continuing success of the Government's strategy to get people saving through the workplace puts significant responsibility on employers, both financially and morally. It is, therefore, crucial that we listen to what employers have to say and respond, ensuring that we make the roll-out a success for both employees and the firms that employ them in the first place.

There is no doubt that successfully implementing auto-enrolment is firmly on the boardroom agenda. However, we must strive to ensure it remains a

priority into the future. Just under half of CEOs cited administration of auto-enrolment as one of their chief concerns, so it's imperative we recognise and support the ongoing commitment from employers to make it work, not just the initial activity.

Given the CBI's broad representation covering the largest to the smallest firms, the survey provides a view of those that have already started auto-enrolment and those that have still to begin. It looks at the challenges for larger employers and how some will deal with their existing DB plans. Again, this is timely, given Government's consultation on 'defined ambition'.

This report provides the perfect combination of lessons learnt and things we can improve. I would urge anyone in a position of influence to take note of the findings. The decisions we are making today on pensions will make a difference to people's lives for many years to come. We need to ensure we get them right.

Paul Matthews
UK chief executive, Standard Life

Executive summary

THE CBI 2013 PENSIONS SURVEY

- Data for the survey was collected in the summer/autumn of 2013, two years after data collection for the 2011 survey
- There were 226 respondent organisations, employing nearly 700,000 people in total
- The 2013 edition has a good balance of respondents, both in terms of organisation size and sectors.
- More importantly, there is a balance between those employers that have already gone through auto-enrolment and those that have not as yet staged.

Businesses need an effective, affordable and stable pensions framework

- Business leaders are strongly committed to pension provision, with 77% feeling an obligation to contribute to employees' pensions
- More than nine in ten say there is a good business case for offering pension benefits (94%) and 89% say a workplace pension helps recruit, retain and motivate employees
- However, board members are concerned about employees failing to make the most of the pension provision on offer, with more than half (56%) believing employees are poorly equipped to cope with the decisions involved
- Looking ahead, for the last two years of this parliament, boardroom decision-makers are clear that getting auto-enrolment right must be the government's top pensions priority (34%)
- After the election, boardroom decision-makers' concerns concentrate on DC, with over half (57%) of senior decision-makers wanting the government to concentrate on keeping DC affordable and simple for employers to administer. More than a third (37%) also stress that it must be kept affordable and simple to understand for employees.

DB costs are holding back business growth prospects, slowing the recovery

- More than two thirds (70%) of those running companies with DB schemes report that their cost is having an impact on their company's business investment, rising to 78% among manufacturing firms
- Almost half of respondents (46%) also report that operating a DB scheme is restricting their ability to borrow
- Uncertainty around the funding level of the scheme remains a concern (84%) and 97% of board members are worried about significant market movements worsening the funding position of their scheme
- While the proportion of businesses satisfied with the Pensions Regulator has risen to 73%, the proportion dissatisfied has doubled, from 12% in 2011 to 28% this year
- The biggest Pension Protection Fund (PPF) concern is over the size of levies (59%). Despite that, the PPF and the Pensions Regulator on the whole retain business support
- The proportion of businesses planning changes to their DB pension scheme has dropped sharply (from 64% in 2009 to 36% this year).

So far so good on auto-enrolment – but real challenges lie ahead

- Although most businesses feel they are prepared for auto-enrolment, over half (55%) of those that have not yet reached their staging date report they still have to gain a full understanding of the compliance requirements
- Among businesses that have staged, there have been hefty compliance costs caused by having to navigate complex guidelines, pointing to the need for more guidance from the government and the Pensions Regulator
- More than nine in ten businesses (94%) either already have or will use DC schemes for auto-enrolment. The great majority of these have chosen private providers, with just 7% of respondents planning to use NEST
- Looking beyond staging, over 80% of larger businesses see compliance with auto-enrolment regulations as an on-going challenge followed by managing opt-ins and opt-outs (68%)
- Senior decision makers see low levels of employee engagement as the single biggest threat to the success of auto-enrolment (40%), followed by over-regulation (20%).

Businesses are looking to make DC attractive to employees

- When asked to identify the top priority for their DC pension scheme, businesses highlight its role in attracting and retaining talent (35%) and in fostering employee engagement (21%)
- But two thirds of business leaders (68%) are either concerned or very concerned that too many employees are failing to take full advantage of their DC scheme or are opting out of it completely. The proportion of employees taking advantage of their employer's maximum available contribution rate has fallen to 36% in 2013 from 47% two years ago
- And nearly half of all business leaders (49%) feel that many employees simply don't have sufficient financial knowledge to take the type of investment decisions DC schemes involve. The figure jumps to nearly two thirds (63%) among those firms that have been through the experience of staging
- DC schemes must therefore be kept as simple and flexible as possible, if employees are to be helped to engage with DC pensions and develop their understanding.

“Automatic enrolment is dramatically changing the pension savings landscape in the UK. It is a vital lynchpin in encouraging a long-term savings culture and, in turn, brighter financial futures.”

Survey respondents

SECTION 1

The previous edition¹ of A view from the top – in 2011 – was published against a background of fragile economic recovery and the imminent introduction of far-reaching regulatory changes. The 2013 survey was conducted in a more encouraging economic context and enables us to take stock of how the changes in regulation – particularly auto-enrolment – are working out in practice. Reflecting the views of senior leaders, it provides insight into the experience, priorities and strategic thinking on pensions issues of businesses across the UK economy.

A view from the top is unique because, unlike other pensions surveys, it gathers the views of corporate boardroom leaders. The main part of the questionnaire is filled out by the firm's chief executive or a boardroom director, giving an insight into concerns and plans at the top of the company. This strategic view is then complemented by supporting and practical data collected from the firm's pensions specialist in a separate section of the questionnaire.

Data for the survey was collected in the summer/autumn of 2013, two years after data collection for the 2011 survey. There were 226 respondent organisations, employing nearly 700,000 people in total. The 2013 edition has a good balance of respondents, both in terms of organisation size and sectors. More importantly, there is a balance between those employers that have already gone through auto-enrolment and those that have not as yet staged.

Respondents by company size

Traditionally, it is larger firms that are more likely to offer a workplace pension. As a consequence, they tend to have been over-represented in previous editions of the survey. The introduction of auto-enrolment will change that, with businesses of all sizes being required to offer a scheme to their eligible employees. So it is likely that, increasingly, we will see more active participation in workplace pension issues by smaller firms.

This year's survey already shows a shift in that direction. The breakdown of respondents shows a good spread of representation across different company sizes (**Exhibit 1**). Using the number of employees definition,² respondents from small and medium-sized enterprises (SMEs) represented close to half (44%) of the total, with larger firms representing the remaining 56% (**Exhibit 2**). In all, a fifth of respondents (20%) had fewer than 50 employees, with a slightly smaller proportion (17%) having more than 5,000 employees.

Exhibit 1 Respondents by number of employees (%) Sectoral analysis

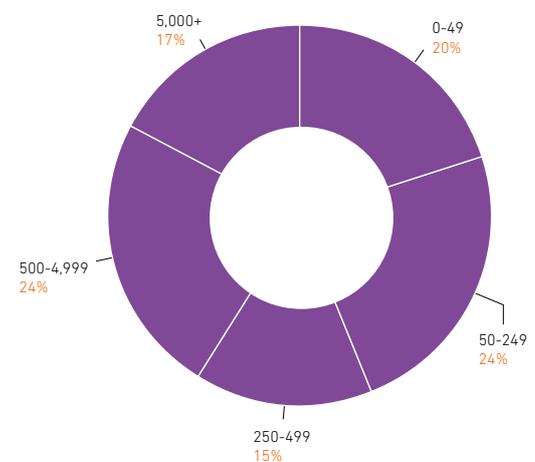
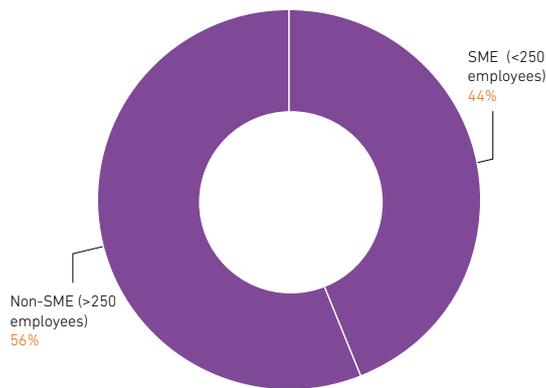


Exhibit 2 Respondents by firm classification (%)



Respondents came from all sectors of the economy (**Exhibit 3**). Manufacturing made up the largest share of respondents, at 25%, reflecting the widespread provision of defined benefit (DB) schemes in the sector. 'Other Services' sector firms make up the next largest grouping (24%), with firms in finance and business services constituting the third largest category (19%).

