CBI

Future savings:

CBI/Scottish Widows Pensions Survey 2019

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July 2019

People and Skills

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About the sponsor

Scottish Widows

Scottish Widows was founded in 1815 and has since established a proud history of helping customers plan and protect their financial futures. Today the brand has more than 5 million customers and offers a product range including individual and workplace pensions, annuities, mortgages, savings and investments, life insurance and critical illness cover. Scottish Widows' aim is to help customers plan for a secure financial future.

The brand has a longstanding research program focused on UK financial planning attitudes, regular sponsorship of Pension Awareness Day and a suite of 'Pension Basics' films covering a wide range of scenarios to help get people thinking about their future plans.

Scottish Widows is recognised in the industry for the excellent communications and support given to members of our workplace pension schemes – most recently being awarded Financial Education Provider of the Year at the 2018 Workplace Savings & Benefits Awards.

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Foreword CBI

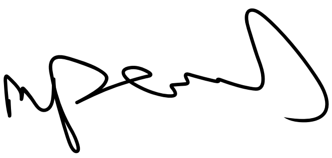
Following the implementation of automatic enrolment, which has led to more people saving into a pension than ever before, this survey brings insight into business perspectives on the future of the workplace pension. It offers insight into their views on issues ranging from the future of the automatic enrolment programme and engagement with pensions, to the regulation of defined benefit scheme funding and pensions tax.

It confirms that businesses of all sizes are committed to workplace pensions. Firms contribute billions of pounds to employees' pension pots every year and nearly all of them believe there is a strong business and moral case for doing so. Increasing employees' engagement with their savings is high among their priorities, not least to encourage higher levels of saving.

But there is growing concern about the essential balance between funding defined benefit schemes and investing in the future. It will be important for government to take steps to help firms who want to continue to sponsor these schemes.

Firms are also saying that they are concerned about the impact of reducing pensions tax relief, and that the regularity of changes is undermining the confidence to save. Their message is clear: keeping the current tax relief framework is the best way to support higher levels of saving into workplace pensions.

Working together, businesses and government can set a path that continues to boost the number of workers saving for their retirement and the amount that they are saving.



Matthew Percival
Head of Employment Policy, CBI

"Firms contribute billions of pounds to employees' pension pots every year and nearly all of them believe there is a strong business and moral case for doing so."

Foreword Scottish Widows

British businesses have played a huge role in the success of automatic enrolment (AE) and it's encouraging to see that the overwhelming majority of business leaders view providing a competitive workplace pension provision as a win-win for employers and employees.

While AE has seen a vast expansion in the coverage of workplace pensions, policymakers recognise that an 8% contribution rate will not be enough. Employers are in agreement and most believe that this should be addressed by increasing engagement with pension saving, encouraging employees to save more for their futures.

Pension providers often offer a wide range of services to support employers wanting to engage their workforces with pensions, from online to face-to-face. Further support is available from many corporate advisers and employers should look to see what help is readily available.

The newly formed Money and Pension Service could also play a big role, bringing Government, employers, the pensions industry and the education sector together, to improve people's financial literacy and ability to engage.

It is also important to make it easier for people to view and interact with their pensions. We're pleased to see that the Government is pressing on with the pensions dashboard, which will enable employees to see all their pension entitlements in one place.

It is not certain, however, that boosting engagement will be enough on its own to close the savings gap for all employees across the UK. It is possible and probably likely that in the future, further directive measures will be introduced, building on the existing AE framework to ensure savers are appropriately provisioned for later life. This is reflected in the CBI's research, as seven in ten businesses believe that for their employees to have sufficient levels of retirement income, they will need to make higher contributions to AE schemes at some point in the future. It will be important to make these changes in ways that don't increase the overall cost of labour, at a time when we need to ensure that British businesses remain competitive.

It is also interesting to see the importance employers place on helping younger workers get onto the property ladder. Pensions and property are interconnected in many ways and bringing these together through employee benefits is a sensible direction of travel.

Pete Glancy
Head of Policy, Scottish Widows

Executive summary

Businesses see strong reasons to provide competitive pensions

- 98% of business leaders believe there is a strong business case for providing a competitive workplace pension, while 95% believe they have a moral obligation to do so.
- Three quarters of businesses (75%) believe that providing a competitive pension scheme positively impacts their ability to recruit and retain employees and nearly two thirds (64%) believe it positively impacts their ability to motivate staff.

Automatic enrolment is thriving, but employer support is critical to its future success

- Automatic enrolment is well understood. Only one in fourteen firms (7%) struggle to understand their automatic enrolment duties and only one in six (16%) have difficulty understanding how to assess employee eligibility.
- More than half of respondents (54%) believe that the extension of automatic enrolment represents a significant additional cost to their business. This rises to three quarters (75%) of SMEs.
- More than seven in ten businesses (71%) believe that for their employees to have sufficient levels of retirement income, employers will need to make higher contributions to automatic enrolment schemes at some point in the future.
- However, businesses do not believe now is the right time. Nearly seven in ten (69%) do not believe that the government should increase minimum contributions paid by employers beyond those planned in 2019. Nearly six in ten (57%) do not believe that the government should increase minimum contributions paid by workers either.
- Instead, the vast majority of business leaders (93%) believe that businesses should focus on improving employee engagement with their pension savings to boost voluntary contributions.

The cost of defined benefit schemes remains a cause for concern

- Over eight in ten (81%) believe that the government should offer more support to defined benefit schemes who are struggling with costs but want to remain as the sponsor. This is consistently high across firms of all sizes and sectors.
- Two thirds (66%) of business leaders reported that defined benefit schemes impact their ability to invest in capital to boost growth and productivity. Of which over one third (35%) of respondents believe it to be a major impact and three in ten (31%) believe it to be a minor impact. Two thirds (66%) also reported that defined benefit schemes impact their investment in people and skills.
- Two thirds (67%) reported that deficits negatively impact the company's profile. Of which over a third (36%) believe this to be a major impact and three in ten (31%) believe it to be a minor impact.
- Businesses want the government to help make defined benefit schemes more affordable for firms who want to meet their pension promises to staff. Eight in ten firms (80%) believe that all schemes should have the option of choosing CPI as their inflation measure rather than RPI.

