



NESTQuick

A Simple Guide to Pensions Reform & the National Employment Savings Trust

No formal regulations have yet been announced but a summary of the latest proposals, as published on 24/09/09, is summarised below and has been updated to reflect the further announcements contained in the Pre-Budget Report of 9th December.

Employer Responsibilities

All employers must participate unless exempt

- All employees aged between 22 and pension age, with *relevant earnings*, must be enrolled to a qualifying pension scheme at outset and every 3 years thereafter (*if they had elected to opt-out at any subsequent point*)
- Employer contributes 3% of relevant earnings (*see 'Phased Launch' below*)
- Temporary, contract & agency workers must be included if paid directly by the employer
- Younger employees can join on request & receive an employer contribution
- Relevant earnings are £5,035 - £33,540 and include bonus, commission & overtime (*figures will be revalued prior to launch*)
- Employer can base its pension scheme contribution on higher levels of remuneration subject to a total individual contribution limit of £5,000 pa
- Employer and/or employee can choose to pay higher contributions than the statutory minimums subject to the limit of £5,000 pa.
- Salary sacrifice is permitted
- Partners of staff can be enrolled into the scheme

4 Year Phased Launch (formerly 18 months)

- Phase 1 due to start October 2012 for the largest employers (*250,000+ employees*)
- Employers will be placed into 25-30 'size-based groups' with each group assigned a formal start date between October 2012 – February 2016
- Initial contribution levels 1% employer, 1% employee (*of which 0.2% is tax-relief*)





- This level of contribution can be maintained for up to 4 years (*until September 2016*)
- Increasing to 2% employer, 3% employee (*of which 0.6% is tax-relief*) until September 2017
- Finally reaching 3% employer, 5% employee (*of which 1% is tax-relief*) by October 2017 for all schemes
- No transfers in or out of the scheme permitted until 2017 at the earliest, apart from retirements

Auto-enrolment

- All relevant staff auto-enrolled at outset (within 30 days) and every 3 years thereafter
- Employer must deduct contributions immediately
- Employee has 30 days to opt-out
- Opting-out not to be encouraged or made too simple

Exemptions from NEST for Existing Schemes

- Current scheme must offer auto-enrolment within 30 days & every three years
- Enrolment periods of up to 3 months *may* be allowed subject to larger employer contribution levels (6% +)
- Scheme must offer a default investment fund
- Minimum employer/employee contributions match NEST requirements
- Employers may base contributions on alternative definitions of earnings to the NEST regime but, where this creates a shortfall against the minimum NEST equivalent contribution over a 12 month period, this must be made up within 3 months unless: the shortfall is less than 5%, less than 10% of employees are affected & no employee suffers more than one shortfall over a 24 month period.

The new Government will be reviewing NEST this summer but has confirmed that it remains firmly committed to auto-enrolment. Whatever the eventual shape of Personal Accounts it will raise pensions awareness amongst employees (*see our [article](#) outlining what employers can & cannot discuss with employees regarding pensions*) and exert a downward pressure on current charges.

This is a brief summary of the proposals and does not constitute advice.

Further information will be made available by EBS via www.ebsfs.co.uk/npss-a-quick-guide and is always available upon request.

Information correct as at May 2010

