



## *News letter* *1-10-2012*

*Seven Financial*

*22 Whitethorn*

*Greenisland*

*BT38 8FH*

*Tel 02890-852848*

*[admin@sevenfinancial.co.uk](mailto:admin@sevenfinancial.co.uk)*

### **New Pension Reform** **'National Employment Savings Trust' (NEST)**

Starting October 2012 new regulations will be phased in by the Government that will affect ALL employers.

#### **Pension Reform**

Due to an increasing population, longer life expectancy and insufficient provision being made by individuals for their retirement, the Government are making major reforms to UK pensions. Starting in October 2012, new regulations being phased in will require every employer, regardless of size, to automatically enrol the vast majority of their workforce into a pension scheme and furthermore, to make contributions on their behalf.

If a business does not have an existing or new pension scheme by the specified date, they will be automatically enrolled in the Government's scheme, known as the National Employment Savings Trust (NEST). The new-auto-enrolment will be phased in from October 2012 to 2016.

#### **How does NEST work?**

Employers play a major role in NEST, having responsibility for paying contributions into a pension, both from them and the employees, as well as communicating with staff and ensuring the pension scheme is compliant.

NEST is flexible in that employers can use it for all workers in an organisation or it can work alongside other schemes that are already used for some employees. When NEST is joined, the money is invested in a fund that NEST believes is suitable for most people of an employee's age. This is called a NEST Retirement Date Fund and there's one for every year up to the State Pension age that an individual could choose to take their money out; for example, if someone plans to take their money out in 2058, NEST will invest that retirement pot in the NEST 2058 Retirement Fund.

Employers will need to automatically enrol their eligible workers into a qualifying pension scheme (which could be NEST) and make contributions to it.

The content of this newsletter is for information only.  
Seven Financial Provides Independent Financial Advice and is Authorised & Regulated  
by the Financial Services Authority.



## *News letter* *1-10-2012*

*Seven Financial*

*22 Whitethorn*

*Greenisland*

*BT38 8FH*

*Tel 02890-852848*

*[admin@sevenfinancial.co.uk](mailto:admin@sevenfinancial.co.uk)*

### **Exemptions from NEST?**

Exemptions from auto-enrolment are:

- Those under the age of 22 (although anyone from the age of 16 can ask to be enrolled)
- Those over state pension age, but under the age of 75
- Some people on short term contracts
- Those earning less than £5,035 per annum
- Those people working outside or ordinarily working outside the UK
- People who are already in a qualifying pensions scheme

### **Opting Out**

Employees who have been automatically enrolled into a pension scheme have the right to opt out within one month of being automatically enrolled if they don't think the pension saving is appropriate for them. To opt out, they must let their employer know by completing an opt-out notice.

If an employee opts out within one month, the employer must pay back any contributions deducted from their pay. Furthermore, any contributions made by the employer must be refunded to them by the pension scheme. Employers must automatically re-enrol the employee after a 3 year period. The employee can then opt-out again if they so wish.

After the one-month opt-out period is over, employees can no longer opt-out but can stop contributing to the scheme. However, a refund of contributions already paid, including those from the employer, cannot be obtained and will remain invested in the pension scheme.



## *News letter* *1-10-2012*

*Seven Financial*

*22 Whitethorn*

*Greenisland*

*BT38 8FH*

*Tel 02890-852848*

*[admin@sevenfinancial.co.uk](mailto:admin@sevenfinancial.co.uk)*

### **So when will employers be automatically enrolled and what must they contribute?**

- Employers with employees of 500 or more will be phased in between 1 October 2012 and 1 November 2013.
- Employers with employees between 53 and 499 will be phased in between 1 January 2014 and 1 April 2015.
- Employers with fewer than 53 employees will be phased in after this date up until 1 April 2017.

The exact date will be determined in reference to the employer's PAYE reference.

If an employer is part of a group, the enrolment date will be dependent upon which company the employment contracts are held with. If the contracts of employment are held with one company only, then the date will be determined by the PAYE reference of the company that has the largest PAYE scheme. If each company holds its own employment contracts for its employees, the dates will be dependent on its own PAYE reference. Therefore, a group of companies could possibly have different enrolment dates.

The Pension Regulator will write to every employer 12 months prior to its enrolment date. Some employers may be eligible to join the scheme earlier.

In 2012, the legal minimum contribution will start at 2% of a worker's qualifying earnings. Of this, the employer needs to pay at least 1% although they can pay more if they so wish.

By 2018 the minimum contribution level will rise gradually to 8% of which the employer will need to pay at least 3%.



## *News letter* *1-10-2012*

*Seven Financial*

*22 Whitethorn*

*Greenisland*

*BT38 8FH*

*Tel 02890-852848*

*[admin@sevenfinancial.co.uk](mailto:admin@sevenfinancial.co.uk)*

### **What must employers do?**

- Determine when auto-enrolment will take place for their business
- Budget now – consider the cost impact of the employer contributions
- Decide which type of pension they wish to offer staff – occupational scheme, personal pension or NEST
- Consider the impact on retaining and recruiting employees – how do they want their pension scheme to fit in with their overall benefits package
- Ensure the scheme chosen meets the Government's requirements
- Communicate changes with staff
- Ensure an adequate system is in place to deal with the administration of the scheme.

***At Seven Financial we are here to help with pension, auto enrolment and NEST. Please contact the team.***