Businesses want the government to prioritise educating people about their pension

- Over three quarters of businesses (76%) want the government to prioritise educating people about the importance of engaging with their pension.
- Business leaders are clear that they want a stable pension taxation system. Almost six in ten (58%) believe that preserving the current tax relief framework should be a key priority for the government. This rises to 78% among SMEs.
- After years of pensions policy changes, nearly half of business leaders (48%) identified regulatory stability as another key priority for the government.
- Businesses have played their part in delivering automatic enrolment, but they still have concerns about the cost and administrative burden. Four in ten (40%) believe that the Government should prioritise minimising the administrative cost and burden for employers. This rises to 66% amongst SMEs.

"The vast majority of business leaders (93%) believe that businesses should focus on improving employee engagement with their pension savings to boost voluntary contributions."

Businesses see strong reasons to provide competitive pensions

Key findings:

- 98% of business leaders believe there is a strong business case for providing a competitive workplace pension, while 95% believe they have a moral obligation to do so.
- Three quarters of businesses (75%) believe that providing a competitive pension scheme positively impacts their ability to recruit and retain employees and nearly two thirds (64%) believe it positively impacts their ability to motivate staff.

Businesses are committed to providing competitive workplace pensions...

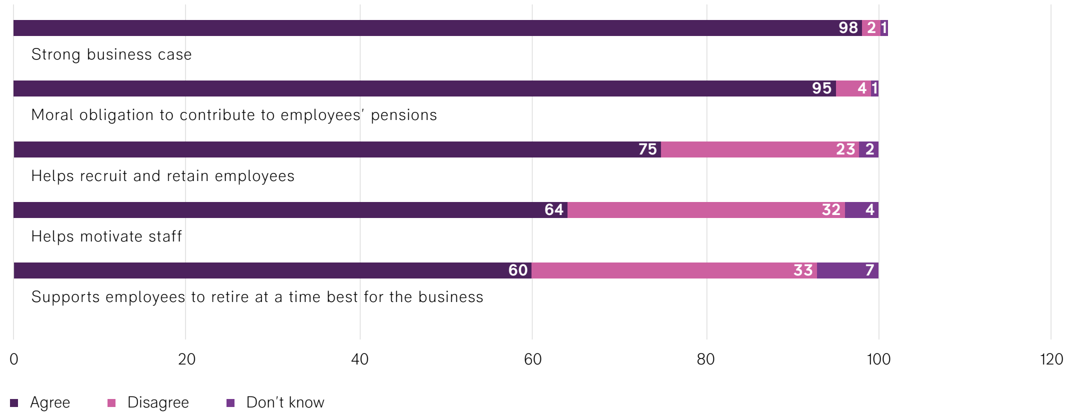
This year's survey shows that almost all business leaders (98%) think there is a strong business case for providing a competitive workplace pension scheme **(Exhibit 1).** Businesses also believe they have a duty to help their employees save for retirement through workplace pensions. Nearly all business leaders (95%) believe they have a moral obligation to contribute to employee's pensions. These views are consistent across businesses of all sizes and sectors. This strength of commitment is important because workplace pensions are the best way to save for retirement.

... and they value the positive impact their pension schemes have on recruiting and retaining employees

Pensions have a role to play beyond supporting employee's retirement. Businesses contribute billions of pounds to employees' pension pots every year. Most recognise the positive effect that their significant investment in pensions can have, not only in the future of their employees, but on workforce management. Three quarters of businesses (75%) believe that providing a competitive pension positively impacts their ability to recruit and retain employees **(Exhibit 1).** This may not be surprising, as employees highly value a competitive pension when considering benefit packages. Workers often view pensions as a clear incentive towards accepting a job, with more than two thirds (69%) saying that a business' pension scheme is an important factor when looking for a new job.[1]

Nearly two thirds of firms (64%) reported that providing a competitive pension scheme positively impacts their ability to motivate staff. This shows the number of firms already seeing the connection between their pension scheme and employee morale. The benefit of this is clear: the more motivated the employees, the more productive they're likely to be.

Exhibit 1 There is a strong business case for providing competitive pensions (%)*



**Because of rounding, percentages add to more than 100*

Automatic enrolment is thriving, but employer support is critical to its future success

Key findings:

- Automatic enrolment is well understood. Only one in fourteen firms (7%) struggle to understand their automatic enrolment duties and only one in six (16%) have difficulty understanding how to assess employee eligibility.
- More than half of respondents (54%) believe that the extension of automatic enrolment represents a significant additional cost to their business. This rises to three quarters (75%) of SMEs.
- More than seven in ten businesses (71%) believe that for their employees to have sufficient levels of retirement income, employers will need to make higher contributions to automatic enrolment schemes at some point in the future.
- However, businesses do not believe now is the right time. Nearly seven in ten (69%) do not believe that the government should increase minimum contributions paid by employers beyond those planned in 2019. Nearly six in ten (57%) do not believe that the government should increase minimum contributions paid by workers either.
- Instead, the vast majority of business leaders (93%) believe that businesses should focus on improving employee engagement with their pension savings to boost voluntary contributions.

More people are saving through a pension scheme than ever before...

This October will mark seven years since the roll-out of automatic enrolment began and as of February 2018, all employers are now legally required to enrol eligible staff into a pension scheme. This year also marks the end of the phased increases to pension contributions. As of April this year, employer and employee contributions increased to 8% combined. Since the start of automatic enrolment in 2012, 10 million people are now saving or saving more. The success of auto-enrolment is also shown in the number of women and young people newly saving. Eight in ten women (80%) are now saving into a workplace pension, compared to four in ten (40%) in 2012.[2] There has been a significant increase in participation amongst younger workers. Between 2012 and 2017, those aged 22 – 29 saw a 44% increase in participation to 79%.[3] This means that nearly eight in ten young workers are now saving for retirement.

... and employers are leading the way on automatic enrolment

Businesses are strongly committed to their pension promises and companies of all sizes understand what is required of them. Only one in fourteen (7%) struggle to understand their automatic enrolment duties and only one in six (16%) have difficulty understanding how to assess employee eligibility **(Exhibit 5: See page 19).** The level of awareness and understanding of automatic enrolment is high across employers of all sizes. The vast majority (93%) of micro, small and medium-sized employers are aware of each individual duty in relation to automatic enrolment.[4] A fifth of businesses (21%) reported that they do not currently face any challenges arising from automatic enrolment.

