*Interview with Malcolm Goodwin, head of workplace savings & retirement, Aviva UK*

**Emily Panufnik, Infor.pl:** Who is entitled to the State Pension in the UK and what is the current amount of pension?

**Malcolm Goodwin:** The State Pension in the UK is £9,110 per year. This is a relatively low income for local living standards as the average full time working wage in the UK is currently £35,243 pa. In order to qualify for the full State Pension amount you will have needed to have worked for at least 35 years. Any number of years worked below this would see this amount of £9,110 reduced proportionately. The age from which you can get the state pension in the UK is currently 66.

When the UK launched its auto-enrolment pension scheme and what was the reason?

The auto-enrolment pension schemes were launched in 2012 after many considerations, on the basis of dedicated legislation. Reasons are similar to other developed economies – demographic changes and increasing life expectancy create a large pension gap which needs to be partially closed by increased retirement savings. Up to 25% of the population in the UK will be 65+ before 2050 which means enormous pressure on the State Pension system and the working population.

What are the current – and historic – levels of contributions to the AE schemes in the UK?

The minimum contribution rates to a pension scheme in the UK increased gradually over the last years. It started from 1% of earnings for employers and 2% for employees in 2012 while since 2019 employers contribute 3% and employees 5% of earnings.

Employers can offset their employer pension contributions against Corporation Tax. Employee Contributions similarly get Income Tax Relief on their employee contributions too. 20% Income Tax Relief is automatically given upfront to employee contributions; so 5% contributions with 20% tax relief means employees only actually pay 4% of their earnings into their workplace pension and the Government makes up the remaining 1% itself.

Can participants in AE plans in the UK make early, partial withdrawals for e.g. purchasing a new apartment or in case of a serious illness (in Poland they can, under certain circumstances)?

Only in the case of serious illness where you are too ill work. In no other circumstances are you allowed in the UK to access pension monies before age 55 unless you are in a “protected” occupation which normally stops work before then e.g. a sports person.

Do employees aged 55+ need to apply for enrolment (as it is in Poland) or are they automatically enrolled?

Employees from ages 22 up to age 75 in the UK are automatically enrolled into a pension scheme. Only if you are over aged 75 and still employed are you not automatically enrolled into a UK Pension Scheme. Currently you have to earn over £10,000 per year to be automatically enrolled into a Pension Scheme in the UK. Otherwise you need to apply for enrolment.

Is participation level a worry in the UK?

Before the schemes were launched, there was a public debate in the UK and doubts were voiced participation will be below 50%. But as the schemes were enrolled, starting with large enterprises and moving to medium and small businesses, participation turned out to be much higher, and increasing. Currently it is around – or even above – 90% for bigger companies, and 80%+ for smaller businesses.

What persuaded UK employee to participate in the pension schemes?

Large-scale information campaigns launched by the Government played a positive role, as well as efforts of providers and employers. Part of society has been aware of the need to save for retirement, some were persuaded by employee’s contribution, some just stayed in schemes passively. Good investment results and growing account balances of those participating gradually attracted some sceptics.

How many employers change providers of schemes – and why?

Now around 5% of companies who have pension schemes change providers annually. This creates quite a substantial secondary market for financial institutions, and we as Aviva UK benefit from it and strengthen our market leading position. The main reason of these decisions is the quality of customer service and support for employers. I assume it may be similar in Poland as employers and employees require reliable service, mainly with online tools. So it is advisable to choose a provider offering quality service and great online tools from the very beginning.

Thank you very much for your answears and the information about AE schemes in the UK.