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Update

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Auto-enrolment for low earners

The cross-party Work and Pensions Committee has launched an inquiry examining how pension auto-enrolment could be reformed to help ensure a fair employer and employee contribution to secure a decent retirement income for low earners.

People on low incomes are more likely to be among those under-saving but also the most exposed to any potential increase in contributions. Small businesses with already stretched resources are also exposed to increases in employer auto-enrolment contributions.

The Government currently has no plans to increase minimum contributions but has tasked the Second Pensions Commission to examine ways to secure the pension system's long-term future, its fairness, and pension adequacy.

Committee Chair Debbie Abrahams said: "The Committee will seek to inform the Commission's work by looking at whether minimum auto-enrolment contributions should increase, and if so, when, by how much, and how the cost of any increase is shared."

<https://committees.parliament.uk/committee/164/work-and-pensions-committee>



Debbie Abrahams

“Across the workplace pensions market today, there are around 13 million deferred small pension pots – and that number is growing by more than a million a year”

Small DC pots consultation

The Department for Work and Pensions (DWP) has launched a consultation on proposals for the implementation of automatic consolidation of small DC pots, through the establishment of a multiple default consolidator system.

To be eligible for consolidation, a pot must have received no contributions for a period of at least 12 months and have a value of £1,000 or less. Moreover, consolidation will only apply to pension pots held within charge-capped default funds created since the introduction of automatic enrolment on 1 October 2012. It is estimated that this will bring approximately 20 million small pots into scope at the point of implementation in 2030.

Where a member has an existing pot with a consolidator scheme, that scheme should be the destination for the small pot. Where more than one consolidator holds a pot for the same member, the small pot should be transferred to the consolidator holding the largest pot for that member. Where the member does not already have a pot with a consolidator scheme, a carousel mechanism should be used to allocate the small pot to a consolidator. The consultation seeks views on how the carousel should operate.

To improve the effectiveness of data matching for the multiple default consolidator framework, the government intends to strengthen employer duties under automatic enrolment, for example by requesting personal email addresses from employees and introducing a requirement for employers to update key member details periodically.

The consultation is open until 17 November 2026.

Company news

Arboreum Pensions has announced the launch of a multi-employer whole-of-life collective defined contribution (CDC) scheme, following three other providers aiming to do the same (TPT Retirement Solutions, Aon and Pensions Mutual). Arboreum is a business of Collective Pensions Limited, which is majority-owned by Vestey Holdings and Timpson.

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