Once enrolled, the majority of employees choose to stay in their scheme. Concerns about possible increases in opt-out levels have not become reality so far. Amongst our respondents, the average number of employees choosing to opt-out before contributions start is 5.1%. For those choosing to cease contributions after a short period of saving, the number reduces to an average of 2.2%. These figures are consistently low across all sizes, sectors and regions. Before the minimum contribution levels increased to 8% in April this year, only 13% of businesses expected the opt-out rate amongst employees to increase once this change took place **(Exhibit 2: See page 16).**

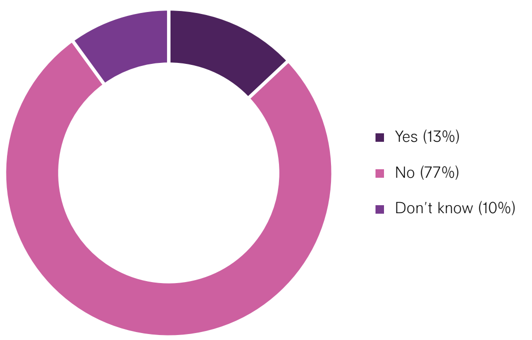
5.1%

Average rate of opt-outs before contributions start

2.2%

Average rate of opt-out after period of saving

Exhibit 2 Few firms expect more opt-outs because of higher contributions this year (%)



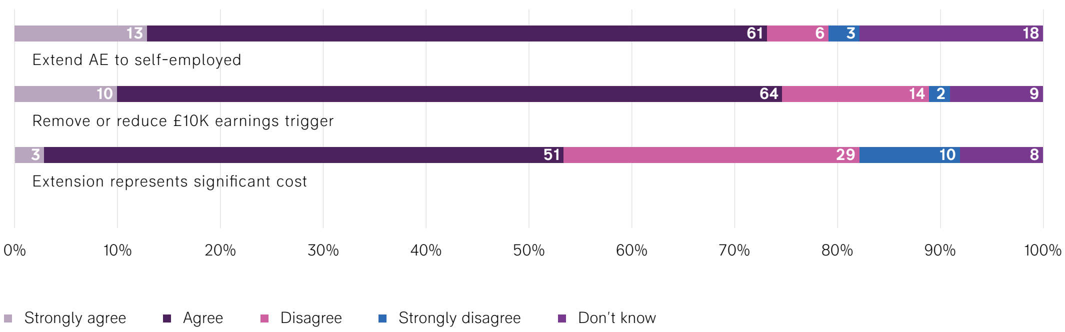
Employers support the targeted extension of automatic enrolment to more workers

At the end of 2017, the government published the automatic enrolment review. Recommendations in the report included reducing the lower age limit, removing the lower earnings limit of the qualifying earnings band, and the ability to opt-in for those earning less than the earnings trigger. The government also laid out plans to explore ways to influence the saving behaviours of the self-employed.

More than half (54%) of businesses believe that the extension of automatic enrolment represents a significant additional cost to their business **(Exhibit 3).** This rises to three quarters (75%) of SMEs. However, business leaders are supportive of the recommendations in the automatic enrolment review. Nearly three quarters (74%) believe that the government should seek to extend automatic enrolment to the self-employed as soon as possible. This is consistent across business size and sector, including those like the construction sector (84%), wholesale and retail trade (89%) and manufacturing (66%) who have a higher number of self-employed workers.

In addition to this, nearly three quarters (74%) of employers think that the government should seek to remove or reduce the £10,000 earnings trigger so more people with multiple jobs are enrolled **(Exhibit 3).** Like the introduction of the policy, businesses can support this extension of automatic enrolment if they're given enough time to plan for the changes. It is important that any future policy changes are made in close consultation with business.

Exhibit 3 Businesses support enrolling more workers (%)



Thorough analysis is needed before setting further increases to minimum contributions

The government must be given the chance to assess the impact of the changes in the automatic enrolment review and the increase to contributions in April 2019. Now is not the right time to make further changes to minimum contribution levels. Over half of employers (54%) currently find that the rising cost of minimum employer contributions is a big challenge **(Exhibit 5).** For many businesses, the knock-on effect of limited productivity growth and related policies such as the national living wage could have a big impact on their cost base. Nearly seven in ten businesses (69%) do not believe that the government should increase minimum contributions paid by employers beyond those planned in 2019 **(Exhibit 6).** Nearly six in ten (57%) do not believe that the government should increase contributions paid by workers either. Instead, the vast majority of business leaders (93%) believe that businesses should focus on improving employee engagement with their pension savings to boost voluntary contributions. Employee engagement is a key challenge that nearly half of businesses (47%) currently face **(Exhibit 5)**, but they are ready to step up to the challenge.

Businesses recognise the longer-term importance of increasing minimum contributions. Over seven in ten businesses (71%) believe that for their employees to have sufficient levels of retirement income, they will need to make higher contributions to automatic enrolment schemes at some point in the future **(Exhibit 4).**

Exhibit 4 Businesses recognise the long-term importance of raising minimum contributions (%)

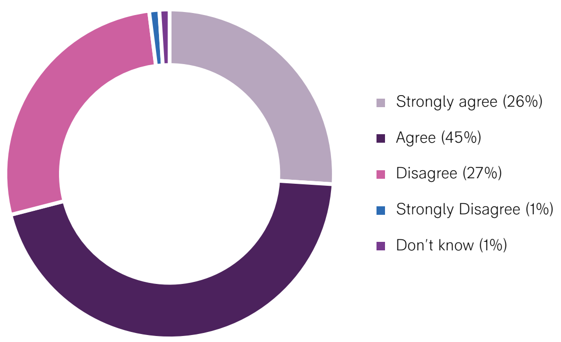


Exhibit 5 Employers are still adapting to automatic-enrolment (%)

