

# FYI<sup>®</sup>

## For Your Information<sup>®</sup>

### **Private Members' Bill to extend the scope of automatic enrolment**

Although automatic enrolment is widely seen as a success so far, in terms of increasing the number of people actively saving for retirement, there have always been concerns about the amount of pension savings per member.

A 2017 [review](#) of automatic enrolment recommended lowering the age threshold from 22 years to 18 and removing the lower limit of the qualifying earnings band, so that contributions are paid from the first pound earned. The government's aim has always been to implement these changes in the mid-2020s, although little visible progress has been made to date.

A Private Members' Bill, which aims to enable these recommendations to be introduced, is currently working its way through Parliament. Crucially, the Bill has DWP support.

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#### **Background**

The DWP has never disputed the findings of the 2017 review, and there is widespread agreement that the changes should happen, but the problem has been advancing the legislation to bring the changes into effect.

As the automatic enrolment regime was created using primary legislation (i.e. an Act of Parliament) another Act is required to change fundamental provisions such as the minimum age from when automatic enrolment applies.

A Private Members' Bill which, with the support of the Minister for Pensions, should ultimately become law, seeks to enable the government to make the necessary changes.

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## What does the Bill seek to do?

The Pensions (Extension of Automatic Enrolment) (No. 2) Bill will amend provisions in the Pensions Act 2008 (which deals with the requirements for automatic enrolment) to allow for:

- The lower age limit at which eligible workers must be automatically enrolled (or re-enrolled) to be reduced from 22 to 18.
- The lower limit of the qualifying earnings band to be removed so that contributions are calculated from the first pound earned. The lower limit is currently £6,240.

## What's next?

Assuming the Bill does go on, as expected, to receive Royal Assent, it will not automatically lead to any changes in the automatic enrolment legislation. What it will do is give the DWP the power to produce regulations to amend the age limit and qualifying earnings band.

Ahead of this, there is a statutory requirement to consult and report on the outcomes to help set the implementation approach and timing, which is expected to take place this autumn. This may include phasing the changes as the wording of the Bill does not specifically mention a decrease of the age to 18 (merely a reference to a 'decrease') and refers to a 'reduction or removal of lower limit' which may involve a staggered reduction in the lower limit rather than an immediate removal.

## Comment

The recommendations made by the 2017 review were largely uncontroversial, and since then it's been a question of waiting for the legislation to be produced to enable the changes to take place. That now looks like it will happen. While we still don't have any certainty about exactly when the changes will come into effect, the DWP's long-standing intention to do so by the mid-2020s now looks more realistic.

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