



**Isle of Man
Government**

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A Consultation Response Document



Workplace Pensions

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Workplace Pensions

Consultation Response Document

1. Introduction

In July 2019 the Treasury issued a consultation, "Workplace pensions"; which sought views on whether the number of people saving for a pension could be increased and whether this could and should be done.

Two hundred and nineteen responses were received. Of the two hundred and nineteen responses received 165 (75%) were from employees and the remaining 54 (25%) from employers. These figures include a response from the Isle of Man Chamber of Commerce, which was not submitted online and did not directly respond to the questions asked but offered an overview of their members' position and highlighted some key areas.

In addition to the responses received the Treasury also received a paper from Aviva entitled "Introducing Automatic Enrolment in the Isle of Man Considerations for the Manx Government". This was not considered a response to the consultation, rather a major provider of workplace pensions offering an insight in relation to automatic enrolment following experience in the United Kingdom.

This document provides a summary of the comments received and the Treasury's response.

Treasury wishes to thank those who took part in the consultation.

2. Responses

Employers

Table 1 - Quantitative responses – EMPLOYER QUESTIONS (online returns only)

Question						
Question 1: Number of employees	1-5	6-10	10-25	25-50	50+	Not answered
	45	8	7	7	16	143
Question 2: Do you provide a pension scheme for your employees?	Yes		No		Not answered	
	28		25		143	
Question 3: If not, what are the reasons?	Increased cost to business	Throughput of employees	HR resource to run the scheme	Lack of suitable scheme	Fee cost of scheme	Not Answered
	18	3	7	3	7	176
	Yes		No		Not answered	
Question 4: Do you provide access to pension advice for your employees?	39		14		143	
Question 5: Should IOMG take actions to ensure that there is a suitable and accessible pension scheme for the low paid?	45		8		143	
Question 6: Should employers be compelled to contribute to their employee's additional pensions?	29		24		143	
Question 7: Would you prefer any scheme to be delivered by?	IOMG	The private sector	A combination	Don't know	Not Answered	
	12	9	22	10	143	

	Yes	No	Not answered
Question 8: Eligibility rights – should an employer with an adequate pension scheme already in place be exempted from any requirement to participate in a new workplace pension scheme?	45	7	144
Question 9: For employers without existing schemes participation would be compulsory - should it be compulsory or opt out for your employees?	Compulsory	Opt out	Not answered
	19	33	144
	Yes	No	Not answered
Question 10: Should employers have the option to put new entrants into the new scheme rather than their own scheme?	42	9	145
Question 11: Should employers/employees be able to transfer existing pension schemes into the new scheme?	49	3	144
Question 12: If workplace pensions were to be introduced, should any group, type or size of employer be exempted from the requirement to provide a workplace pension and why?	OF THE 39 RESPONSES RECEIVED TO THIS QUESTION 15 RESPONDENTS SAID THERE SHOULD BE NO EXEMPTIONS		
Question 13: What should be the total amount (in percentage terms) of contributions?	OF THE 51 RESPONSES RECEIVED TO THIS QUESTION 41 RESPONDENTS SUGGESTED 10% OR BELOW.		
Question 14: What should the employee/employer split be?	OF THE 50 RESPONSES RECEIVED TO THIS QUESTION 27 RESPONDENTS SUGGESTED AN EQUAL SPLIT BETWEEN EMPLOYER AND EMPLOYEE.		
	Yes	No	Not answered
Question 15: Should there be upper limits?	33	18	145
Question 16: Should there be financial relief for the employer on payments made to pensions?	48	3	145
Question 17: Accessibility - should the employee be able to draw down prior to retirement?	35	17	144

Sample of comments received:

- The communication and publicity of the “Workplace Pension” consultation to the business community and wider public has been limited, this coupled with the timing of the consultation to coincide with summer holidays may lead to a reduced response rate to your survey.
- The effect of increased costs to small organisations particularly if they have no provision currently in place, could potentially result in lowering headcount and employment opportunities in the future.
- We do not currently offer a pension to all employees due to costs of scheme.
- Employees when asked preferred to have larger salary and make their own arrangements.
- No group, type or size of employee should be exempted. Anyone who is employed whether in a large or small organisation should have access to a workplace pension to which the employer should contribute in a similar manner to the UK legislation. Smaller organisations are possibly less likely to provide a range of benefits to employees and therefore some form of compulsion may be required to encourage participation. Help would need to be provided to the smaller employer to enrol their employees in a pension scheme.
- It needs to be employers of 50 or more. With the increase of regulation and the costs, the Employment Act, GDPR and costs in general to expect smaller companies to pay pensions as well is another cost.
- There should be a restriction on the minimum age you can draw your pension to ensure there is enough there to sustain the person now people are living longer.
- Staff fund their own pensions and we have a Salary Sacrifice scheme.