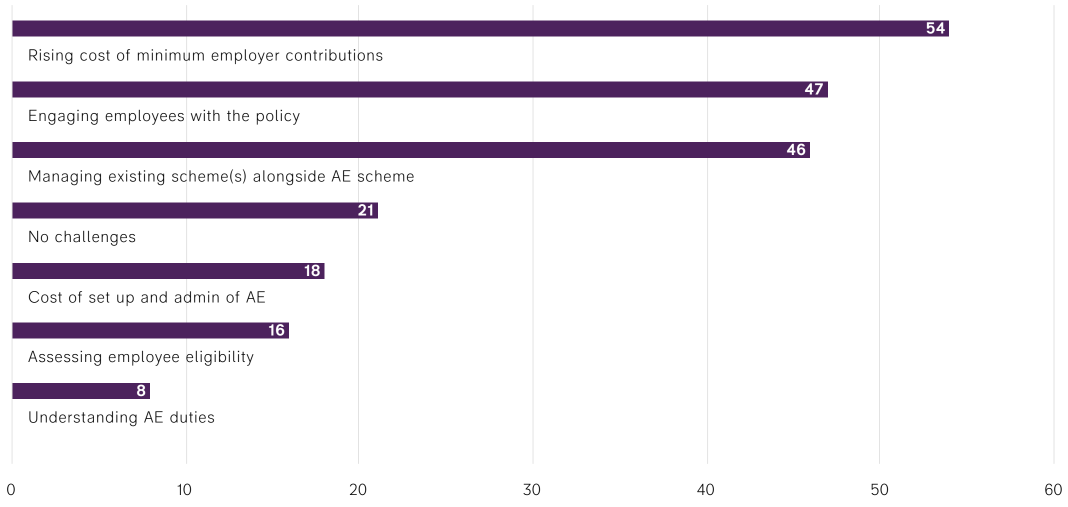
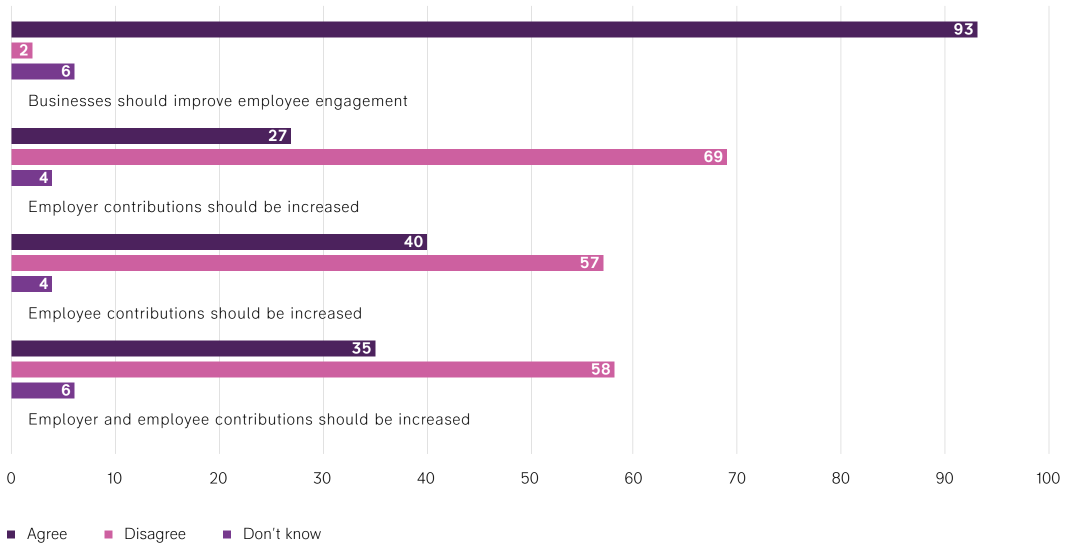


Exhibit 6 Businesses want to improve employees' engagement with their pension (%)



The cost of defined benefit schemes remains a cause for concern

Key findings:

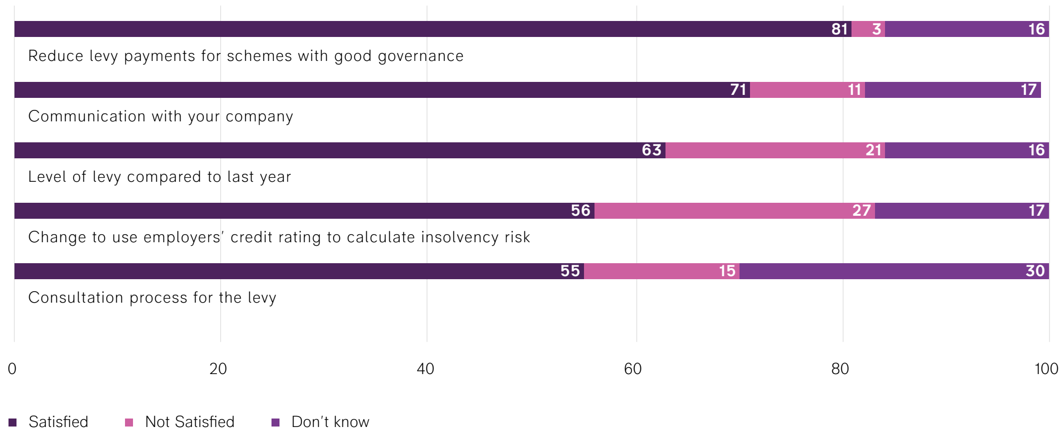
- Over eight in ten (81%) believe that the government should offer more support to defined benefit schemes who are struggling with costs but want to remain as the sponsor. This is consistently high across firms of all sizes and sectors.
- Two thirds (66%) of business leaders reported that defined benefit schemes impact their ability to invest in capital to boost growth and productivity. Of which over one third (35%) believe it to be a major impact and three in ten (31%) believe it to be a minor impact. Two thirds (66%) also reported that defined benefit schemes impact their investment in people and skills.
- Two thirds (67%) reported that deficits negatively impact the company's profile. Of which over a third (36%) believe this to be a major impact and three in ten (31%) believe it to be a minor impact.
- Businesses want the government to help make defined benefit schemes more affordable for firms who want to meet their pension promises to staff. Eight in ten firms (80%) believe that all schemes should have the option of choosing CPI as their inflation measure rather than RPI.

Employers are committed to funding their defined benefit schemes

Businesses are committed to delivering high-quality pensions for their employees in both defined contribution and defined benefit schemes. This commitment can be seen in annual investment into defined benefit schemes – with firms contributing £17.62bn to these schemes in 2018.[5] This is also reflected in the proportion of schemes in deficit reducing to 59.9% compared to 63.3% a year ago, and scheme funding has improved in every year since 2015.[6]

These positive outcomes are being delivered by a regulatory framework that employers believe works. Despite the recent high-profile corporate failures of BHS and Carillion, the Pension Protection Fund (PPF) is well-funded and a vast majority of schemes are well-governed. It's a system that employers have confidence in, with the majority (81%) satisfied with the regulator's dealings with them, six in ten (60%) satisfied with the regulator's public statements and majorities satisfied with the PPF's communication (71%), levy (63%) and consultation (55%) **(Exhibit 7).**

Exhibit 7 Businesses would like their good practice to be recognised (%)