Respondents by pension scheme offering

The trend of recent years has been for defined contribution (DC) schemes to become the preferred choice of provision for a workplace pension offering. The trend is reflected among our respondents. Of respondents currently providing a pension scheme, more than eight out of ten businesses (85%) provide a DC pension scheme (**Exhibit 4**). Among this group, over half also provide a DB pension scheme for at least some employees. Typically, this will be a legacy scheme now closed to new members.

Less than 6% of the sample currently do not provide a pension scheme at all. All respondents in this category, however, have yet to 'stage', meaning the start date for auto-enrolment has not yet arrived for their organisations.

Exhibit 3 Respondents by sector (%)

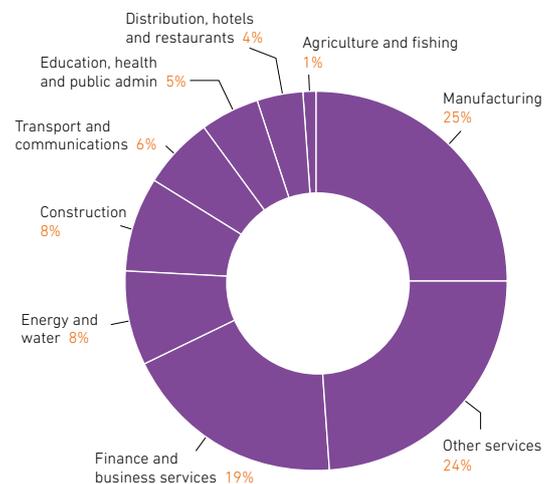
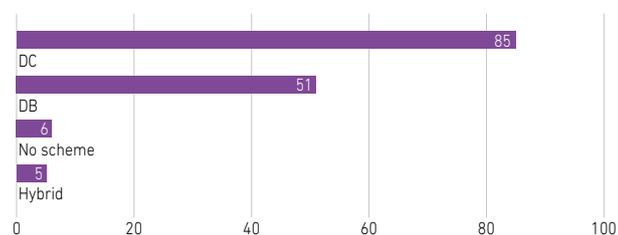


Exhibit 4 Respondents by pension scheme offering



£362.2bn

Respondents operate schemes with a total of £362.2bn of assets under management

Respondents by stage of auto-enrolment

There was a relatively even split between employers who had staged at the time the survey was conducted and those who had not, with 42% of respondents having already auto-enrolled employees into a workplace pension scheme (**Exhibit 5**). The remaining 58% of respondents had yet to stage, with businesses in this group having a range of staging dates from late 2013 through to 2016.

Respondents by pension scheme assets

The participating businesses in this year's survey sponsor DB schemes with a total of £254.8bn of assets under management, over £17bn more than in the 2011 survey. A third of respondents (34%) had scheme assets worth less than £25m. At the other end of the spectrum, 23% of participants had assets of £1bn or more (**Exhibit 6**). In DC schemes, respondents have a total of £107.4bn in assets under management.

Exhibit 5 Respondents by stage of auto-enrolment (%)

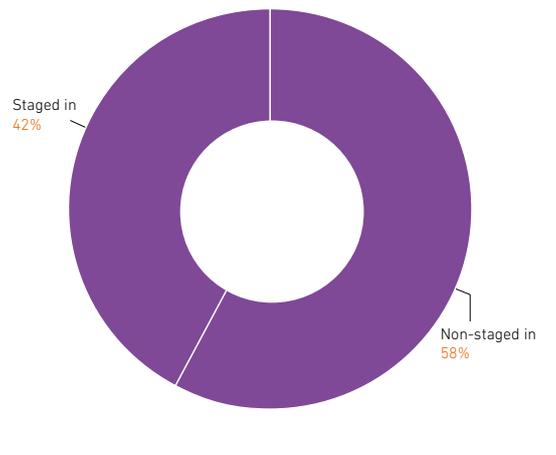
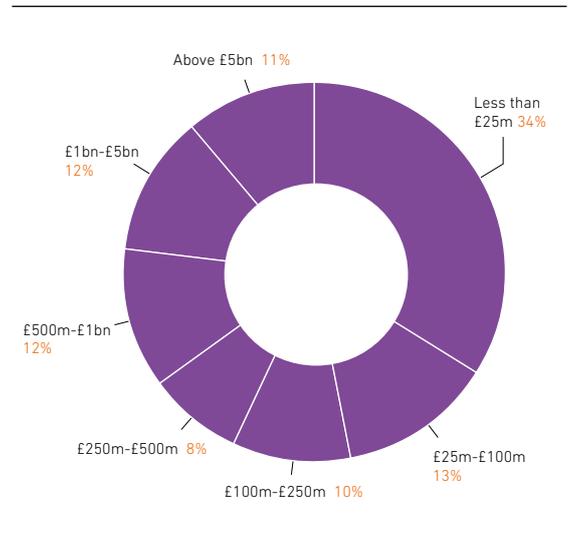
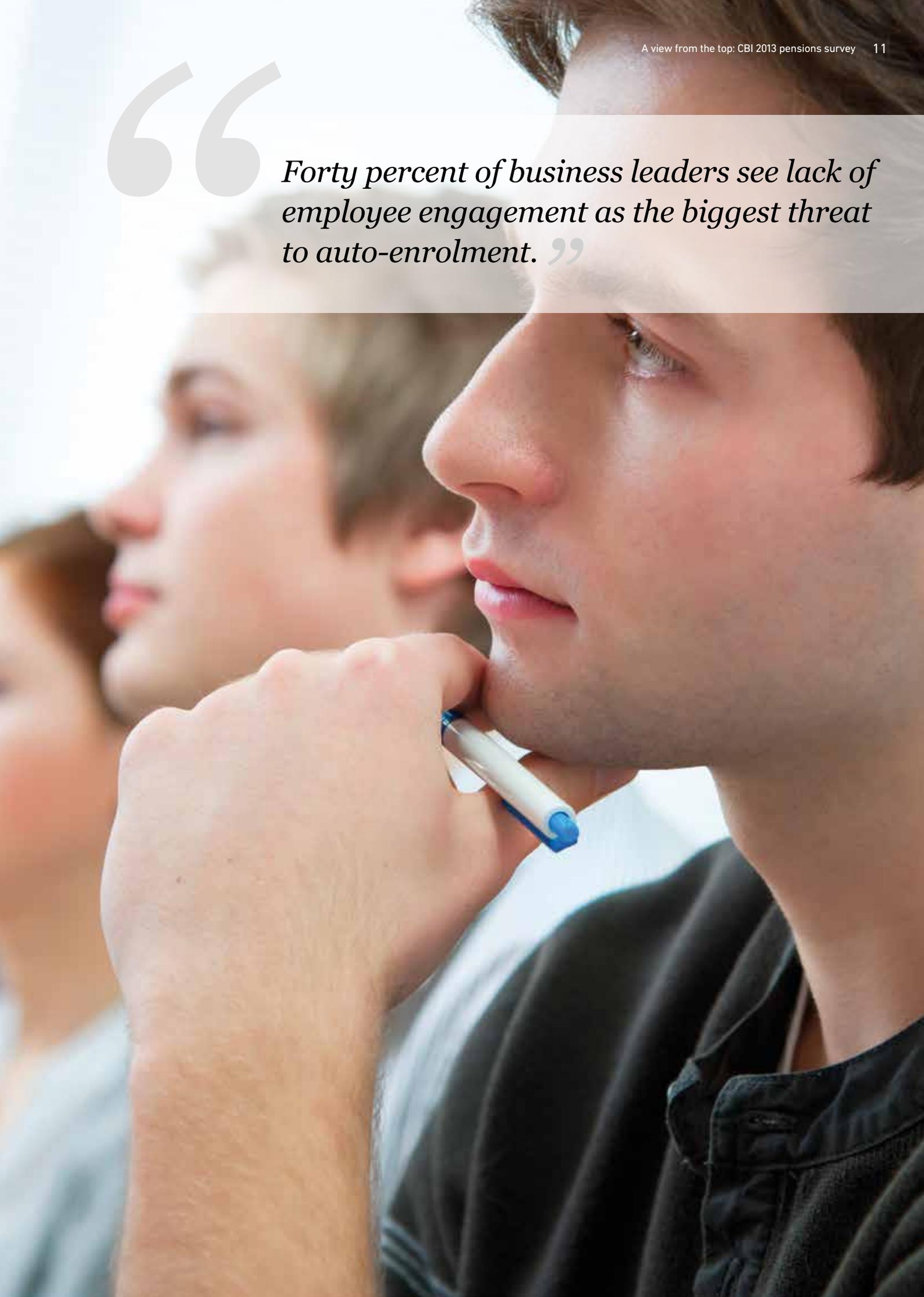


Exhibit 6 Respondents by DB assets (%)



“

Forty percent of business leaders see lack of employee engagement as the biggest threat to auto-enrolment.”



