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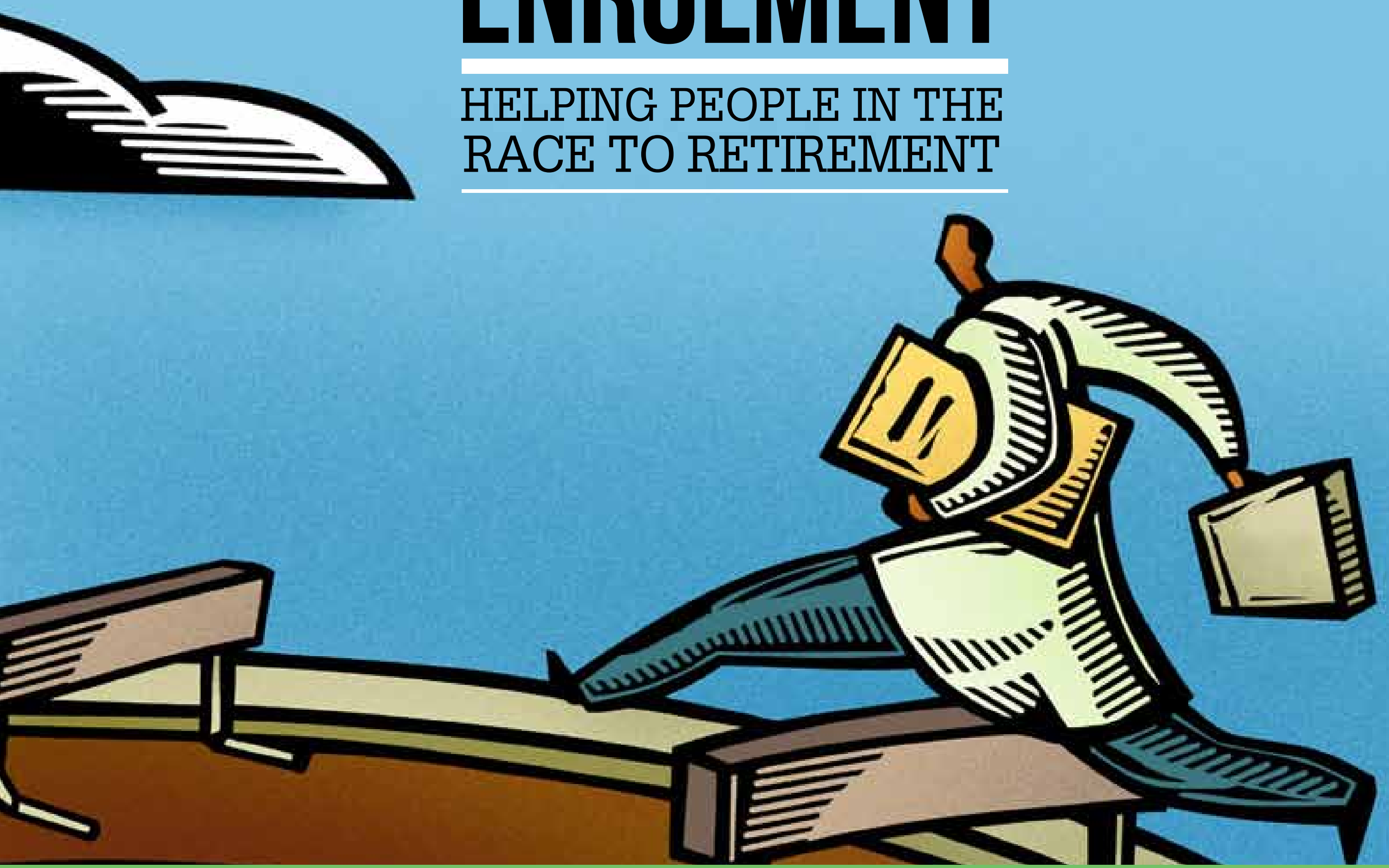
FINANCIAL GUIDE

A GUIDE TO AUTO ENROLMENT

HELPING PEOPLE IN THE RACE TO RETIREMENT



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A GUIDE TO AUTO-ENROLMENT

Helping people in the race to retirement

Up to 11 million workers will now start to be automatically enrolled into a workplace pension which commenced from October last year. Larger employers were the first, with small and medium-sized employers following over the next six years.

A workplace pension is a way of saving for retirement arranged by an individual's employer. It is sometimes called a 'company pension', an 'occupational pension' or a 'works pension'.