- Increasing costs for small employers needs to be carefully considered in order that the Island can remain competitive with other jurisdictions.
- For companies working in sectors that tender for work, such as the construction sector, unless the scheme is compulsory it will be difficult for employers with pension schemes to compete against companies that do not have schemes due to the extra costs of providing a pension scheme. A compulsory workplace pension scheme would level the playing field and also ensure all employees are guaranteed a pension.
- All employees need to be included in order to make the requirement inclusive. The issue will be that small family run businesses and businesses in the food and drink industry, retail sectors and some healthcare sectors who historically use staff on a “bank” or zero hours basis will struggle with the added costs and administration of a pension scheme or even managing the contribution towards it.

Chamber of Commerce

In addition to the online responses submitted the Treasury received a written response from the Chamber of Commerce stating that, overall, their members support the introduction of a Workplace Pension on the Isle of Man. They highlighted some key areas, some of which are included in the sample comments above. Their response favoured a similar approach to that currently in place in the UK. In addition, they stated that feedback from members raised concern as to the level of detail required in both the Employer and Employee surveys and that those not familiar with pensions may find the survey difficult to answer. Furthermore, the Chamber said that, as this consultation is only the first stage, it would welcome the opportunity to facilitate a workshop with key Chamber members and Government to debate ideas, solutions and consider options to assist with shaping the future long term savings and retirement planning for businesses and employees.

Employees

Table 2 - Quantitative responses – EMPLOYEE QUESTIONS (online returns only)

Question							
Question 1: What age are you?	Under 20	20-29	30-39	40-49	50-59	60+	Not answered
	0	14	37	36	41	16	52
	Yes		No			Not answered	
Question 2: Do you know how much you will need to live comfortably in retirement?	73		72			51	
Question 3: Will the full state pension (£184 per week) be enough?	4		140			52	
Question 4: Have you considered how you will fund any extra income?	125		19			52	
Question 5: Are you employed?	138		6			52	
Question 6: If yes, do you have a pension through your employer or does your employer make contributions to your personal pension?	92		46			58	
Question 7: Do you have a personal pension independent of your employment?	55		87			54	
Question 8: Are you making any other provision for retirement income?	42		100			54	
Question 9: If not, would you like to be able to access an additional pension scheme?	85		46			65	
Question 10: Should IOMG take actions to ensure that there is a suitable and accessible pension scheme for the low paid?	137		7			52	
Question 11: Would you prefer any scheme to be delivered by:	IOMG	The private sector	A combination		Don't know	Not Answered	
	32	25	64		23	52	
Question 12: Who would be eligible to join an additional pension scheme?	OF THE 94 RESPONSES RECEIVED TO THIS QUESTION 67 RESPONDENTS SAID THAT EVERYONE/ALL EMPLOYEES SHOULD BE ELIGIBLE TO JOIN AN ADDITIONAL PENSION SCHEME						

Question 13: Should it be made compulsory or opt out?	Compulsory	Opt out	Not answered
		76	65
	Yes	No	Not answered
Question 14: Should the scheme be made available only to those who are not in a private or employer scheme?	41	100	55
Question 15: Should employees and employers be able to move existing pensions into the new scheme (which may be cheaper/simpler/more flexible) by agreement?	129	10	57
Question 16: What should the level of contributions be (in percentage terms) and should there be any upper limits?	OF THE 122 RESPONSES RECEIVED TO THIS QUESTION 55 RESPONDENTS SUGGESTED 10% OR BELOW (10% not included where 10 was the minimum).		
Question 17: How much do you think you could contribute to a pension?	OF THE 110 RESPONSES RECEIVED TO THIS QUESTION 53 RESPONDENTS SUGGESTED 10% OR BELOW (includes those responses who said zero).		
	Yes	No	Not answered
Question 18: Should contributions automatically be given tax relief?	143	1	52
Question 19: Should there be a required payment from employers?	126	18	52
Question 20: If contributions were set at 10% of salary - how should this be split between employee and employer?	OF THE 122 RESPONSES RECEIVED TO THIS QUESTION 62 RESPONDENTS SUGGESTED AN EQUAL SPLIT BETWEEN EMPLOYER AND EMPLOYEE.		

