

## NEST (National Employment Savings Trust)

The proposed pension reform legislation, due to be introduced in 2012 will have wide-ranging effects across every field of business. You can prepare now by gaining a thorough understanding of the changes and their potential impact upon you and your company.

The Government estimates that about seven million people are currently under-saving for retirement. As a result, it is putting the onus on employers to help encourage more people to save. What this means for you:

- You will be required to automatically enrol employees into a qualifying pension scheme.
- You will be required to contribute a minimum of 3% of each employees eligible earnings. Their own contributions and tax relief will be added to this to meet a minimum 8% contribution rate.
- Compulsory employer and employee contributions will be phased in.
- Simple straightforward qualifying criteria for existing company schemes.

From sometime between 2012 and 2016 (depending on the size of business and type of scheme) you will have to automatically enrol all eligible employees in a qualifying pension scheme and make contributions to their plan.

Employees eligible for automatic enrolment will be:

- Those who are not already active members of a qualifying scheme and
- Are aged between 22 years and the State Pension age and
- The earnings threshold for eligibility has been linked to the income tax personal allowance (£7,474 in 2011/12)

The qualifying scheme may be your own company scheme if it meets certain criteria, or the NEST scheme. The import point here is that the Government has set a minimum contribution for these qualifying schemes

Minimum Contribution	Employee Pays	Tax Relief	You pay
8%	4%	1%	3%

Research has shown that auto-enrolment is one of the most effective ways of triggering pension scheme membership and contribution. So it is highly likely that your business will incur significant additional costs through auto-enrolment. The increase will be higher for those who don't currently offer a company scheme or who don't currently contribute to it for their employees.

The Government is proposing to introduce auto-enrolment in stages between October 2012 and October 2016, starting with the largest employers. It also plans to phase in the level of compulsory employer contributions rising from 1% initially to 2% in October 2016 and 3% a year later.

	Employee Pays**	Employer Pays
Before October 2016	1%	1%
October 2016-October 2017	3%	2%
From October 2017	5%	3%

\*\* Less tax relief

The NEST scheme is intended as a vehicle for lower earners who don't have access to a good company scheme. It is designed to be a simple, low-cost way for these individuals to save, and will have a number of features that ensure it remains suitable for these individuals.

It should be noted that the NEST scheme is unlikely to have as much appeal to moderate and higher earners, or to employees looking for a greater degree of investment choice and higher contribution levels. Keeping or setting up your own qualifying scheme could be a more effective benefit and retention tool for a broader range of staff.

If you would like further information on how the new legislation will affect your Company, speak to one of our qualified experienced pension advisers on 01372 844344, or email us at [info@blacktowerfm.com](mailto:info@blacktowerfm.com)