



# Personal accounts and the 2012 duties

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helping millions save  
for their retirement



# Overview

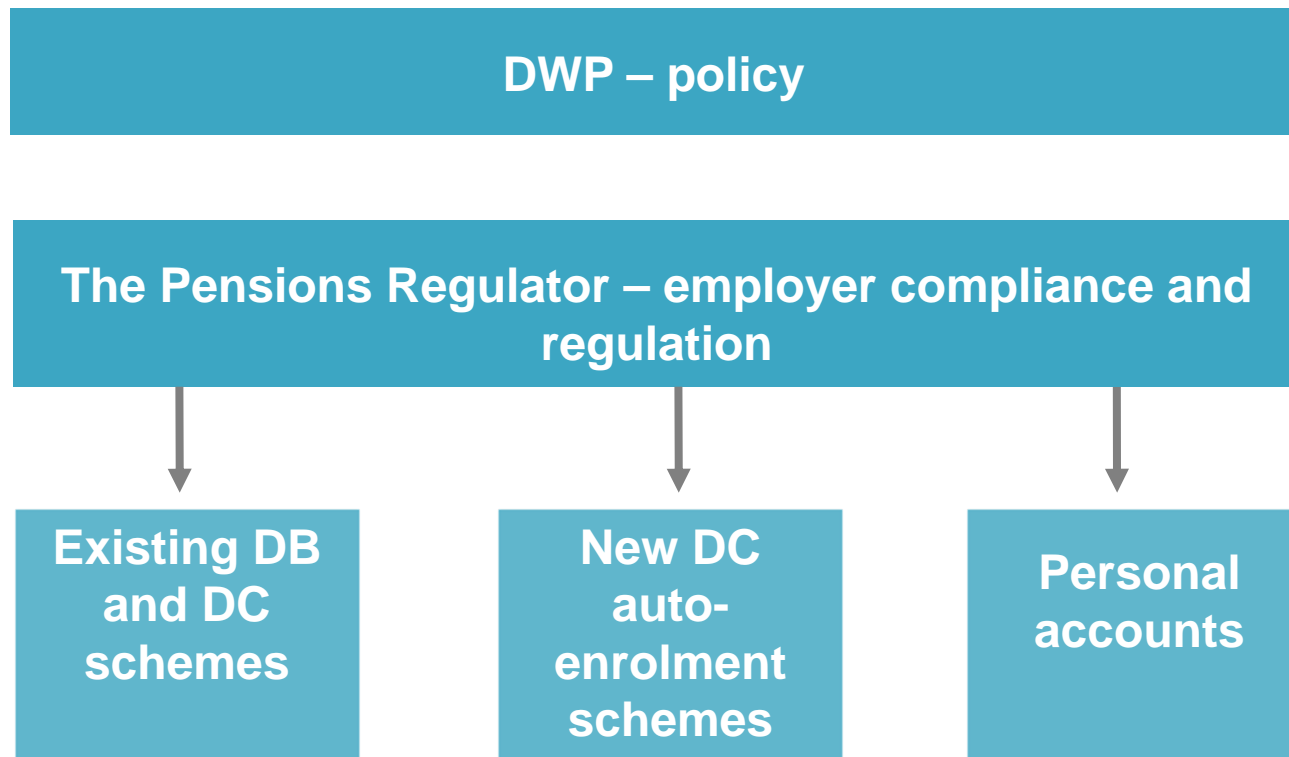
- The need for the personal accounts scheme
- The 2012 landscape
- Impact on employers, employees and trustees
- The personal accounts scheme
- The Trustee Corporation
- PADA's progress
- Pensions Act – what next?
- PADA's priorities
- Conclusion



# The need for the personal accounts scheme

- Automatic enrolment element requires all employers to provide a qualifying scheme for nearly all employees
- Some employer and employee characteristics mean existing provision will not expand to meet all of the new demand
- The personal accounts scheme is being designed specifically for that group

# The 2012 landscape



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# Impact on employers

## From 2012

- Qualifying scheme
- Automatic enrolment
- Employer contribution
- Personal accounts is an option – particularly for low paid



# Impact on employees

## From 2012

- Access to a workplace pension and employer contribution
- Opportunity to save for retirement and receive tax relief
- Personal accounts a good option for workers who change jobs regularly or take career breaks



# Impact on trustees

- Compliance processes
  - Ensure automatic enrolment is effective
  - Administrative processes may need to change
- Review of pension arrangements
  - Is the default fund strategy appropriate?
  - What about sharia, ethical and responsible investment approach
  - Consider personal accounts for relevant employees
- Cultural shift
  - By doing nothing staff get a pension



