Retirement Income
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Britain wants to bump up retirement savings rates

By Editorial Staff *Thu, Dec 21, 2017*

Since 2012, when auto-enrollment was launched in Britain, workplace pension participation in the public and private sectors has increased to 78% in 2016 from a low of 55% in 2012, according to the government.

The UK government wants to drop the lower age limit for auto-enrollment in workplace retirement to age 18 from age 22 and to scrap the lower earnings limit so that every penny-earned is pensionable. Today, auto-enrolled workers' contributions are based only on pay in excess of the first £5,876 ($7,865), according to a report in IPE.com

The proposals are the outcome of the Department for Work and Pension's (DWP) review of automatic enrollment, which the government said confirmed that the "harnessing of inertia" had worked.

The DWP wants to implement the proposed changes in the mid-2020s, subject to discussions with stakeholders around the detailed design in 2018/19 and a subsequent formal consultation with a view to introducing legislation.

The two measures would bring about 900,000 young people into workplace pension plans and add an estimated £770m ($1.03bn) to total annual pension savings by that group in 2020-2021, government officials said. The period represents the first full year after planned increases to contribution rates.

Scrapping the lower earnings limit on all workers would bring an additional £2.6bn into pension saving, according to the report, and increase total savings to an estimated £3.8bn (€4.3bn, $5.09bn). The government also plans to review contribution levels once the 8% contribution rate is implemented in 2019.

The government will also test "targeted interventions" to promote retirement saving among the self-employed. Around 4.8 million individuals, or 15% of the UK workforce, describe themselves as self-employed.

Since 2012, when auto-enrollment was launched in Britain, workplace pension participation in the public and private sectors has increased to 78% in 2016 from a low of 55% in 2012, according to the government. But about 12 million individuals, or 38% of the working age population in the UK, are still not saving enough for their retirement.