Businesses need an effective, affordable and stable pensions framework

SECTION 2

This year's survey was conducted at a time when the UK economy looks to have turned a corner and businesses are more confident about the future. In the pensions sphere many challenges remain ahead. In the first half of 2014, approximately 30,000 employers will have to comply with auto-enrolment for the first time. The new State Pension regime needs to be effectively implemented, while the response of the Pensions Regulator to its new statutory objective will dictate whether DB costs remain a roadblock to business investment. With just two years to go to the next general election, businesses are looking to the government to prioritise getting the big ticket reforms right, while also continuing to steer the economy back to solid growth.

KEY FINDINGS:

- Business leaders are strongly committed to pension provision, with 77% feeling an obligation to contribute to employees' pensions
- More than nine in ten say there is a good business case for offering pension benefits (94%) and 89% say a workplace pension helps recruit, retain and motivate employees
- However, board members are concerned about employees failing to make the most of the pension provision on offer, with more than half (56%) believing employees are poorly equipped to cope with the decisions involved
- Looking ahead, for the last two years of this parliament, boardroom decision-makers are clear that getting auto-enrolment right must be the government's top pensions priority (34%)
- After the election, boardroom decision-makers' concerns concentrate on DC, with over half (57%) of senior decision-makers wanting the government to concentrate on keeping DC affordable and simple for employers to administer. More than a third (37%) also stress that it must be kept affordable and simple to understand for employees.

Business leaders still see a clear case for offering workplace pensions...

Workplace pension schemes were originally set up by larger employers as part of their commitment to help their employees – who often spent their entire working life with them – get an adequate income in retirement. That sense of responsibility is still strong – 77% of board members tell us they feel an obligation to contribute to employees' pensions and 57% feel an obligation to help their employees plan for their retirement (**Exhibit 7**).

94%

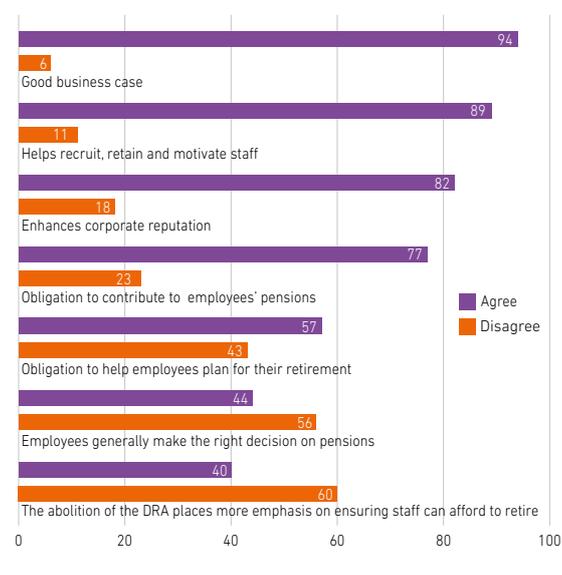
of CEOs believe there is a good business case for offering pension benefits

Today, however, in the context of rising life expectancy, changed social attitudes and greater employee mobility, the way in which that perceived obligation is fulfilled is evolving. Auto-enrolment is part of the answer to the need to get more people saving for retirement. It also means smaller businesses that do not offer a pension will have to start doing so for the first time.

At the same time, workplace pensions have become more of a practical tool for businesses, especially on the HR side. In all, 89% of chief executives say a business pension scheme helps recruit, retain and motivate staff. This reflects wider developments in the labour market and human resource strategies, with tailoring of reward packages to attract and retain talent.

Alongside giving employees the chance to vary the make-up of their packages, businesses also want to ensure that their spend on pensions secures value for money. On the whole, the case for employer-sponsored pension provision remains strong: 94% of respondents believe that there is a good business case to providing them and more than four fifths (82%) believe that they enhance corporate reputation.

Exhibit 7 Employers' role in pension provision (%)



...but they are concerned employees are not making the most of schemes

While employer commitment to helping employees save adequately for their retirement remains high, so do concerns about the ability of employees to make the most of the provision on offer. In particular, over half of respondents (56%) believe that employees, when left to make their own choices, do not generally make the right decisions and are not equipped to make them. This concern is reflected throughout this year's survey findings, as businesses wrestle with the need to improve employee engagement and understanding in the face of mass enrolment into pensions.

The government must focus on getting big ticket reforms right

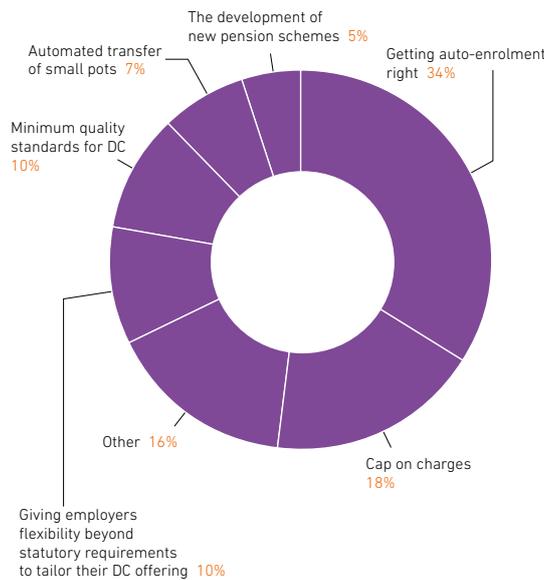
The advent of auto-enrolment is focusing the attention of CEOs on the challenges of future provision in terms of the effective administration of auto-enrolment and their DC schemes.

Large employers have now staged. Opt-out rates for the first year of auto-enrolment indicate that things have gone well, with government figures reporting an average opt-out rate of just 9% from October 2012 to August 2013.³ However, the real challenge lies ahead, as smaller businesses prepare to enter the regime. Between April and July 2014, 30,000 mid-sized businesses will reach their staging dates.⁴

When asked what the top government priority on pensions for the last two years of this parliament should be before the general election, getting auto-enrolment right emerges as the top concern, cited by over a third (34%) of boardroom decision-makers (**Exhibit 8**). This is no surprise as we approach a critical time for auto-enrolment, with every business affected regardless of size and whether they already offer a pension scheme.

The government, the Pensions Regulator and pension professionals need to work closely together to help companies navigate the maze of changes. This is particularly important for the many businesses that will be offering pension scheme membership for the first time under auto-enrolment.

Exhibit 8 Top government priority until the next general election (%)



A second set of priorities centre on the need to ensure DC scheme design helps to deliver value for money for employees, with a focus on capping charges (18%), giving employers flexibility to encourage them to go beyond the statutory requirements (10%) and minimum quality standards (10%). Among the 16% of respondents choosing the 'other' category as their priority, their responses stress the need for regulatory stability, in particular, allowing the new regime adequate time to bed in.

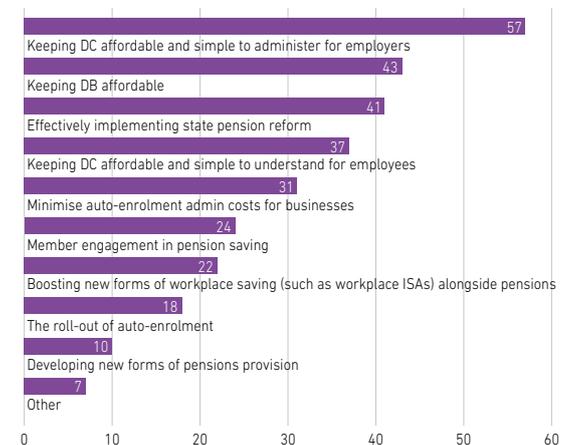
Beyond this parliament, the government's priority must be keeping pensions simple and affordable

Looking to the next parliament, over half (57%) of senior business decision-makers believe keeping DC affordable and simple for employers to administer should be the priority for the next government (Exhibit 9). More than a third (37%) also stress that it should be kept affordable and simple to understand for employees.

These results indicate that business leaders are increasingly concerned about how the DC regulatory environment may develop over the next few years, as more and more businesses offer those schemes under auto-enrolment. Their worry is that the government may switch its focus to regulation of the DC market, letting it slip from auto-enrolment and that this will result in schemes that are more complex and more expensive for businesses and scheme members alike.

For those businesses operating DB schemes DB costs present another major concern (61%). In all, 43% of participants, whether they operate a DB scheme or not, believe the government must have keeping DB provision affordable as one of its top priorities after the election.

Exhibit 9 Government priorities for the next parliament (%)





In particular, DB costs are acting as a drag on business investment – as explained in section 3. The view at the top of companies is that DB problems are no longer solely about pensions, but rather a wider economic issue that needs to be resolved if we are to build a sustained private sector-led recovery. This is why ahead of last year's autumn statement the CBI called for the introduction of a new statutory objective for the Pensions Regulator to protect employers' ability to invest in their business alongside funding pensions. The challenge now is to ensure that the objective, which is being introduced through the 2013 Pensions Bill, makes a material difference on the ground through clear changes to the Regulator's codes of practice, guidance for trustees and its day-to-day dealings with employers.

