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We bring you strategic and practical advice, make and support key decisions and manage risk. That's why our client's believe we are best qualified to help drive business performance, not just measure it.

PREPARING FOR COMPULSORY PENSION AUTO-ENROLMENT

We are providing this information as a general guide to the new pension auto-enrolment, but it is not intended to represent professional advice – we encourage you to speak directly with your IFA and if your business does not have an IFA, we will introduce you to one.

What is auto-enrolment all about?
There has long been concern about the state's ability to fund pensions, so the government has created the obligation to enrol employees into pension schemes to help deal with pension under-provision.

This new regime is compulsory for employers, with an opt out for individual employees, and it requires a pension contribution to be made by the employer, employee and the state through tax relief.

Employers can offer either their own qualifying scheme, or they would be required to use the NEST (National Employment Savings Trust) Scheme.

The obligations on every employer
By the staging date specified for an employer, auto-enrolment must begin for employees between 22 and their State Pension Age. This enrolment may be into a pre-existing or newly set-up scheme, so long as it offers all the features of a "qualifying pension scheme". NEST is mainly intended for those workers whose employers do not provide a qualifying scheme for them.

Employers to register online
Before their staging date, employers must complete online registration with The Pensions Regulator and be ready to enrol into NEST or their own qualifying pension scheme.

The staff that must be enrolled is anyone between 22 years of age and State Pension Age who is earning more than the income tax personal allowance. From that point, every new employee within these age and pay brackets must be auto-enrolled (with the right to opt out) soon after starting, or when they reach 22 and the earnings threshold. Some other staff may be entitled to request enrolment.

Contribution into the pension.
Initially the total contribution will be 2% being 1% each from the employer and employee, and this will rise to a total of 8% with at least 3% paid by the employer, 4% by the employee and 1% from the state.

Inertia is not an option
Employers should avoid being forced into a last-minute decision about a pension plan for their employees. Given their obligation to contribute 1% (rising to 3%) of qualifying earnings to each employee's pension, you have a direct interest in ensuring suitability and value for money. If you have no qualifying scheme in place, you must adopt NEST, consider a new group personal pension scheme or enhance an existing scheme to qualify it.

Whether or not an employer falls back on NEST, pension take up by their workforce may rise substantially, with obvious cost implications. Employees who have not previously opted in to a scheme may, under auto-enrolment, show similar inertia and not opt out.

All of this means that, for employers at least, inertia is not an option. Now is the time to weigh up the alternatives, take professional advice as necessary and be ready in good time for the all important staging date.

What's the next step?
If you're a client of RiverView Portfolio Ltd, we've sent you details of your staging date so you now know the date by when you should have completed your review of your pension arrangements.

You should discuss your pension arrangements with your IFA or contact us if you want an introduction to a reputable and recommended IFA.