The fact is that millions of people are not saving enough to have the income they are likely to want in retirement. Life expectancy in the UK is increasing and at the same time people are saving less into pensions.

In 1901, for every pensioner in the UK there were 10 people working. In 2010, for every pensioner there were 3 people working. By 2050, it is expected that this will change to just 2 workers.

AUTOMATICALLY ENROLLING WORKERS

Auto-enrolment is the Government's key strategy to boost retirement saving among UK workers, at a time when employers have been closing company schemes, particularly the most generous final-salary pensions.

Employers will automatically enrol workers into a workplace pension who:

- are not already in a qualifying pension scheme
- are aged 22 or over
- are under State Pension age
- earn more than £9,440 a year (this figure is reviewed every year), and work or usually work in the UK

REQUIRED BY LAW

For the first time employers are required by law to automatically enrol all eligible workers into a workplace pension and make a contribution to it. The Pensions Regulator is responsible for ensuring employers comply with the new law and have produced guidance to help employers to do this. They will write to each employer before the date they are required to start enrolling workers into a workplace pension, and depending on employer size, on at least one other occasion.

One of the employer duties relating to automatic enrolment is that employers are required by law to provide the right information in writing, to the right individual at the right time, so that people know how automatic enrolment will affect them.

DATES FOR YOUR DIARY

The date on which workers are enrolled, called a staging date, depends on the size of the company they work for and is being rolled out over the next six years.

- Large employers (with 250 or more workers) started automatically enrolling their workers from October 2012 to February 2014
- Medium employers (50-249 workers) will have to start automatically enrolling their workers from April 2014 to April 2015
- Small employers (49 workers or fewer) will have to start automatically enrolling their workers from June 2015 to April 2017
- New employers (established after April 2012) will have to start automatically enrolling their workers from May 2017 to February 2018

Once The Pensions Regulator has notified employers of their date to enrol eligible workers into a workplace pension, employers can choose to postpone automatic enrolment for up to three months from that date. If they choose to postpone, employers must inform those workers in writing, including notice of their right to opt-in before the end of the postponement period.

Employers can also use the 'postponement period' for any newly eligible workers.

NATIONAL EMPLOYMENT SAVINGS TRUST (NEST)

NEST is a trust-based, defined contribution pension scheme. It was specifically established to support automatic enrolment and make sure all UK employers have access to a suitable pension scheme for their employer

duties. The scheme is not-for-profit and the Trustee has a legal duty to act in its members' best interests. It is designed to be straightforward and easy for employers to use.

NEST offers a low-cost way for people to put money away for their retirement. NEST members have one retirement pot for life that they can keep paying into if they stop working for a period or become self-employed.

TAX-FREE LUMP SUM

Most people will be automatically enrolled into a Defined Contribution scheme or money purchase scheme. This means that all the contributions paid into your pension are invested until you retire.

The amount of money you have when you retire depends on how much has been paid in and how well investments have performed. In most schemes when you retire you can take some of your pension as a tax-free lump sum and use the rest to provide a regular income.

The Government has set a minimum amount of money that has to be put into a Defined Contribution scheme by employers and workers.

CONTRIBUTION LEVELS

The minimum contribution level is just that, a minimum. Employers will be able to contribute more than the minimum if they wish, and many already do. Individuals can also contribute more than the minimum if they want to.

These amounts can be phased in to help both the employers and employees manage costs.

Some people may be automatically enrolled into a Defined Benefit or Hybrid pension scheme. This type of scheme may also be known as a 'final salary' or 'career average' scheme. If you are enrolled into one of these schemes, the amount you get when you retire is based on a number of things, which may include the number of years you've been a member of the pension scheme and your earnings. In most schemes you can take some of your pension as a tax-free lump sum and the rest as a regular income.

Alternative arrangements can apply for Defined Benefit and Hybrid pension schemes to help them manage the introduction of auto-enrolment. For example, the full provisions can be postponed until 30 September 2017 for existing scheme members. New staff will have to be enrolled from the employer's staging date.

If employers or individuals do not know what type of scheme they are using for automatic enrolment, their employer will be able to tell them.