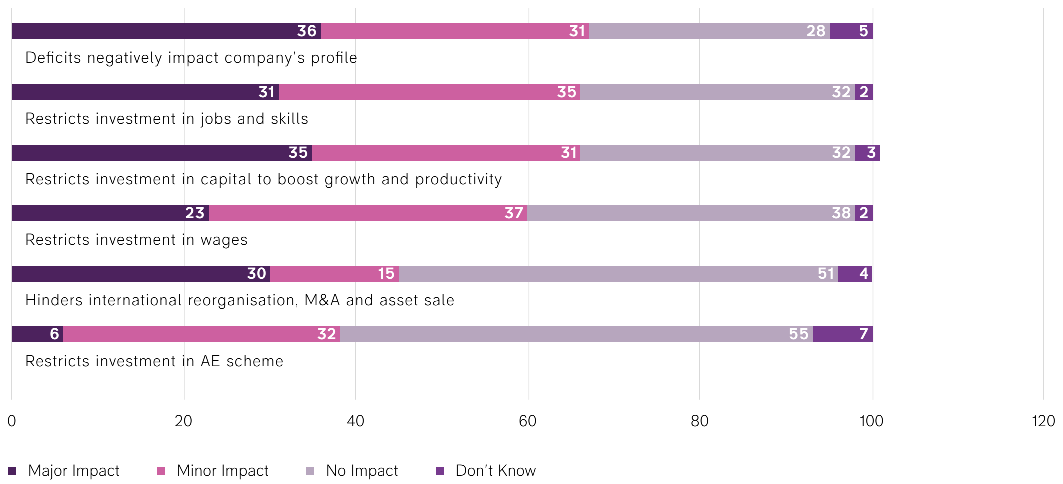


...and strong pension schemes need strong sponsoring employers

In the end, a strong solvent employer is the best security for a pension scheme. Companies need ways to effectively manage their defined benefit schemes while being able to invest in their business. For many across the UK, the cost of funding defined benefit schemes can have a major impact on business activities. For example, firms may need to divert funds away from much-needed investment to grow the business. Two thirds of business leaders (66%) reported that defined benefit schemes impact their ability to invest in capital to boost growth and productivity **(Exhibit 8: See page 22).** Of which one third (35%) believe it to be a major impact and three in ten (31%) believe it to be a minor impact. Two thirds (66%) also reported that defined benefit schemes impact their investment in jobs and skills. Six in ten (60%) reported an impact on their ability to invest in wages. These firms are needing to find a fair balance between the interests of different generations.

With two thirds (67%) concerned that deficits negatively impact their company's profile, it's essential that politicians recognise that a scheme being in deficit is not necessarily a failure or a cause for concern **(Exhibit 8).** Deficits can expand for many reasons, including changing actuarial assumptions and as part of a package of investments to improve the long-term health of the sponsoring business. Given the potential for actuarial assumptions to change and the long-term nature of pension saving, it is important to note that the impact of an over-funded scheme on the long-term health of the sponsoring employer can be as damaging for scheme members as a deficit. Employers want flexibility in funding principles to ensure that trustees are able to take appropriate risks to strengthen the long-term covenant.

Exhibit 8 Taking too strict an approach to scheme funding limits investment in other priorities (%)



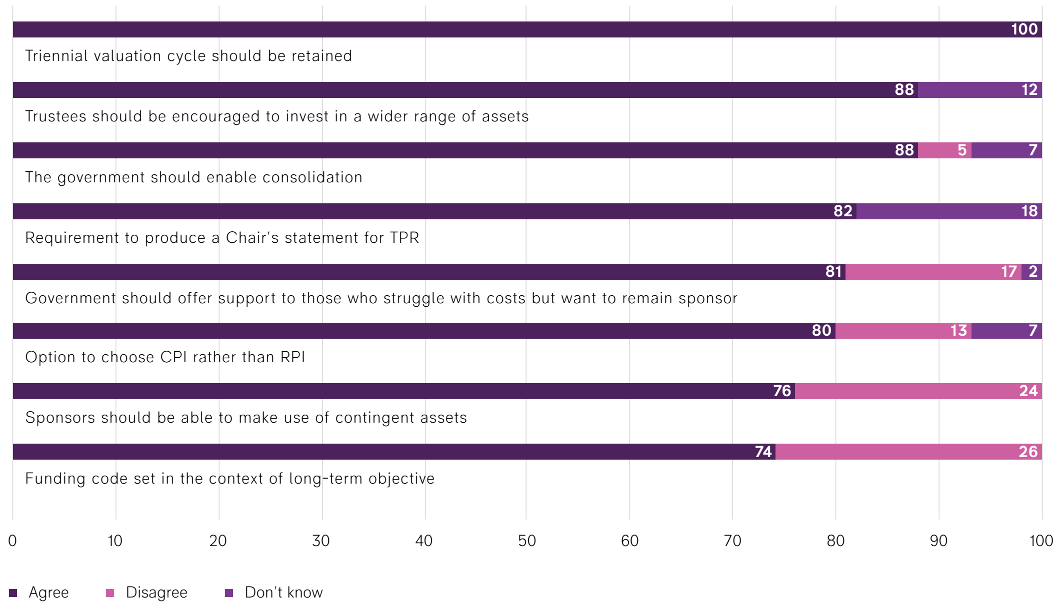
Businesses support proposals to improve scheme governance, but policies should not act as a brake on business activity...

While a vast majority of schemes are well-governed, employers support further steps to improve governance where this is not already the case. Nearly three quarters (74%) of pension scheme managers support proposals for the funding code to include a description of how trustees and sponsoring employers should set their funding objective in the context of a long-term objective **(Exhibit 9).**

Businesses' other priorities include retaining the triennial valuation cycle for defined benefit schemes (100%) and nearly nine in ten (88%) think trustees should receive help to invest in a wider range of assets, such as infrastructure, where they feel it is appropriate. However, this should not be mandatory. Few employers however, just one in twelve (8%), think that enhancing the Regulator's powers should be a priority for government **(Exhibit 10: See page 27).** The CBI has separately expressed employers' concern that recent proposals risk imposing needless burdens on companies and weakening the ability of the Regulator to identify and act on genuine risk.[7]

The vast majority of businesses (88%) also believe that the government should provide a clear framework for a regime that enables consolidation in which an employer no longer sponsors their defined benefit scheme **(Exhibit 9).** Employers want to see a range of viable options for delivering their pension promises to staff, but superfunds must be well regulated to maintain public trust in both pensions and business.[8]

