

WEBINAR WITH PENSIONS MINISTER STEVE WEBB MP

24 March 2015

To listen to a full recording of the discussion, please [click here](#)

ICAEW held a webinar with Pensions Minister Steve Webb on 24th March 2015, which was listened to by around 160 practice and business members who are involved in implementing automatic enrolment.

Members had the opportunity to submit questions in advance, and could also submit live questions to the Minister throughout the conversation.

Richard Cree (Editor, *Economia*) chaired the webinar, setting the context within which ICAEW Chartered Accountants operate. The Minister opened the webinar by emphasising the biggest challenge automatic enrolment will face is still to come; with the staging dates for small and micro businesses approaching over the next two years.



The Minister emphasised that DWP was engaged in a number of activities which were aimed to raise awareness amongst businesses and the adviser community of what is expected of them. He said the aim of the webinar was to make sure that Chartered Accountants, as a key part of the automatic enrolment machine, were prepared to help businesses 'get compliant'.



The first question centred on what the Minister could do to facilitate better conversation between providers, small businesses and practitioners – as there is a perceived lack of pension providers in the market.

Webb said that at the beginning of the automatic enrolment journey four years ago there was a scepticism that no pension provider would want to provide schemes to the smallest of firms because there was an expectation it wouldn't provide enough return; which is why the Government created NEST. Webb said that no provider other than NEST has a legal duty to offer products.

Trevor, a small practitioner from Purley said that he has had a lot of trouble in engaging with insurance companies – and was worried that this could result in worse value for money for the smallest of firms. Webb said that it was encouraging that there are at least 4 or 5 providers who are offering schemes to small businesses. He encouraged small business to shop around, but he and DWP regard NEST as the benchmark.

Surrinder, a practitioner from Wolverhampton asked if the Minister could explain the extent to which practitioners can advise clients on scheme choice and, following on from that, William, a pensions provider asked if the Minister could clarify the Government view on the fact that some practitioners are taking a "pension provider panel approach" to reduce administration costs. Webb

said that we all have to “[sic] be very careful when we are talking about ‘advice with a capital A’ because you do need to be regulated as an IFA to offer advice [to individuals]”. However, as advising employers on scheme choice is not a regulated activity, Webb went on to explain that practitioners could provide businesses with a ‘shopping list’ or ‘menu with prices’ type comparison, which would include the (relatively few) providers open to smaller employers and set out a summary of their costs (eg monthly fees) and any added extras (eg some will provide more systems/software support than others). The role of the accountant and the adviser is therefore to make sure businesses are aware of what is out there – often beyond the ‘vanilla’ products – and it was then the employer’s duty to make a choice.

Richard Cree asked that if an employer takes up a Master Trust or another similar product which doesn’t turn out to be the best for that company – is the person who offered that advice potentially subject to legal action? Webb explained that employers have a responsibility to take proper care but if an employer acts reasonably, looks at the (relatively few) schemes that are available and selects a scheme run by a ‘household name’ insurer or master trust, it was hard to conceive that they could be successfully found in court to have acted irresponsibly. Webb also highlighted TPR’s guide aimed at helping smaller employers understand their duties, which includes guidance on selecting a scheme.

Taking a live question – Ed asked what the likelihood is that individuals will probably end up swallowing employer duties from their pension pots. Webb emphasised that there is a charge cap as part of the legislation so that it’ll be impossible for individual pots to be ‘raided’ in this kind of way.

One area where ICAEW had received a number of questions was on the clarification around Director only companies – and home businesses.

Webb said that if a company had only one Director (and no workers) then it did not need to auto-enrol. If that Director took on one employee – then automatic enrolment would apply to both the Director and the employee. If a company had a second director (eg a spouse) then both Directors would need to enrol (assuming they both had employment contracts). TPR will be sending letters to all those who it has identified as being liable. What is key, the Minister said, was that there needs to be is an employment contract – and employees being paid through PAYE – for auto-enrolment to apply.

Liz Cole, ICAEW automatic enrolment specialist drilled down into a few more cases of small companies with specific director arrangements – emphasising that there are a lot of ‘tabletop’ and home business which may be caught by this. Webb confirmed that businesses with multiple directors would only be caught if more than one of them had a service or employment contract. Webb also explained that TPR has provided a template letter on its website for such businesses to inform the regulator that they were exempt.

Closing the webinar, the Minister thanked ICAEW and its members who had submitted questions – and was keen for DWP to do more of this kind of activity.