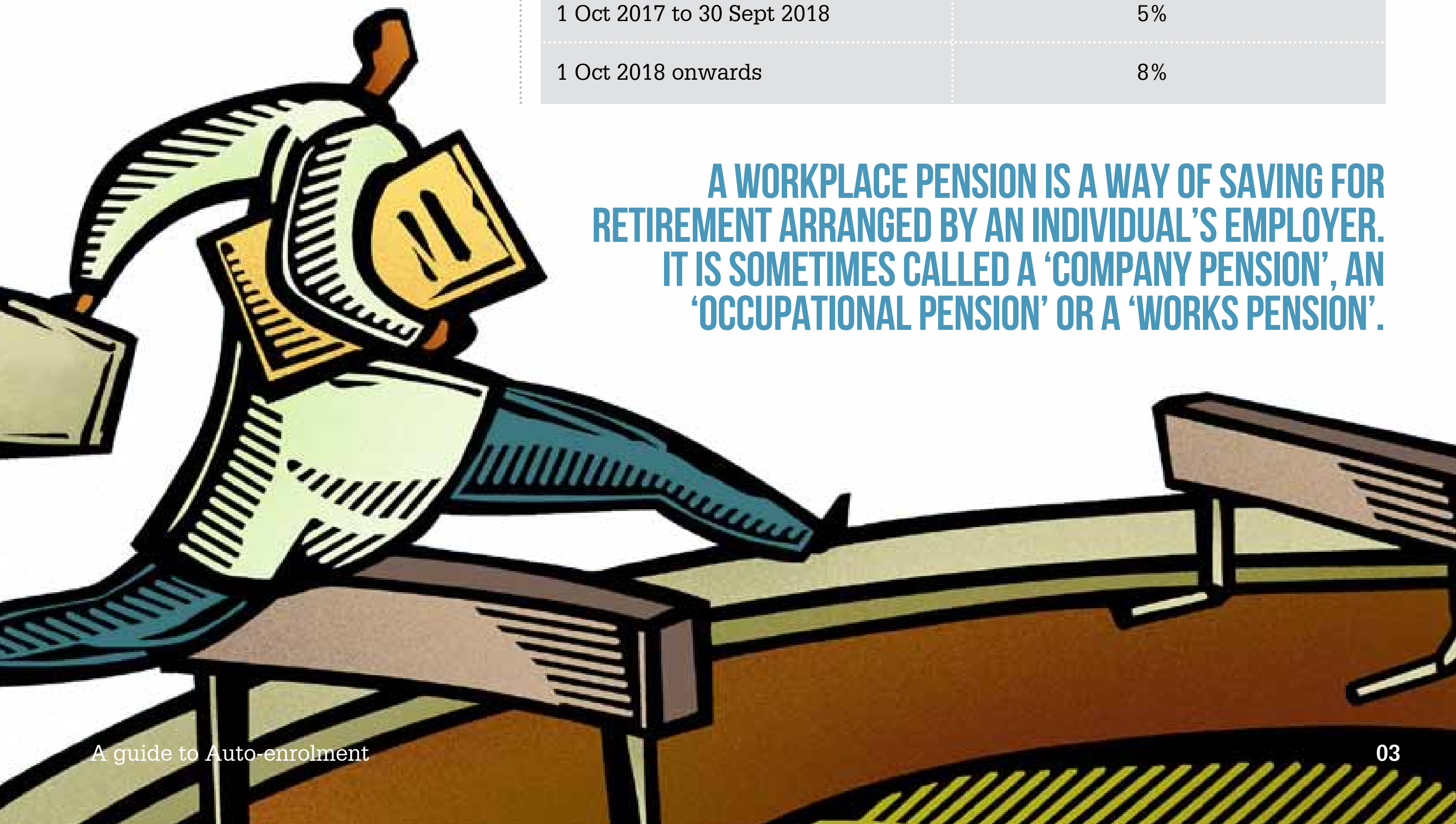
CHALLENGES OF THIS NEW LEGISLATION

Not surprisingly, with new legislation comes new jargon and employers will need to become familiar with terms such as 'eligible jobholders' and 'qualifying pension schemes' when considering their duties.

We can help you through the challenges of this new legislation and provide a full analysis of your options, so that you can identify and implement an agreed plan that best suits your requirements. ■

Timing	Minimum total percentage that has to be contributed
1 Oct 2012 to 30 Sept 2017	2%
1 Oct 2017 to 30 Sept 2018	5%
1 Oct 2018 onwards	8%

A WORKPLACE PENSION IS A WAY OF SAVING FOR RETIREMENT ARRANGED BY AN INDIVIDUAL'S EMPLOYER. IT IS SOMETIMES CALLED A 'COMPANY PENSION', AN 'OCCUPATIONAL PENSION' OR A 'WORKS PENSION'.



We understand the importance of creating bespoke solutions. Compliance with auto-enrolment doesn't have to be heavy duty. If you would like to find out more about how we can help, please contact us for more information.

Contact us today

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