

Subject: Personal Accounts Delivery Authority (PADA)

Note of key matters:

Attendees:

Presenters	APPG	Others
Tim Jones, Chief Executive, PADA	Sir John Butterfill (acting Chair) Baroness Turner Baroness Hollis Lord Blackwell Lord Davies Lord Brookman	David Worsfold David Morey (PwC) Nigel Waterson's Researcher

1. Presentation by Tim Jones and discussion points noted

Background to Personal Accounts and PADA

- PADA was established to drive forward and deliver the work-based pension provision recommendations set out as part of the Turner Settlement
- The recommendations had recognised that there are some 7 million workers who are making little or no provision for retirement; many employers do not make available work-based pension provision; also there is poor take-up in larger organisations by lower paid employees; overall only some 30% of private sector employees save for retirement
- The aim of Personal Accounts is to offer low cost, high quality pension provision for low-to-moderate earners; ultimately, the Personal Accounts regime will be one of the largest such schemes in the world
- The Government's workplace reforms have been structured to effect a behavioural change such that employees who previously did nothing towards retirement saving, could commence saving but again by doing nothing (so called behavioural economics). This change is effected through auto-enrolment into a new occupational pension scheme arrangement
- Auto-enrolment will be achieved by a mandatory / legal responsibility placed on employers to enrol workers into a qualifying scheme (workers will be able to opt out)
- The employers affected include all those with 2 or more employees and currently operating under PAYE obligations
- PADA's key objective is to deliver the infrastructure for a new 'single product' scheme which will then be administered by a new Trust Corporation; PADA currently has access to some 200 people working to deliver its objectives (approx 140 employees); PADA is currently costing some £3 million per month

The Personal Accounts scheme

- The scheme will be one of the qualifying schemes an employer can use (it may operate others)
- The scheme would enable individual contributors to build up their own pension pot (a defined contribution scheme)
- Both employees and employers will contribute (self employed may also join the scheme)
- As with other qualifying schemes, the first £5,000 of earnings will be ignored in determining the amount on which contributions are determined

- The scheme will allow a maximum annual contribution of £3,600 (at 2005 levels; to be reviewed by Government in 2017)
- Contributors will be able to select the investment type – it is expected that some 95% of people will have a low risk appetite and select the ‘default fund’ which will invest in low risk asset classes; other asset classes can be selected by those with a higher risk appetite
- Personal Accounts, and other auto-enrolment schemes, is not a sold product and as such there is no question of advice in the process (similar to existing occupational pension scheme provision)
- As far as opt-out is concerned, the scheme will need to ensure that there is clear information provided to prospective joiners (PADA recognises this will be potentially difficult until there is reform of the benefit system, which might otherwise dilute the benefit messages of Personal Accounts)

Current activities and plans

- The delivery date for auto-enrolment is October 2012; PADA will launch on a voluntary basis in 2011
- PADA will be selecting a third party administration provider (selection process underway) to operate the new scheme, as well as investment managers (next year) to manage the funds
- The plan includes:
 - Q2 2011 – Personal Accounts product launch
 - Q2 2012 final preparations for October 2012 start of employer duty to enrol
- There will be a ‘staging and phasing’ approach to implementation
- ‘Staging’ will include early registration and commencement for groups of employers (larger firms first; full detail yet to be agreed)
- The take-on will involve significant numbers of employers (20k to 80k per month)
- ‘Phasing’ will encompass a phased approach to contributions – moving from reduced employer and employee contributions to the minimum of 8% (made up as to 4% employee, 3% employer and 1% tax)
- PADA will in due course hand over to the new Trustee Corporation (to be established in mid 2010); at that time the PADA workforce will transfer into the Trust Corporation and PADA will cease to exist
- The Trustee Corporation will have between 9 and 15 Trustees, each appointed by the Secretary of State (searches currently underway to appoint first Trustees by July 2012)

2. APPG’s view

The APPG is very supportive of the Personal Accounts initiative and PADA’s role in delivering it. The Group recognises that there are key aspects of Government policy that need to be addressed to ensure the Personal Accounts regime is viewed as the most sensible way of providing for retirement by the target population, including changes to the benefits system.

DL Morey

21 October 2009