Pensions (Extension of Automatic Enrolment) (No. 2) Bill
HL Bill 128 of 2022–23

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Date published: 5 July 2023

The Pensions (Extension of Automatic Enrolment) (No. 2) Bill would allow ministers to lower to 18 the age threshold at which qualifying workers are automatically enrolled into workplace pensions. It would also allow ministers to amend qualifying earnings limits so that pension contributions are calculated from the first pound earned. Ministers would have to obtain Parliament's approval for any changes after first consulting on any proposals and reporting to Parliament on the consultations held.

The bill is a private member's bill which has passed the House of Commons, where it was sponsored by Jonathan Gullis (Conservative MP for Stoke-on-Trent North). Baroness Altmann (Conservative) is the bill's sponsor in the House of Lords. She was awarded a CBE in 2014 for services to pensioners and pension provision and served as minister of state for pensions between May 2015 and July 2016.[1]

The government supports the bill and the Department for Work and Pensions has supplied explanatory notes, a delegated powers memorandum and an impact assessment for the bill.

The House of Lords is scheduled to debate the bill at second reading on 14 July 2023.

[1] HM Government, 'Baroness Altmann CBE', accessed 29 June 2023; and Cabinet Office, 'Birthday honours 2014: Prime minister's list', 13 June 2014, p 10.

1. Why has the bill been introduced?

All employers in the UK must provide a workplace pension scheme for qualifying workers.[2] For those workers not already in a workplace pension scheme this obligation on employers, provided for in the Pensions Act 2008, is called 'automatic enrolment' and applies to all workers who:

- are aged between 22 and state pension age
- earn at least £10,000 per year
- usually (or 'ordinarily') work in the UK

For qualifying workers, contributions are required on earnings between a lower earnings limit and an upper earnings limit set at £6,240 and £50,270 respectively in 2022/23.

The policy means all qualifying employees will build up a private pension through their contributions and those of their employer unless they choose to opt out.[3] Automatic enrolment was phased in between 2012 and 2018, with minimum contribution rates reaching their full rate of 8% of earnings (employers contributing a minimum of 3% and employees 5%) in April 2019.

In December 2016, the government announced a review of automatic enrolment in line with a requirement in the Pensions Act 2008 that the policy be reviewed in 2017.[4] Two months later, in February 2017, the government announced the mandatory review would consider coverage, engagement and contribution levels. It would also be supported by an external advisory group.[5]

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[2] HM Government, 'Workplace pensions', accessed 3 July 2023; and MoneyHelper, 'Auto-enrolment', accessed 3 July 2023.

[3] House of Commons Library, 'Pensions: Automatic enrolment—current issues', 8 March 2022; and 'Research briefing: Pensions (Extension of Automatic Enrolment) (No. 2) Bill', 22 March 2023.

[4] Department for Work and Pensions, 'Review of automatic enrolment to build on success', 12 December 2016.

[5] Department for Work and Pensions, 'Expert advisory group appointed to the automatic enrolment review', 8 February 2017.

The government published the outcome of the automatic enrolment review in December 2017.[6] The report concluded that "automatic enrolment is a policy that is working", although it added there were some workers who saw "more limited benefits" from the policy. The report stated:

- Workers who earn more than £10,000 a year in a job are automatically enrolled, but because their contributions are calculated from the bottom of the qualifying earnings band ([then] £5,876) in each job, they will miss out on a potentially significant contribution, and possibly more than once.
- Non-eligible jobholders who earn £10,000 a year or less in each of their jobs do not qualify for automatic enrolment, even if their combined earnings exceed £10,000.
- Entitled workers who earn at or below the lower earnings limit in each of their jobs are not necessarily entitled to an employer contribution even if they opt in.
- Younger workers aged 18 to 21 currently miss out on automatic enrolment because the lower age limit of 22 was based on previous national minimum wage criteria which were subsequently superseded in 2010.