Sample of comments received:

- I feel a compulsory auto enrolment would be very beneficial to the younger generation, they struggle to save in general and with the pressures to find a home, I feel by the time they are 65+ they won't have anything left. Auto enrolment gives everyone this option, and will potentially relieve the gov of the financial pressures in 50yrs time. To follow in the UK's lead with auto enrolment would be a great step forward for the IOM.
- I think Auto Enrolment in the UK has promoted the gig economy and the use of zero hours contracts to get around the rules and the need to provide a pension. I don't think anyone should be forced into a pension but there should be sufficient education in schools and the

public domain that people see the value and choose to contribute. There needs to be a vehicle to contribute to, a Gov backed/provided pension scheme is needed as the IOM has limited options and the Aviva GPP that most have has very limited options at retirement.

- My view is that any island employer, who employs more than 5 staff, regardless if they already have a voluntary pension scheme, should be required by law to auto-enrol their staff into a pension scheme and be made to make a minimum contribution for that staff member. Legislation should be robust enough to ensure that staff on limited term or temporary contracts or zero hours contracts will be included. Eligibility should be limited to those earning a salary of £8,500 per year or more.
- I feel that the first years should be a small percentage, to prevent the burden on employers, with a gradual increase over a period of 5yrs.
- It should be on a sliding scale as younger people generally have bigger outgoings in terms of mortgage payments, children and such like leaving them with very little spare cash but as they grow older then these costs generally reduce so more is available to pay into the pension.
- It would have to be based on circumstances at the time. An employee with a young family and a mortgage, would struggle compared to a middle aged person with grown up children and no mortgage. Therefor the percentage should be low to start and increase as circumstances change and pay increases.
- As long as you can afford it, there should be no restrictions as to how much is placed into a pension scheme. Someone who may be classed as a "high earner" currently may lose their job or become ill and not be able to afford "large" contributions in the future which could then mean future contributions are lower. Let people contribute as much as they can afford at no additional penalty. If they reach retirement and are comfortable, maybe the "state" portion could be given to someone who needs it more.

- With tax relief at only 20%, and no CGT on the IOM I believe there are more efficient ways of saving that can also give access prior to retirement e.g. house purchase, children's university costs etc.
- I think the lower the salary, the higher the contribution from the employer, and both employers and employees should receive tax relief on pension contributions. I think it should be set out as salary bands – those earning a lower salary could receive a higher % from their employer, while those on a higher salary could receive a lower % support.
- New Zealand Kiwi Saver Plan is pretty good (it's like a combo retirement and first house program with govt bonuses if you pay at least X per year)

Table 3 - Quantitative responses – QUESTION SHEETS RETURNED FROM EPA CUSTOMERS

Question				
	Yes	No	Not sure	Not answered
Question 1: Are you a member of your current employer's occupation (or "works) scheme or does your current employer make contributions to your personal pension?	5	15	2	0
Question 2: Have you been a member of a former employer's occupation (or "works") scheme or did any of your former employers make contributions to your personal pension?	8	12	2	0
Question 3: Are you paying into a personal pension plan now, independent of your employment?	0	22	0	0
Question 4: Are you making any other provision for your retirement income (for example, building up private savings or owning property you can get rent from)?	0	21	1	0
Question 5: If you're not already saving for your retirement through one of the things mentioned above, would you like to be able to access a workplace pension scheme?	15	0	6	1

Question 6: If you're not currently saving for your retirement through either an occupational scheme, a personal pension plan or through any other means what is the main reason for this?	I can't afford to do so	My employer doesn't offer a pension	There is no suitable private pension scheme	I haven't considered my pension needs	Other reason	Not answered
	14	3	0	2	2	1
	Yes	No	Not sure	Not answered		
Question 7: Do you think that the Isle of Man Government should introduce a Workplace Pension Scheme to encourage people to save for their pensions?	22	0	0	0		
Question 8: Noting that you could choose not to join a workplace pension scheme, but that you would have to contribute if you did join, if one was available to you would you be likely to join it?	16	1	5	0		

No additional comments were received with the questionnaire returned from customers in receipt of Employed Persons Allowance.

3. Conclusion

Treasury are of the view that there is a high level of support in the principles that would underpin the introduction of workplace pensions legislation.

Treasury recognises that there is a level of concern that introducing such legislation will bring additional costs to both employers and employees. Whilst recognising the validity of these concerns, this should be balanced against the long term benefits of additional pension saving to the individual.

Treasury now intends to build on the feedback received from respondents and to work with key stakeholders to consider how this can be taken forward in the most pragmatic manner. An update on progress will be provided to Tynwald in October 2020.



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