



NESTQuick

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

No formal regulations have been confirmed but a summary of the latest proposals, as published on 27/10/10, is provided below. **Pensions Reform applies to every business with at least one employee.** Employers can use their own schemes (in accordance with the guidelines) or adopt the central National Employment Savings Trust (NEST).

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
- The salary threshold from which employees must be auto-enrolled has been increased to the income tax threshold which the Government has confirmed will be £7,475 in 2011 but contributions should be based on earnings in excess of the prevailing National Insurance threshold (currently £5,715pa).
- Employer can base its pension scheme contribution on higher levels of remuneration subject to a total individual contribution limit of £5,000 pa (*this limit applies to NEST only, not private schemes*)
- Employer and/or employee can choose to pay higher contributions than the statutory minimums subject to the limit of £5,000 pa. (*this limit applies to NEST only, not private schemes*)
- 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 have been placed into 25-30 'size-based groups' with each group assigned a formal start date between October 2012 – February 2016. (*EBS can provide further details*).
- 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 NEST scheme will be permitted until 2017 at the earliest, apart from retirements. At this time the £5,000 contribution limit placed on NEST will also be reviewed.

Auto-enrolment

- All relevant staff must be auto-enrolled within 90 days and every 3 years thereafter. This has been increased from 30 days.
- 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 90 days & every three years thereafter
- Scheme must offer a default investment fund
- Minimum employer/employee contributions must match NEST requirements as follows:
 - Minimum 9% of pensionable pay (4% employer minimum)
 - Minimum 8% of pensionable pay (3% employer minimum) provided pensionable pay is at least 85% of total pay
 - A minimum of 7% of pensionable pay (3% employer minimum) provided total pay is pensionable

This is a brief summary of the proposals and does not constitute advice, further information is always available upon request.

For further information and to discuss options for your business:

employee benefit solutions

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Information correct as at October 2010