The other leading priority for the future is the effective implementation of state pension reform (**Exhibit 10**) – seen as a priority by more than two in five business leaders (41%).

Exhibit 10 With only two years to go, state pension reform needs to be effective

The government is legislating for the introduction of a single-tier state pension in 2016. The abolition of the second state pension will result in the end of the DB contracted out rebate. For employers losing the rebate, this will mean an increase in the amount of National Insurance they have to pay.

The effective implementation of the new state pension is seen as among the top three priorities for government in the next parliament, cited by 41% of board-level directors (**Exhibit 9**). While the government has introduced a statutory override to allow businesses to offset the additional costs, how it will work in practice is yet to be resolved.

The window available for businesses to implement the changes is very small, as the Pensions Bill is expected to achieve royal assent before the first half of 2014, leaving just two years for companies to negotiate the changes with employees and pension trustees.

DB costs are holding back business growth prospects, slowing the recovery

SECTION 3

The huge scale and uncertain future path of DB costs is continuing to dominate thinking in many businesses. Most worryingly for the wider economic recovery, these costs continue to restrict companies' ability to invest for future growth. Companies are looking to the new objective for the Pensions Regulator to deliver a better balance between scheme funding on the one hand and the use of resources to grow the business on the other. Meanwhile, the pace of change in DB schemes is easing – most businesses now have their cost-containment measures in place.

KEY FINDINGS:

- More than two thirds (70%) of those running companies with DB schemes report that their cost is having an impact on their company's business investment, rising to 78% among manufacturing firms
- Almost half of respondents (46%) also report that operating a DB scheme is restricting their ability to borrow
- Uncertainty around the funding level of the scheme remains a concern (84%) and 97% of board members are worried about significant market movements worsening the funding position of their scheme
- While the proportion of businesses satisfied with the Pensions Regulator has risen to 73%, the proportion dissatisfied has doubled, from 12% in 2011 to 28% this year.
- The biggest PPF concern is over the size of levies (59%). Despite that, the PPF and the Pensions Regulator on the whole retain business support
- However, the proportion of businesses planning changes to their DB pension scheme has dropped sharply (from 64% in 2009 to 36% this year).

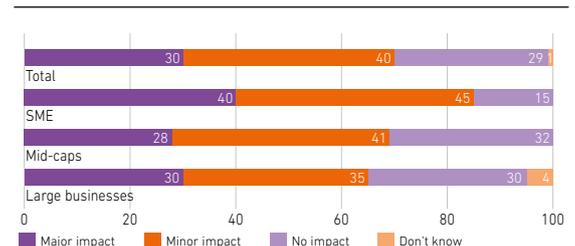
DB costs are acting as a roadblock to investment...

DB costs are having a seriously adverse impact on business investment. While the economy is now growing, business investment remains 27% below its 2008 pre-recession level, which was 14.1% of GDP. Getting businesses to unlock some of the cash holdings they have amassed over the past few years is essential to securing long-term sustainable growth. The CBI and the Bank of England have both raised concerns about the impact of DB schemes on investment for growth and our survey results illustrate this remains an issue.

More than two thirds (70%) of those running companies with DB schemes report that their cost is having an impact on their company's business investment (**Exhibit 11**). Worryingly, the figure reaches 78% among manufacturing firms, a sector that has rightly been signalled by the chancellor as crucial to rebalancing the UK economy and driving up exports.

And among SMEs with DB schemes, the proportion climbs even higher, to 85%.

Exhibit 11 Impact of DB costs on business investment (%)



...and are acting as a serious constraint on corporate finances and companies' ability to restructure

It is not just business investment that is a challenge, although it is the most important one. Almost half of respondents (46%) tell us that operating a DB scheme is constraining their ability to borrow.

Employer debt regulations – known as section 75 rules – are also hampering internal reorganisations, mergers and acquisitions, and asset sales for 60% of businesses responding to the survey. Section 75 rules require that an employer participating in a multi-employer scheme pays the full amount of its share of the total scheme debt if they decide to leave the scheme, even if that employer is a subsidiary in a larger corporate group. Reforming section 75 rules is a long-standing demand from employers, as they are often prevented from restructuring their company internally to adapt to changing business circumstances. Doing so in some cases would trigger massive – and unaffordable – one-off debt repayments within the group. Those unreasonable costs are leading to companies having to retain inefficient corporate structures, damaging their growth prospects.

Some help has been provided by the government through the flexible apportionment arrangement mechanism – which allows the subsidiary within a corporate group being wound down to allocate its share of the scheme liabilities to the remaining ones in the group without triggering the debt. But our results show more needs to be done. In particular, the CBI has called for a review of the myriad definition of 'employer' across pensions legislation to adapt it to current business practices, where a corporate group is the employer ultimately responsible for the scheme, rather than its subsidiaries, as it is the group that is ultimately liable for the scheme debt.

In terms of the impact of DB costs on prospects for new employees, the results are more encouraging. More than two thirds (71%) of survey respondents tell us that at present DB costs are not having an impact on their decisions about hiring new staff.

Exhibit 12 The Pensions Regulator holds the key to removing the DB roadblock

In his 2013 budget statement, the chancellor announced that the government is introducing a new statutory objective for the Pensions Regulator. The new objective will require the regulator to minimise the adverse impact of scheme funding on sponsoring employers and therefore should lead to a significant shift in the approach the Pensions Regulator has, until now, adopted in scheme funding negotiations between employers and trustees.

Over time, the regulator has, through public pronouncements and regulatory guidance, substantially limited businesses' ability to use the flexibilities the Pensions Act 2004 gives companies and trustees in funding negotiations. Businesses' experience is that the regulator encourages trustees to pursue strategies based on full funding at all times, often recklessly disregarding the need for the sponsoring employer to balance the need for reinvestment in the business against the needs of the pension fund.

The new objective will change this and require the Pensions Regulator to restore and encourage the use of the original flexibilities available in legislation. This will mean that trustees and employers will have to work closely and constructively together to put in place funding plans that are consistent with the company's business plan. This should ensure that members' benefits and the viability of the employer – which offers the best protection to scheme members in the long-run – are safeguarded. The CBI believes the new objective represents an important step in addressing the need to unlock business investment over the next few years. This will be essential in driving innovation, entry into new markets and boosting UK competitiveness.

So far, 80% of businesses have not seen a change in behaviour from the Pensions Regulator or trustees since the introduction of the new statutory objective. While it is early days, it is important that the regulator ups its game to ensure material change happens.

Part of making this happen is a need for more direct engagement between the regulator, employers and trustees. Otherwise, there is a danger some consultants and others may muddy the waters by 'interpreting' the regulator's public statements for them. The survey results show those concerns are justified, particularly among smaller employers who tend to be more reliant on external advice due to a lack of in-house capacity.

Market volatility is neutralising employer efforts on funding

A major reason why businesses are holding onto their cash rather than using it for new investment has been the volatility of DB funding in recent years.

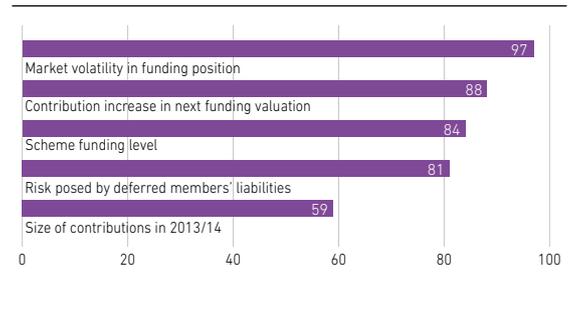
The primary concern in boardrooms is the amount of money the business is pouring and will have to pour into the pension scheme (88%) because of the impact of market volatility on its funding position (97%)

(Exhibit 13). An overwhelming majority of respondents (84%) report that the funding level of the scheme is a concern, with a third (33%) telling us they are very concerned. This worry stems from a feeling that the efforts being made by companies to improve scheme funding – by injecting more cash into the scheme – are being undone by movements in scheme asset returns.

A clear example of this is the impact the Bank of England's quantitative easing programme and the perception of UK debt as a safe haven have had on lowering gilt yields well below historical rates, with adverse knock-on effects on DB funding valuations.

By using a marked-to-market funding regime significant volatility is being injected into DB schemes' funding positions. Schemes are being forced to react to short-term market movements, defying the long-term nature of pension commitments and the logic that more money being put into the scheme by the sponsoring employer means a better funding position for the scheme. This comes out clearly in respondents' answers to the survey: 97% of CEOs tell us they are concerned about significant market movements worsening the funding position of their scheme. The result is that the great majority (88%) also say they are concerned about the prospect of contributions going up in their next funding agreement with trustees.

Exhibit 13 Main concerns about DB funding (%)



Despite the financial crisis, the 2004 Act on the whole retains the backing of business

Since its inception in 2004, the Pensions Regulator has been a respected public body and that perception has improved significantly over the past two years.