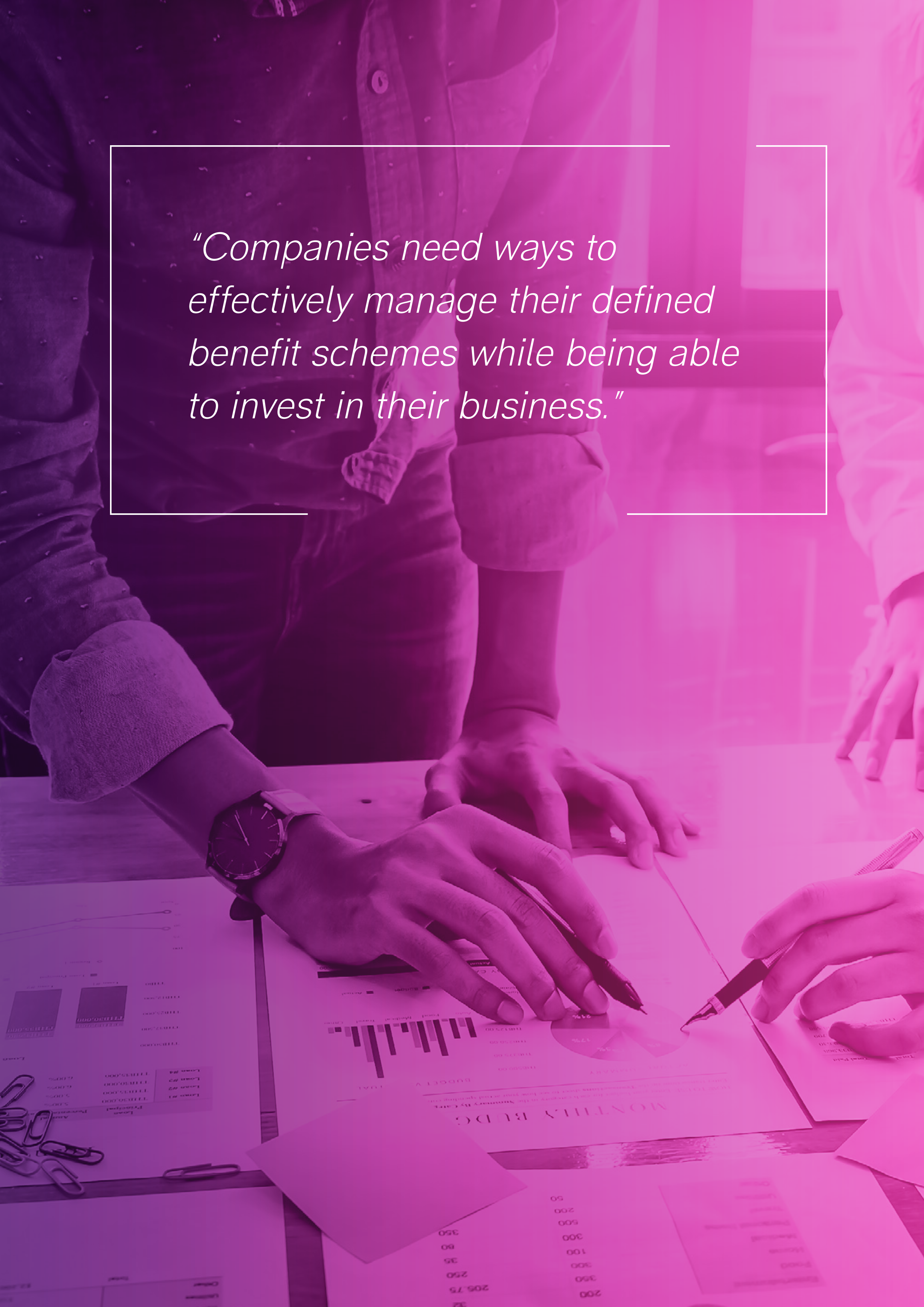
Exhibit 9 Pension scheme managers support practical proposals



...and Government and the PPF should help firms who want to meet their pension promises

Despite strong commitment, some employers have struggled with the affordability of their defined benefit schemes. Over eight in ten (81%) firms believe that the government should offer more support to defined benefit schemes who are struggling with costs but want to remain as the sponsor **(Exhibit 9: See page 23).** This view is consistently held across all sizes and sectors.

This survey finds support for three measures to make DB schemes more affordable for employers. Firstly, eight in ten firms (80%) believe that all schemes should have the option of choosing CPI as their inflation measure rather than RPI **(Exhibit 9).** Businesses believe the ability to switch to a modern measure of inflation would help make defined-benefit schemes more affordable for firms who want to meet their pension promises to staff. The use of RPI is leading to future inflation expectations being overstated and schemes requiring greater than necessary funding, removing their ability to invest in the long-term health of the business. Secondly, three quarters (76%) of pension scheme managers believe that it should be made easier for scheme sponsors to make use of contingent assets to fund schemes **(Exhibit 9).** Changes to accounting standards have restricted the extent to which companies can take the value of their schemes' assets into account in their balance sheet measure. And finally, eight in ten firms (81%) would like PPF levy payments to be reduced for schemes with good governance **(Exhibit 7: See page 21).**