The report confirmed that automatic enrolment would "continue to apply to all employers, regardless of sector and size".[7] It added that the government intended to improve the automatic enrolment framework by the mid-2020s in several respects, including by:

- lowering the age criteria for automatic enrolment from 22 to 18
- changing the framework for automatic enrolment so that pension contributions are calculated from the first pound earned, rather than from a lower earnings limit

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[6] Department for Work and Pensions, 'Automatic enrolment review 2017: Maintaining the momentum', 18 December 2017, Cm 9546. See also 'Automatic enrolment review 2017: Analytical report', 17 December 2017.

[7] As above, p 17.

2. What would the bill do?

Clause 1, the bill's single substantive clause, would amend the Pensions Act 2008 to give the secretary of state regulation-making powers to fulfil the ambitions set out in the 2017 review, namely to:

- reduce the lower age limit at which otherwise eligible workers must be automatically enrolled (or re-enrolled) in a pension scheme
- reduce or repeal the lower earnings limit of the 'qualifying earnings band' so contributions are calculated from the first pound of earnings, as well as modify the requirements of the annual review of the qualifying earnings band

The government has said it intends to use the first of these regulation-making powers to meet the ambition set out in the earlier review of lowering the lower age limit for enrolment from 22 to 18.[8] It has also said the estimated cost of reducing the lower age limit to 18 and removing the lower earnings limit would be approximately £2bn in 2022 earnings terms for the first full year of implementation. This cost would be split between extra employer contributions (£0.8bn), extra employee contributions (£0.9bn) and income tax relief (£0.2bn) and would be lower if the measures were phased in over a number of years.

Regulations made under powers in the bill would be subject to the affirmative procedure, meaning both Houses of Parliament would need to consent before the regulations could become law. Clause 1 would also mandate that the secretary of state "must consult such persons as the secretary of state considered appropriate" before exercising the regulation-making powers. Ministers would also have to lay a report before Parliament about these consultations alongside any draft regulations.

The bill's second clause would provide for the bill's territorial extent, commencement and short title. Private pensions are a reserved matter for

[8] Explanatory notes, pp 2–4.

Scotland and Wales, with the UK Parliament legislating on pensions across Great Britain. The issue is devolved to Northern Ireland, although historically the Northern Ireland Assembly has legislated so that arrangements mirror those in Great Britain. The government anticipates that the Northern Ireland executive will pursue separate legislation in time.[9]

3. What happened in the House of Commons?

The bill was introduced in the House of Commons on 27 February 2023 and received its second reading without debate on 3 March 2023.[10] The bill was committed to a public bill committee and a committee met to consider the bill on 15 March 2023.[11]

The bill received cross-party support during its committee stage, although David Linden, SNP spokesperson on social justice issues, moved a probing amendment to reduce the age at which automatic enrolment would begin to apply to 16. Responding for the government, Laura Trott, a parliamentary under secretary of state at the Department for Work and Pensions, reiterated earlier government support for the bill and said that subject to it becoming law the government hoped to launch a consultation on the proposed changes in the autumn.[12] Ms Trott argued that Mr Linden would be able to make a case for reducing the age threshold further during that exercise. Mr Linden withdrew his amendment and following debate, clauses 1 and 2 were agreed to without division.

The bill's third reading took place on 24 March 2023 where it again received cross-party support.[13]

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[9] Explanatory notes, p 3.

[10] HC Hansard, 27 February 2023, col 526; and HC Hansard, 3 March 2023, col 1084.

[11] House of Commons Public Bill Committee, 'Pensions (Extension of Automatic Enrolment) (No. 2) Bill', 15 March 2023, session 2022–23, cols 1–14.

[12] See, for example: FT Adviser, 'DWP backs 'landmark' expansion of auto-enrolment', 3 March 2023.

[13] HC Hansard, 24 March 2023, cols 606–11.

The House of Lords Delegated Powers and Regulatory Reform Committee (DPRRC) has said there was "nothing in this bill which we would wish to draw to the attention of the House".[14]

[14] House of Lords DPRRC, '32nd report of session 2022–23', 26 April 2023, HL Paper 182 of session 2022–23, p 7.

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