In our 2011 survey 44% of businesses told us they were satisfied with the Pensions Regulator's dealings with their company and only 12% were dissatisfied. This year, the percentage of business satisfied with the regulator is up to 73%, a significant increase. However, the figure for those that are not satisfied has more than doubled to 28%, from 12% in 2011. So while overall the figures are quite positive, they also show a polarisation of attitudes among employers – a concerning trend that indicates a need for the regulator to ensure its relationships with all stakeholders are in good shape.

Equally, the PPF continues to have business support, however, the size of the levy remains a concern, with 62% of respondents saying they are not satisfied with the individual levies they have to pay to the fund. The figure is none the less down a little from 70% in 2011. This could be the result of changes to the levy formula introduced by the PPF in 2011/12 which have helped make the levy more predictable year-on-year.

But despite concerns around the levy, the business community continues to back the existence of the PPF – as has been the case since its creation in 2005 – as a necessary safeguard for member benefits in those cases where the sponsoring employer goes insolvent. Between 2009 and 2013, the level of support for the principle of the PPF has remained stable at around 70%.

59%

of businesses are concerned about the size of their PPF levy

Major changes to DB are not on the agenda for a majority of businesses

For the first time since the beginning of the financial crisis, the majority of businesses (64%) do not plan to make any changes to their DB scheme over the next two years (**Exhibit 14**). This represents an important development.

Indeed, the 64% figure represents exactly the same percentage of respondents who told us they were planning to make changes to their schemes in the 2009 survey. This time, only 14% of respondents are planning to close their scheme to existing members at some stage in the coming two years. This indicates that most companies, having gone through the arduous process of reviewing and changing their schemes over the past five years, now feel that route to minimising costs has been exhausted.

Two sectors stand out from the general trend away from future change: energy, and education, health and public administration. A likely reason for this is the impact that government reforms are having on those sectors in particular. The simplification of the State Pension will have sector-specific consequences for energy firms and public service pension reforms are now coming into effect for education, health and public administration. We look at each of these below.

The government's refusal to date to extend the use of the contracted-out override to protected persons already looks likely to trigger changes to DB

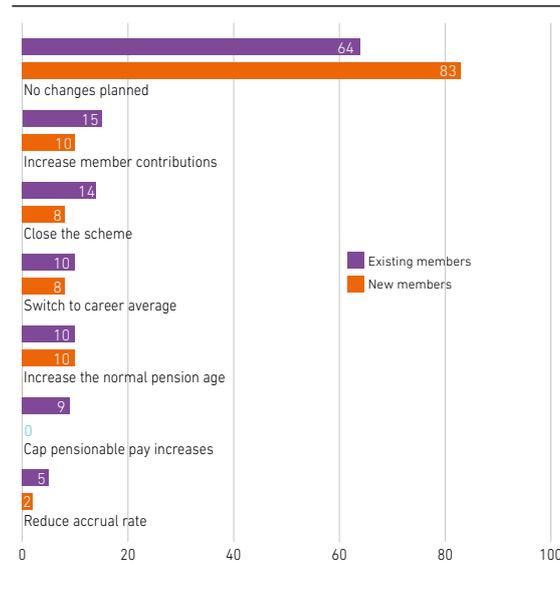
The government is planning to introduce a single-tier State Pension regime (**Exhibit 10**, page 15). This reform will spell the end of the Second State Pension and therefore also the end of the DB contracted-out rebate.

The CBI supports this reform on the whole, as it will make it easier for people to understand how much pension they will receive from the State. This in turn will make the need to save more, privately, clear. However, the end of the contracted-out rebate will mean higher NI costs for business. To achieve cost neutrality, the government has introduced a statutory override in the 2013 Pensions Bill that allows businesses to recoup this additional NI costs resulting from the abolition of the rebate by either reducing accrual rates – to offset the higher pension now

being offered by the state – or increasing member contributions. To maintain business support the change must be cost-neutral for all firms, however.

This is not yet the case as the extension of the override to those former national industries affected by Protected Persons Regulations (PPRs) remains outstanding. During the 1980s and 1990s when some nationalised industries were privatised, PPRs were put in place which require the new private sector business to continue to provide pension benefits for employees, employed at the time of privatisation, which are at least as good as those they were receiving while the company was a public body. PPRs prevent the employer or scheme from making use of the override. The CBI has warned in the past that if companies affected by the PPRs are not able to make use of the override, it would be likely that they would be forced to make changes to the scheme for those employees that are not protected. This could include cost increases for these scheme members or a pension offering that is not as good as that of employees covered by PPRs.

Exhibit 14 Planned changes to DB schemes over the next two years (%)





The government's refusal to date to extend the use of the contracted-out override to protected persons already looks likely to trigger changes to DB”

Energy is one of the major industries affected by PPRs. As anticipated, the figures in the survey give a clear sign that companies in the sector are considering reviewing their DB schemes to deal with the additional cost resulting from the abolition of the rebate. Almost half (45%) of energy company respondents are planning to cap pensionable pay increases and a third (33%) are looking to either switch from final salary to a career average accrual or to increase existing members' contributions over the next two years. With huge pressure on costs in the energy sector, this should not come as a surprise.

And public sector pension reforms still look to be impacting DB schemes

The public sector has been slower than the private sector in facing up to the challenge of escalating pension costs, but changes are now happening. Among respondents in education, health and public administration, most (57%) are planning to switch to career average and the same proportion are planning to increase member contributions and the normal pension age for existing members. All three changes were at the heart of the Hutton Commission recommendations in 2011 that the government accepted as part of the reform of public sector pensions.

So far, so good on auto-enrolment – but real challenges lie ahead

SECTION 4

It's been just over a year since auto-enrolment began. Already over 2,000 employers have staged, with an average opt-out rate of just 9%. The major test for the government and the Pensions Regulator, however, will be between April and July 2014 when 30,000 mid-sized businesses are due to stage. Employers are clear that we must get auto-enrolment right. They expect the government to make this their pensions priority in the run up to the next general election in 2015. Ease of administration represents the biggest concern, particularly for smaller firms, where capacity and money are tight.

KEY FINDINGS:

- Although most businesses feel they are prepared for auto-enrolment, over half (55%) of those that have not yet reached their staging date report they still have to gain a full understanding of the compliance requirements
- Among businesses that have staged, there have been hefty compliance costs caused by having to navigate complex guidelines, pointing to the need for more guidance from the government and the Pensions Regulator
- More than nine in ten businesses (94%) either already have or will use DC schemes for auto-enrolment. The great majority of these have chosen private providers, with just 7% of respondents planning to use NEST
- Looking beyond staging, over 80% of larger businesses see compliance with auto-enrolment regulations as an on-going challenge followed by managing opt-ins and opt-outs
- Senior decision makers see the low levels of employee engagement as the single biggest threat to the success of auto-enrolment (40%), followed by over-regulation (20%).

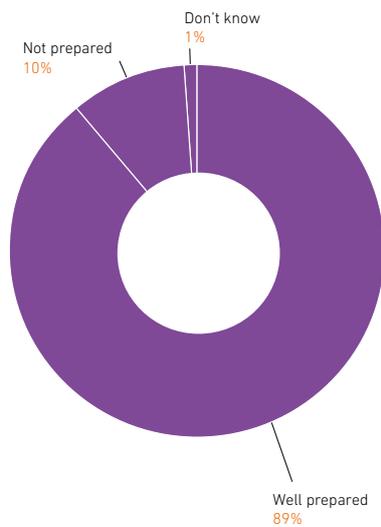
Businesses feel ready for auto-enrolment, but employer duties not yet fully understood

Since October 2012, over 2,000 employers have begun auto-enrolling their staff into a workplace pension scheme. The general assessment is that things have gone well. The average opt-out rate stands at around 9%,⁵ and there have been no major crises in implementation.

For those businesses that have not yet staged, the survey findings reveal a mixed picture on preparedness. Over half (55%) of businesses that have not yet reached their staging date admit to not fully understanding what is required for compliance. But when asked whether their business is prepared for the impact of auto enrolment, almost nine in ten (89%) of these respondents tell us they are well prepared, with just under one in ten saying they are not (**Exhibit 15**). For businesses with between 50 and 499 employees, the results are very similar, with just 15% of respondents saying they are not prepared. However, this figure rises for those with fewer than 50 employees, where almost a quarter (23%) say they are not yet prepared. This is no surprise, as smaller firms have longer to prepare for their entry into the system.

“ *Nearly 90% of businesses that have auto-enrolled their employees, are looking into a privately provided DC pension scheme, including 83% of SMEs* ”

Exhibit 15 Preparedness for auto-enrolment (%)



When asked whether they know their staging date, the great majority of participants (84%) report that they do. This is broadly consistent with the 89% who tell us they feel well prepared. However, for businesses with between 50 and 499 employees, the proportion of those that do not know their staging date reaches one in four (24%). This is notably higher than the proportion of businesses who acknowledge they are not prepared (15%). This begs the question of whether all these businesses are yet fully up to speed with their obligations.