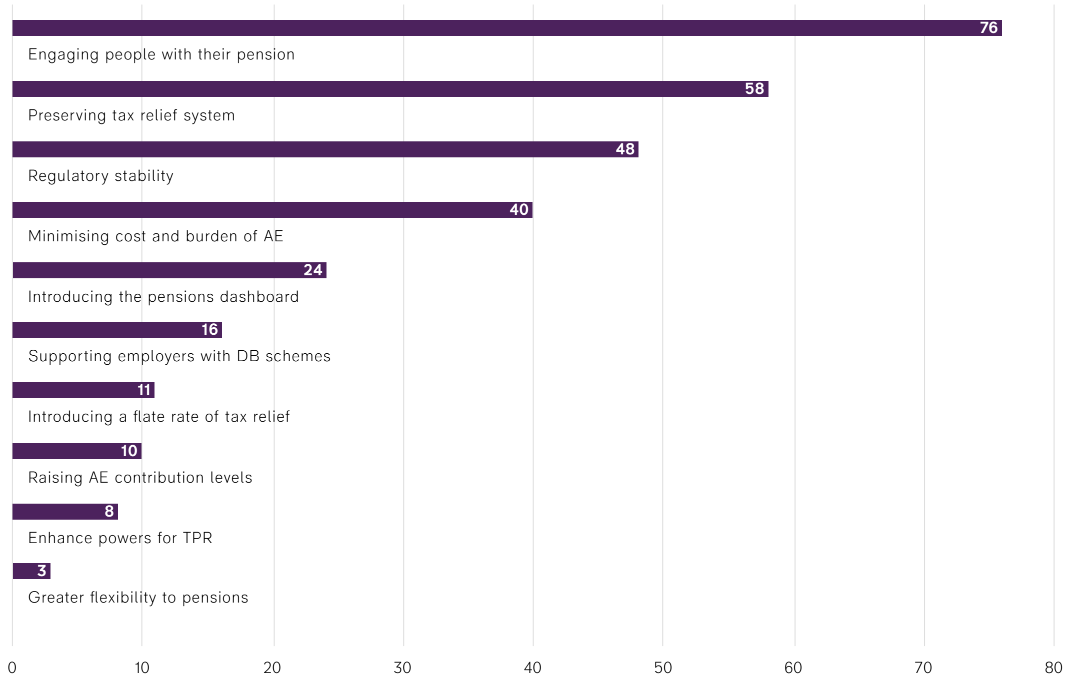
“Companies need ways to effectively manage their defined benefit schemes while being able to invest in their business.”

Businesses want the government to prioritise educating people about their pension

Key findings:

- Over three quarters of businesses (76%) want the government to prioritise educating people about the importance of engaging with their pension.
- Business leaders are clear that they want a stable pension taxation system. Almost six in ten (58%) believe that preserving the current tax relief framework should be a key priority for the government. This rises to 78% among SMEs.
- After years of pensions policy changes, nearly half of business leaders (48%) identified regulatory stability as another key priority for the government.
- Businesses have played their part in delivering automatic enrolment, but they still have concerns about the cost and administrative burden. Four in ten (40%) believe that the Government should prioritise minimising the administrative cost and burden for employers. This rises to 66% amongst SMEs.

Exhibit 10 Businesses seek stability after years of changes (%)



Business and government must do more to encourage employees to engage with their pension savings

Three quarters of businesses (76%) want the government to prioritise educating people about the importance of engaging with their pension **(Exhibit 10).** This is consistent across all sizes and sectors. Even though businesses contribute billions of pounds to employees' pensions every year, the level of engagement with pension pots is much lower than they would like.

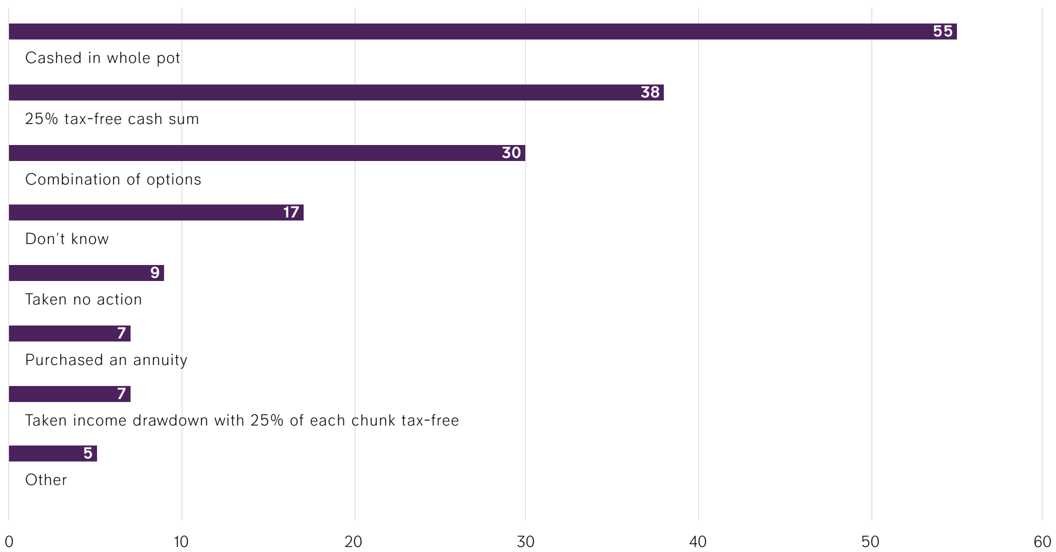
Currently, 80% of workers are not sure if they're saving the right amount for retirement and 51% think that the auto-enrolment minimum pension contribution level is the Government's recommended amount to be saving.[9] To unlock the full value of pension saving, business and government must each play their part. Most business leaders (85%) believe that their firm should do more to engage staff with their pension. Firms need to find innovative ways to communicate pension information that resonates with employees throughout their careers.[10] At the same time, government must do more to provide a supportive framework for employers working hard to improve the status quo.

One of the ways that government can help is to deliver the pensions dashboard. Businesses strongly support a pensions dashboard because of its potential to boost engagement. Nearly a quarter of businesses (24%) went as far as to say that it should be a key priority for the government **(Exhibit 10: See page 27).** The government should now move to introduce the dashboard as soon as possible, continue to invest in awareness campaigns that promote workplace pensions, and more widely promote publicly available pension guidance tools.

The pension freedoms were a positive first step

At the 2014 Budget the chancellor announced that those aged 55 and over with a defined contribution pension would no longer be required to purchase an annuity. Instead, the government introduced the pensions freedoms, which has given employees greater scope to decide how to use their retirement savings. They can now access their pension as a lump sum, buy an annuity, keep their savings invested, or choose a combination of all three. Over two thirds of employer's pension schemes (68%) make all of the pension freedoms available to their employees. For those employees who choose to take advantage of the offer, the majority of them (55%) choose to cash in their whole pot. Just over a third (38%) choose to take their 25% tax-free cash sum **(Exhibit 11).** Nearly half of businesses (47%) believe that engagement levels have risen since the freedoms were introduced in 2015.[11] Some employers want to go even further. Over two thirds of business leaders (67%) believe that employers should have the option of offering a Lifetime ISA for automatic enrolment for some employees. More guidance and advice will be needed to help employees understand their pension and retirement options.