# The personal accounts scheme

- trust-based
- ‘qualifying’
- open to any employer
- run in the interests of its members
- trustee corporation – an NDPB – not-for-profit
- simple
- low charge
- economies of scale



# How the scheme fits in

- Target market
  - Low-to-moderate earners
  - No access to a pension scheme
  - Simple and low charge
- Any employer
  - No existing scheme
  - Or high turnover sectors
- Complement existing provision



# The Trustee Corporation

- Trustees and employees
- Initial appointments by Secretary of State
- Overall responsibility for the Scheme
- Statement of Investment Principles
- Services & contracts
- NDPB requirements



# Governance of the scheme

- The Trustee Corporation will
  - Publish and review a Statement of Investment Principles (SIP), with input from panels
  - Manage, monitor and review all services/contracts, including outsourced services
  - Have in place documented internal controls – in line with the Pensions Regulator’s code of practice
  - Ensure the scheme is sustainable and meets NDPB requirements
  - Act in the best interest of scheme members
  - Receive input from the Members’ panel



# Scheme Order and Rules

- Sets out what the scheme/trustee can/must/will do
- They create a framework for the PA scheme
- Can be thought of as the PA equivalent of a trust deed and rules
- Joint consultation between DWP and PADA
- Draft published for consultation 28 April 2009
- Consultation runs until 20 July 2009
- DWP/PADA response Autumn 2009
- Order expected to be laid winter 2009/2010



# Investment consultation

- Consulting on investment strategy
  - PADA will provide advice to the trustee corporation
  - There will be a default fund – designed for scheme members
  - Additional funds will be available, but limited choice
- Key roles for trade unions include
  - To consider the appropriateness of the default fund
  - To examine the range of investment choices across all DC schemes, including the PA Scheme
  - Represent members views



# PADA's decumulation consultation

- Ran from 2 December 2008 to 4 March 2009
- Response summary document published 27 May 2009
- Key themes to emerge:
  - Communication - language will need to be simple and accessible
  - E-alternatives
  - Some support for a panel of providers or guided choice
  - Small funds present a challenge, but this isn't unique to personal accounts



# Pensions Act 2008 – what next?

- Employer duties – automatic enrolment – now in law
  - Staged from 2012
  - Phased Contributions
- Put the ‘D’ into PADA
- Secondary legislation
  - Employer Regulations Pack 1 now
  - Employer Regulations Pack 2 in the Autumn
  - Scheme Order and Rules consultation began in April



## ... two years until the first members join

- Remaining policy to crystallise through autumn this year into early part of 2010
- Begin to more actively build awareness of the scheme from autumn this year
- Trustee corporation in place next summer – statement of investment principles signed
- Contract signed with scheme administrator next summer
- Scheme launch in Q2 2011 – voluntary joining for a small number of employers
- Volume onset of membership when employer duties go live – October 2012



# PADA's priorities and challenges

- Generating awareness
- Develop and implement the 'product'
- Administration – looking at e-channels



# Raising awareness of the scheme

## Unions can help raise awareness

- Unions have key role in providing information to individuals and their employers
- Seen as a trusted source of information on pension matters
- Have direct access to the workplace
- Can provide education and training on financial issues and raise individual awareness
- The Trustee Corporation can draw on their expertise



# In conclusion

- We know why we are here and we know we are designing for our target market
- Do you know what you need to do to get ready?
  - Keep a watching brief on consultations and respond!
  - Gather data on your existing arrangements and workforce
  - Start thinking about the options

# Information cont ...

- Key facts & myth buster
- Updates and consultations
- Website

[www.padeliveryauthority.org.uk](http://www.padeliveryauthority.org.uk)



The screenshot shows the website's header with the logo 'personal accounts delivery authority' and the tagline 'helping millions save for their retirement'. A navigation menu includes links for Home, About us, Personal accounts, Media, Stakeholders, Consultations, Publications, Suppliers, and Careers. A large banner image of a crowd is followed by the text 'Personal Accounts Delivery Authority (PADA): Helping millions save for their retirement'. Below this, there are three main content blocks: 'Welcome' with a link to 'Find out more about PADA', 'Working for PADA' with a link to 'More about working with us', and 'Information for suppliers' with a link to 'Most recent press release'. The press release section highlights a document from 25/11/2008 titled 'The Personal Accounts Delivery Authority launches its Decumulation Consultation (PDF, 139kb)'.

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