The substantial number of employers admitting to not fully understanding their duties, combined with the high compliance costs large businesses have incurred, highlights the need for advice. The government and the Pensions Regulator have an essential role to play here, explaining what is required of employers and helping keep compliance costs in check. Yet our survey results show businesses are currently looking to a range of other sources for advice on auto-enrolment (Exhibit 16). Over half say they would turn to a corporate adviser (51%), while more than one in four (27%) say they look to their pension provider.

The success of auto-enrolment requires a healthy DC market with adequate private provision

The survey results confirm expectations that DC will be the scheme design of choice for auto-enrolment by a large margin (Exhibit 17). In all, more than nine in ten businesses (94%) have or plan to enrol their employees into a DC scheme. Only a very small minority (6%) are using a DB scheme for auto-enrolment (Exhibit 18).

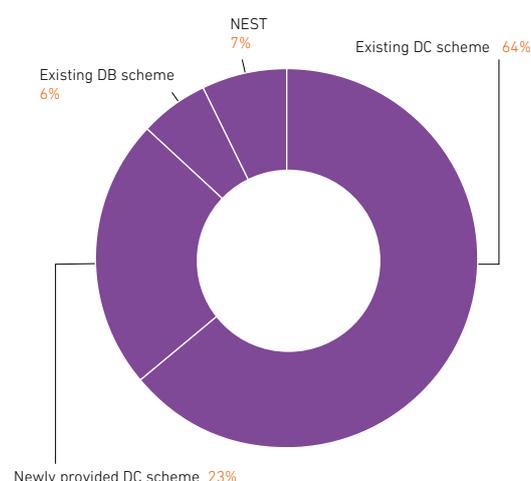
Prior to the beginning of auto-enrolment last year, expectations were that competition would be fierce between NEST and the private DC market. But the 2011 edition of *A view from the top* predicted that the private market would in fact do well in meeting business demand. A year into auto-enrolment, the latest survey findings confirm our expectations. Nearly 90% of businesses that have auto-enrolled their employees, or are planning to do so, are looking to auto-enrol into a privately provided DC pension scheme, including 83% of SMEs.

The majority of employers have an existing pension arrangement which they plan to use for auto-enrolment. This includes over 70% of businesses with more than 5,000 employees and, at the other end of the scale, nearly 70% of firms with fewer than 50 employees. Overall, 64% of businesses plan to auto-enrol employees into an existing DC scheme.

Exhibit 16 Main source of advice on auto-enrolment (%)



Exhibit 17 Choice of provision for auto-enrolment purposes (%)



A further 23% of respondents – predominately mid-sized businesses (61%) and SMEs (31%) – will set up new privately provided DC schemes in which to auto-enrol their employees. With a diversity of options now emerging in the provider market – from the traditional group personal pensions (GPP) to low-cost competitors to NEST – it seems clear this group of businesses does not feel there is a lack of choice in the market. Our survey shows less than 2% of businesses setting up a new private DC scheme are concerned about lack of scheme choice compared to 3% overall.

Just under 7% of respondents have used or intend to use NEST as their auto-enrolment solution. Most of this group comprise businesses with fewer than 50 employees – among these businesses 16% are likely to opt for NEST. These results should allay earlier fears that private providers would be at a disadvantage in competing with NEST to acquire clients among smaller businesses. However, when the restrictions on NEST are lifted in 2017, it may become a more attractive option to businesses, meaning that the number of businesses that use or intend to use NEST may increase.

Exhibit 18 A special case: businesses using DB schemes for auto-enrolment

A group of businesses bucking the trend towards DC is those planning to auto-enrol their employees into their DB scheme – 6% of respondents. But 71% are planning to make changes to the scheme for new members. Of those looking to make changes, over half (57%) are planning to switch to career average accrual, increase member contributions or increase the scheme's normal pension age, with just 14% looking to reduce the accrual rate at which pension benefits are built up.

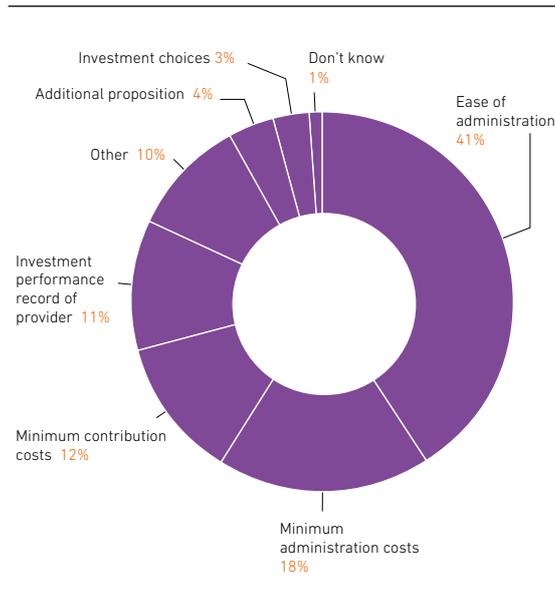
Staging is just a first step – administering auto-enrolment will remain a challenge...

Businesses support auto-enrolment as part of the solution to building a sustainable pensions system in the face of an ageing society. To achieve this result, however, those businesses have had to spend £15.4bn in compliance costs – excluding contributions to benefits.⁶ These costs have been caused by having to navigate often complex guidelines, which, until recent easements of auto-enrolment regulations, included definitions that are incompatible with standard business processes – such as pay reference periods – and tight and confusing deadlines.

Businesses need to ensure that they consider not just the challenges of one-off compliance with the regime during staging, but also put in place sufficient capacity to deal with matters such as record-keeping and managing contribution schedules for the years to come.

This is clear for chief executives with two in five (41%) citing ease of administration as their top priority when considering an auto-enrolment solution for their business (**Exhibit 19**). Ease of administration is the top concern across all firms, but especially so for large businesses, who will know more of the burden of automatic enrolment at this stage. Nearly 50% of businesses with between 500-4,999 employees cite this as their auto-enrolment priority. This is not surprising, given the size of their workforces, the possibility of higher staff turnover and the likely use of a number of different contractual models.

Exhibit 19 Top business priority on auto-enrolment (%)



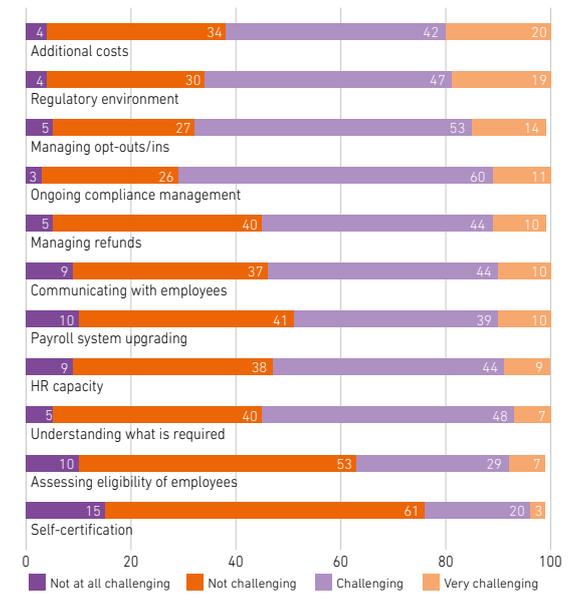
Minimum administration costs ranked second, being identified as the top priority by 18% of chief executives. This finding reflects the general sentiment among businesses that the administrative side of auto-enrolment has been tougher than expected. Minimum contribution costs are cited by 12% of respondents as their priority for attention. Overall, these results indicate the extent of concern among businesses about the cost of auto-enrolment both on introduction and over the longer term.

...with compliance, opt-outs and opt-ins heading up the list

Asking pension managers about the specific challenges they face around auto-enrolment, future compliance features again with over 70% of businesses concerned about on-going compliance with the regulations (**Exhibit 20**). The view is especially widespread among larger firms, with over 80% of mid-sized and larger businesses citing this as a challenge. Looking at specific sectors, on-going compliance is a concern particularly for firms in construction, finance and business services, and the transport and communication sectors.

Managing opt-outs and opt-ins ranks is the second most frequently mentioned issue for businesses in complying with auto-enrolment. Our survey shows over two thirds of businesses (68%) see this as either very challenging or challenging. It is perceived as more of an issue among businesses that have yet to embark on auto-enrolment, with 73% of this group citing it as either very challenging or challenging. This is followed closely by the regulatory environment and the additional costs generated by compliance with the regulations.