Exhibit 11 Many employees are taking advantage of the pension freedoms (%)



The government should preserve the current tax relief framework…

Many Budgets in recent years have made changes to the pensions tax relief framework. Business leaders are clear that they want to see stability in the pension taxation system. Almost six in ten (58%) believe that keeping the current tax relief framework should be a key priority for the government **(Exhibit 10).** This rises to 78% among SMEs. Businesses believe that constant tinkering to the tax relief framework over the last decade has damaged saver confidence. This has included the reduction of the Lifetime Allowance (LTA) from £1.8 million to £1.03 million and the lowering of the annual allowance from £255,000 to £40,000 for low and middle-income earners. This was followed by a further reduction to the annual allowance for higher earners from £40,000 to £10,000.

Nearly three quarters (74%) of businesses reported that they do not think the tax relief framework is understood by employees **(Exhibit 12: See page 30).** Some employees reach the new lifetime allowance without realising and receive an unexpected tax bill that bites into their savings. Many businesses are already reviewing their renumeration packages for employees who risk exceeding the lifetime allowance. Further tinkering to the system could discourage saving through a pensions vehicle even further.

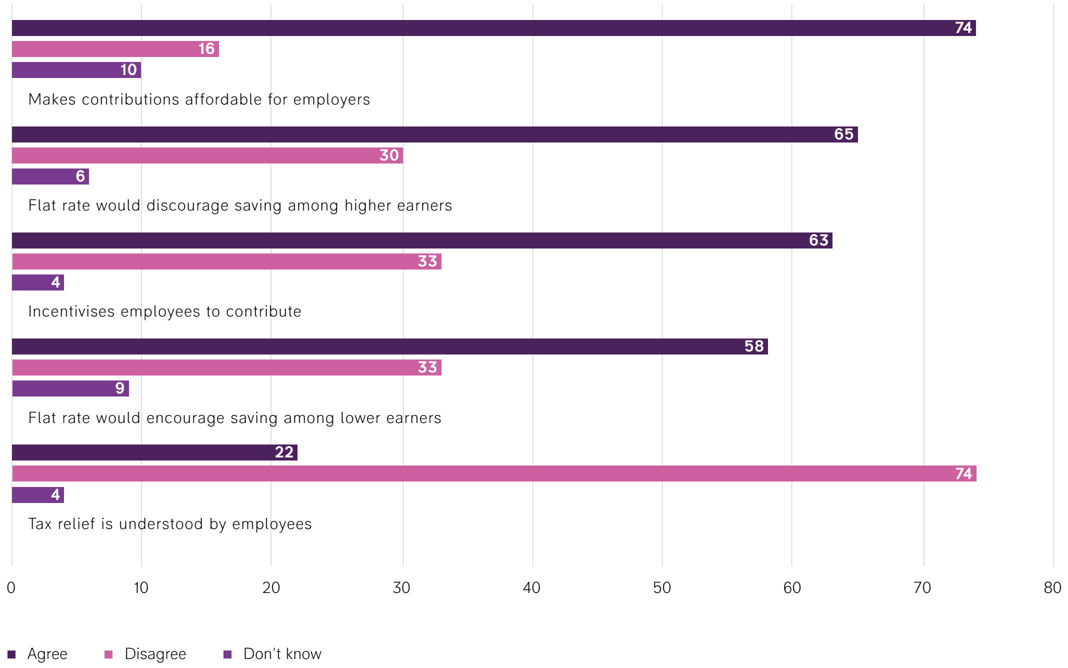
Businesses are not convinced that increasing the basic rate of relief and lowering the higher rate of relief to create a flat rate of relief would provide individuals with the incentives the current system offers. Fewer employers believe that there will be positive impact of a flat rate on lower earners (a balance of +25%), then believe it would discourage saving among higher earners (a balance -35%) **(Exhibit 12).**

…because it keeps contributions affordable for employees and employers

Nearly three quarters (74%) of business leaders think the current system keeps contributions affordable for employers **(Exhibit 12).** This rises to 86% among SMEs. The current framework supports employers to contribute above the statutory minimum to workers' pensions due to their ability to claim National Insurance on contributions. For businesses operating defined benefit schemes, this relief is essential. Taking away this relief would leave businesses struggling to recruit new employees, unable to invest in the business and having to reduce their pension contributions for current employees down to the statutory minimum. It is vital that this relief is maintained so that businesses can stand by their pension commitments.

Nearly two thirds (63%) of businesses believe that the current system of tax relief incentivises employees to contribute towards their pension. This rises to 73% among SMEs. The benefit of tax relief up-front on pension contributions makes it an attractive savings vehicle compared to other saving methods, such as an easy-access ISA. The framework also makes it affordable for low and middle earners to save for retirement by receiving relief on their contributions at their marginal rate of income tax. Without this relief, employers are worried that their employees will no longer prioritise saving into a pension scheme.

Exhibit 12 Employers support the current tax framework (%)



Businesses seek stability in pensions policy

The last seven years have seen a number of changes to the pensions landscape. In response to that, nearly half (48%) of business leaders identified regulatory stability as a key priority for the government **(Exhibit 10: See page 27).**

Business leaders' desire for stability is also felt by employees. Following the introduction of the pension freedoms, 82% of over 55s said they wanted an end to any further Government changes to pension rules.[12] The Government's priority should be to embed the current planned reforms followed by a period of stability.

Complying with automatic enrolment should not become more burdensome

Seven years on, all employers are required to automatically enrol their eligible workers into a pension scheme. Businesses have played their part in delivering automatic enrolment, but they still have concerns about the cost and administrative burden. Four in ten firms (40%) believe that the Government should prioritise minimising the administrative cost and burden for employers **(Exhibit 10).** This rises to 66% amongst SMEs. Delivering automatic enrolment on the ground has not always been an easy task. The cost of automatic enrolment is only one of many employer related costs.

Employers' capacity to manage additional costs arising from future changes to automatic enrolment must be considered in the context of other policy decisions that continue to increase the cost of employment. Businesses, and particularly high-employment sectors, have faced great challenges affording increases in the National Living Wage and the introduction of the Apprenticeship Levy. They also face the prospect of burdens added in the coming years as a result of further increases in the National Living Wage, measure in the government's *Good Work Plan*, and pay transparency measures.

The Pensions Survey 2019

This year's survey was carried out in February 2019. There were 240 respondents in total. The survey is split into two sections. The main part of the survey is filled out by a senior executive in the firm, such as the Chief Executive or Financial Director, giving an insight into perspectives on pensions from the top of the organisation. The second section collects views from the pension scheme manager, who deals with the business' schemes on a day to day basis. 169 of the respondents were senior executives while 71 were pension scheme managers. The results were weighted to be representative of the UK business population.

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Product code: 12502

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