



# Auto Enrolment

## What Does it mean for Employers?

The greatest impact on employers will be the requirement to auto enrol their staff into a pension plan into which the employer and employee will have to contribute. The following is a quick guide to what is happening when and what employers will need to do to comply with the reforms.

### The Basics

- All employers, regardless of size, will have to auto enrol staff who earn over a minimum amount into a pension scheme
- The minimum earnings limit is £7,475 for 2011/12 tax year, although contributions will be based on earnings above £5,715
- Individuals can opt out if they earn less than this limit
- The upper earnings limit on which contributions are based is £38,158

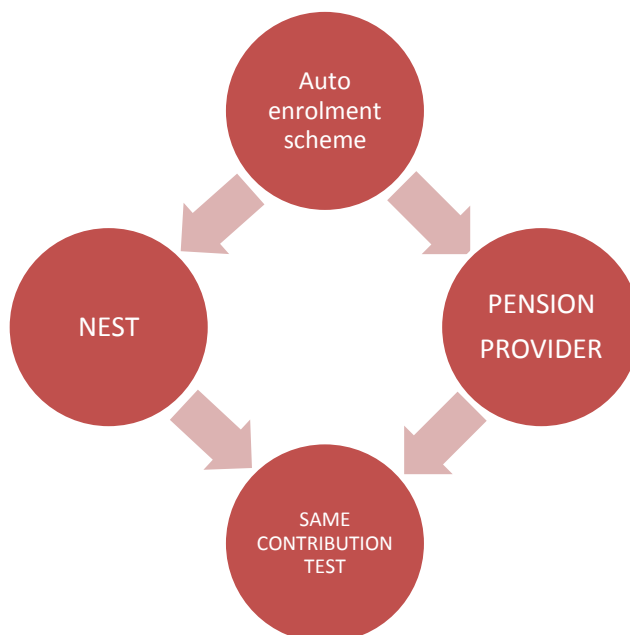
### When will it Happen?

Auto enrolment will commence from October 2012 but for the majority of small businesses (employing fewer than 50 staff) implementation will be from March 2014 and the exact date will depend on their PAYE reference.

### What will it Cost?

	Employer	Employee	Tax Relief
Up to Sept 2016	1%	0.8%	0.2%
Oct 2016 to Sept 2017	2%	2.4%	0.6%
From Oct 2016	3%	4%	1%

### What are the Choices?



## What is NEST?

- National Employment Savings Trust is the new national workplace scheme, formerly known as Personal Accounts
- Intended as a pension savings vehicle for low earners
- Designed to be simple with low charges
- Limited choice of investment funds
- A default fund as standard
- Annual contribution limited to £3600 per annum
- No transfers in or out
- Death benefit paid to estate
- Proposed charges 2% initial and 0.3% annual management charge
- Regulated by The Pensions Regulator

## NEST v. Private Provision – a simple comparison

	NEST	PRIVATE PROVISION
Very simple	✓	✓
Special publicity campaign	✓	X
Low charges	?	?
Wide choice of investments	X	✓
Tailored communication material	X	✓
Transfers allowed	X	✓
Adviser support	X	✓

## What do Employers Need to Do?

### Employer – no scheme

- Calculate costs
- Discuss options
- Plan implementation
- Enrol staff

### Employer – with scheme

- Check eligibility criteria against scheme
- Check earnings definitions
- Calculate costs
- Consider options
- Review salary exchange
- Meet new criteria

## Seek Advice

It is essential that you seek advice from an independent source. You run the risk of receiving a heavy fine if you get things wrong.

**Plan now to ensure that you have accounted for the additional financial burden of auto enrolment**