Exhibit 20 Auto-enrolment challenges (%)⁷



Two-thirds of respondents (66%) cite the regulatory environment as either challenging or very challenging. The recent easements of auto-enrolment regulations by the government in October 2013, particularly around flexibility when setting pay reference periods, will go some way towards helping businesses as they prepare to stage. The CBI lobbied strongly for simplification of the regulations and clear guidance for businesses in advance of medium-sized and smaller employers staging. The danger remains, however, that smaller employers with less experience in dealing with complex administrative systems may struggle to cope. With the legal aspects posing more of a challenge to businesses than factors of business capacity, there is a clear need for stability and simplicity around auto-enrolment regulations.

Over half of respondents (54%) believe communicating auto-enrolment to employees and managing refunds to be either challenging or very challenging. Human resources capacity is identified as another area where there are auto-enrolment challenges for business, with more than half of respondents (53%) seeing this as either challenging or very challenging. Just under half of respondents (49%) have found upgrading their payroll system to be either challenging or very challenging.

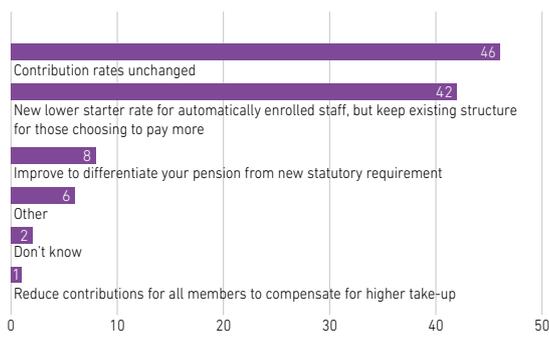
66% of businesses see the regulatory environment for auto-enrolment as a challenge

Businesses with existing DC schemes look to adapt provision to encourage employees to take full advantage...

For businesses with DC schemes prior to auto-enrolment, the changing pensions landscape has encouraged many to review their offering to ensure it is still fit for a world where every eligible worker is automatically enrolled by the employer. Over half of businesses plan to either leave their contributions unchanged (46%) or to improve the scheme (8%) so as to differentiate their scheme from the new statutory requirement which in turn helps set them apart from competitors when it comes to attracting and retaining talent (**Exhibit 21**).

Most importantly, more than two in five respondents (42%) plan to introduce a lower starter rate for newly enrolled staff. A likely reason for this is to ensure that employees on lower incomes who are being asked to save into a pension for the first time are not scared off by having to lose too much of their disposable income because of auto-enrolment. In most cases, lower starter rates can enable individuals to save while maintaining a sufficient level of monthly income. Another reason is to ensure that costs remain manageable for all businesses, especially those businesses where margins are thin. Together, these reasons reflect why survey respondents in many lower-paying sectors with a consumer-facing element, such as all respondents in the distribution, hotels and restaurant sector, have or are planning to introduce lower starter rates.

Exhibit 21 Businesses' plans for existing DC in response to auto-enrolment (%)



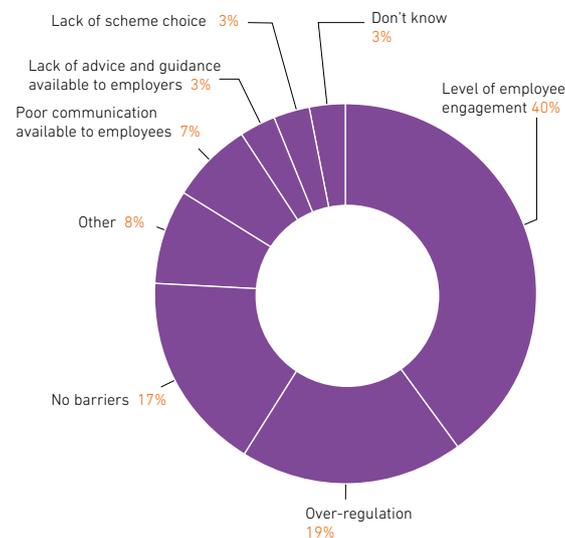
...but securing employee engagement is a major difficulty

In spite of the administrative challenges faced, it is the level of engagement among employees that concerns businesses the most. Two in five respondents (40%) see it as the main barrier to the success of auto-enrolment (**Exhibit 22**). This view is consistent across businesses in all sectors and of every size, but it is particularly widely held among companies in manufacturing and in SMEs.

The second most commonly identified barrier is that of over-regulation of auto-enrolment (19%). Of those taking this view, 95% of respondents have or are planning to auto-enrol their employees into DC schemes. This suggests that businesses value the flexibilities that DC provides to tailor their scheme to the specific needs of their workforce and are concerned that some of those flexibilities could be lost in future.

Interestingly, 17% of respondents do not believe there are major barriers to the success of auto-enrolment. Of this group, nearly 60% have not yet gone through the process of auto-enrolling their employees. However, a closer look at the figures reveals that 60% have existing DB or DC schemes into which they are planning to enrol their employees.

Exhibit 22 Main barrier to auto-enrolment success (%)



Businesses are looking to make DC attractive to employees

SECTION 5

Business leaders are concerned about the low levels of employee engagement with DC pensions. Employers want to provide the best they can afford when it comes to pensions, so they are looking for innovative solutions to try and encourage employees to save more and help them with investment decisions. But regulatory intervention has the potential to curb their ability to do this, forcing them into one-size-fits-all approaches to scheme design that do not reflect the needs of different workforces.

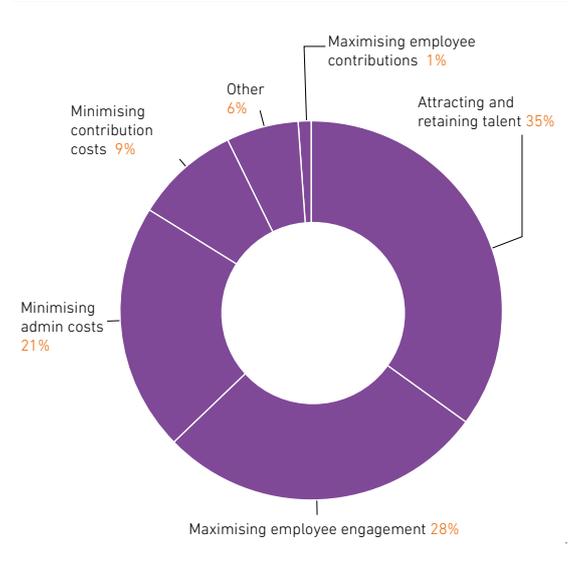
KEY FINDINGS:

- When asked to identify the top priority for their DC pension scheme, businesses highlight its role in attracting and retaining talent (35%) and in fostering employee engagement (28%)
- But two thirds of business leaders (68%) are either concerned or very concerned that too many employees are failing to take full advantage of their DC scheme or are opting out of it completely. The proportion of employees taking advantage of their employer’s maximum available contribution rate has fallen to 36% in 2013 from 47% two years ago
- And nearly half of all business leaders (49%) feel that many employees simply don’t have sufficient financial knowledge to take the type of investment decisions DC schemes involve. The figure jumps to nearly two thirds (63%) among those firms that have been through the experience of staging
- DC schemes must therefore be kept as simple and flexible as possible, if employees are to be helped to engage with DC pensions and develop their understanding.

Employers see DC as integral to business strategies to recruit, retain and engage talent

As highlighted in section 2, an increasing number of businesses are using pensions as a strategic tool, especially for attracting and retaining staff. In the case of those with DC provision, more than a third of businesses (35%) offering these schemes cite this as their top priority (**Exhibit 23**), regardless of whether or not they have staged.

Exhibit 23 Top business priority in DC provision (%)



Maximising employee engagement emerges as the second most widely cited DC priority for businesses. More than a quarter of respondents (28%) see the potential positive impact on staff engagement as the most important issue. Within this group, the split between those businesses that have already staged (52%) and those businesses that have yet to (48%) is relatively even, suggesting that those firms who have already staged believe employee engagement is an on-going focus of management attention beyond the staging process.

Worries about the burden of administrative costs are reflected in the just over one in five firms (21%) that identify this as their top business priority for their DC pension provision. This level of concern highlights the need for stability, predictability and simplicity in the obligations placed on employers by the regulations around auto-enrolment and DC schemes more generally.

But employees are not making the most of DC provision...

Businesses have long felt that employees do not engage enough with their DC retirement plans. Business leaders are concerned about the low proportion of employees who take full advantage of their pension schemes, and, in particular, the maximum available employer contribution. In addition they are concerned about those employees who opt out, failing to benefit at all. Across respondents as a whole, more than two thirds (68%) report they are either very concerned or concerned about employees opting out or failing to take full advantage of their scheme (**Exhibit 24**).

Exhibit 24 Businesses' concerns regarding DC schemes (%)⁸

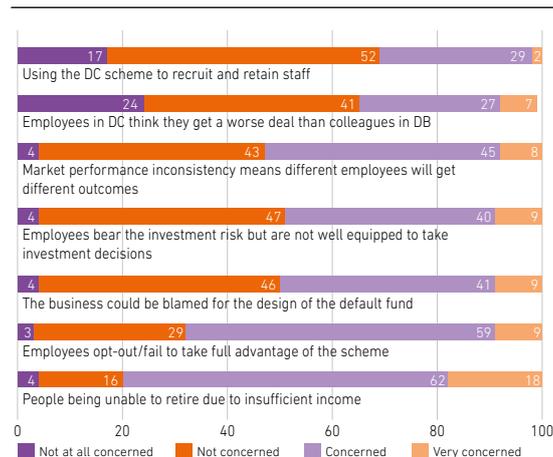


Exhibit 25 illustrates this further. Only just over a third (36%) of employees are currently taking advantage of their employer's highest contribution rate. Worryingly, this proportion is considerably lower than the 47% in our 2011 and 2009 surveys. The drop can be explained by a number of likely reasons including the large number of people who have auto-enrolled since October 2012 and who have chosen a low starter contribution rate. It may also be attributable to pressures on disposable incomes, especially during and in the aftermath of the economic downturn, leading to people looking to maximise their immediate incomes at the expense of the longer term. Nevertheless, the latter would also have been an issue prior to the economic downturn.

Exhibit 25 Average contribution rates (%)

	2013	2011	2009
Average employer contribution rate	7	10	7
Average maximum employer contribution rate	11	12	10
Average employee contribution rate	5	5	5
Average maximum employee contribution rate	13	N/A	N/A
Percentage of employees taking advantage of highest employer contribution rate	36	47	47

These figures reinforce the CBI's view that the answer to the lack of appropriate rates of saving into pensions does not lie in increasing minimum statutory contribution rates. Such a move would only be likely to result in larger numbers of people opting out of DC pension schemes altogether – the worst possible outcome.

...and business leaders are concerned whether employees have adequate financial grasp

Businesses have had long-standing concerns about levels of financial literacy across much of the workforce. In all, almost half of all respondents (49%) do not believe employees in DC schemes are well equipped, in terms of their financial education, to take the investment decisions that DC arrangements require (**Exhibit 24**, page 27). This figure rises to 63% for firms that have already gone through the staging process, suggesting the experience of going through auto-enrolment – with tens of thousands of first-time pensions savers – has revealed a severe lack of knowledge among employees. Because of this, half of all business leaders (50%) are either very concerned or concerned about being blamed by employees

for the design of the default fund if investments perform badly and over half are worried about market volatility delivering different pension outcomes for different people (53%). This speaks to the necessity of corporates regularly reviewing their schemes – with a governance committee if appropriate – to ensure savers are getting a good deal.

These issues have led to concerns among business leaders about the ability of their employees to retire when they want to. Four fifths of employers (80%) are either very concerned or concerned about this, a marked jump from the 56% in our 2011 survey.

Employers feel an obligation to help employees prepare, but DC must be kept simple and affordable

It is clear that the lack of employee knowledge and engagement with DC pension arrangements is concerning businesses. Despite this – and arguably because of it – business leaders feel an obligation to help their employees prepare for retirement.

Exhibit 26 Keeping DC simple – the automatic transfers challenge

The government is introducing legislation, through the 2013 Pensions Bill, for DC pension pots below £10,000 to be automatically transferred when a person moves jobs, from the previous employer's scheme to the new employer's scheme. The goal of this policy is to prevent the creation of thousands of stranded small pots that fail to benefit from scale as people forget to consolidate.

While the goal has been welcome by many in the industry, there are serious concerns around how the regime would operate in practice and what the administrative burden will entail for both employers and scheme providers. An overwhelming majority (61%) of survey respondents tell us they are concerned that the automatic transfer system will be complex, while over 50% are concerned about

an increase in cost. A significant majority (63%) are also concerned about being blamed should something go wrong. This figure rises to over 70% for those who have auto-enrolled, for large business with over 5,000 employees, and for businesses with between 50-249 employees.

Automated transfers are a clear example illustrating the concerns businesses have regarding well-meaning regulation leading to DC schemes becoming more complex and expensive over time. Any solution to the 'small-pots problem' will require significant development spend from the industry. It is therefore crucial that any proposed solution carries sufficient consensus, with careful thought given to how it is achieved and over what timescale.

Exhibit 27 A cap on scheme charges – the business view

As highlighted in section 2, businesses are clear that DC provision needs to represent value for money for both them and their employees. Value for money is driven by a number of factors including cost, but with average pension charges already at historic lows, a cap in this context would be unnecessary as the Office of Fair Trading (OFT)⁹ report clearly said and could reduce incentives in the private sector to tailor their offering to small employers.

The recently closed government consultation on charges for workplace pension schemes featured a number of proposals, including a proposed cap of 0.75% on all funds under management. Over 80% of employers agree with the Office of Fair Trading report that a cap on charges is not

needed. Instead what is needed is greater transparency on the level of charges and what they pay for – something the CBI has consistently called for. This is especially the case for high-cost legacy schemes.

Businesses want value for money schemes for their staff, but it is not clear whether a cap on charges is the right answer. If introduced, it is important that any cap is set at the right level, and does not encourage a levelling up of charges or stifle innovation in the provider market. The business community is looking for greater transparency on what charges pay for, so they and their employees can assess value for money.

The desire among businesses to help their employees prepare for their retirement is crucial to understanding the need for regulation to be flexible. DC saving works best as a partnership between employers and employees. Employers need to be given sufficient room for manoeuvre to tailor their scheme according to the needs of their workforce. It is not the same to design a scheme for a young, low-earning workforce as for one made up of older age groups with higher earnings. This means that regulation needs to be kept simple, with government and regulators setting out the ground rules, but then stepping aside to let genuine dialogue and engagement to take place within firms.

The vast majority of employers already take the view that they have an obligation to provide support to their employees on pensions. But they need to be given sufficient flexibility to do so by government, so they can develop a scheme that is attractive and appropriate to their employees. This is why well over half respondents (57%) tell us keeping DC affordable and simple must be a top government priority in the next parliament (**Exhibit 9**, page 14 and **Exhibit 26**).

“
*...business leaders
 feel an obligation to
 help their employees
 prepare for
 retirement*”

References

- 1 *A view from the top: the CBI 2011 pensions survey*, CBI, December 2011
- 2 The Companies' Act SME definition requires that two out of three characteristics are met – turnover (less than £25m), employees (less than 250), and gross assets (less than £12.5m)
- 3 *Automatic enrolment opt out rates: findings from research with large employers*, DWP, August 2013
- 4 Mid-sized businesses are defined by government as a business with a workforce of between 50 and 250 employees
- 5 *Automatic enrolment opt out rates: findings from research with large employers*, DWP, August 2013
- 6 *Finding your way out of the auto enrolment maze*, Centre for Economic Business Research, September 2013
- 7 Figures may not sum due to rounding
- 8 Figures may not sum due to rounding
- 9 *Defined contribution workplace pensions market study*, Office of Fair Trading, 2013

ABOUT THE SPONSOR

Established in 1825, Standard Life is a leading provider of long term savings and investments to around six million customers worldwide. Headquartered in Edinburgh, Standard Life has around 8,500 employees internationally.

The Standard Life group includes savings and investments businesses, which operate across the UK, Canada, Europe, Asia and Middle East; workplace pensions and benefits businesses in the UK and Canada; Standard Life Investments, a global investment manager, which manages over £179bn globally; and its Chinese and Indian Joint Venture businesses. At the end of September 2013 the Group had total assets under administration of over £237bn.

Standard Life plc is listed on the London Stock Exchange and has approximately 1.5 million individual shareholders in over 50 countries around the world. It is also listed in the Dow Jones Sustainability World Index, ranking it among the top 10% of sustainable companies in the world.

(All figures at 30 September 2013)

CONTACTS

CBI

Katie Dash
Policy adviser, employment and skills
CBI
Centre Point
103 New Oxford Street
London WC1A 1DU

T: +44(0)20 7395 8157
E: katie.dash@cbi.org.uk
W: www.cbi.org.uk

Standard Life

Mark Puddephatt
Employer relationship development manager
Standard Life
30 St Mary Axe
London EC3A 8EP

T: 020 7872 4143
E: Mark_Puddephatt@standardlife.com
W: www.standardlife.com

For further information or a copy in large text
format, please contact:

Katie Dash
Policy adviser
Employment and skills
CBI
T: +44 (0)20 7395 8157
E: katie.dash@cbi.org.uk



© Copyright CBI 2013
The content may not be copied,
distributed, reported or dealt
with in whole or in part without
prior consent of the CBI.

FSC LOGO

Printed by Colourscript on
Revive 100 pure white silk, containing
100% recovered fibre certified by the
FSC®. Colourscript is certified to ISO 14001
and registered to EMAS environmental
management systems NEZ052.

Product code: 10178

CBI
Our mission is to promote the conditions in which
businesses of all sizes and sectors in the UK can
compete and prosper for the benefit of all.
To achieve this, we campaign in the UK, the EU and
internationally for a competitive business landscape.

www.cbi.org.uk