

# Workplace Pension Reforms

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# Pensions - Why Change?

- UK population is living longer and enjoying a longer retirement
  - Male / female 65 – expect to live to 86 / 89.
  - Increased by 1.5 / 1.6 years since 2007
- Many are not savings
- Those that are saving are not saving enough
- Closure of private sector pension schemes
  - 2007 - 41% active members
  - 2009 - 28% active members
- State pensions inadequate for anything other than subsistence
  - Currently - basic pension - £1113.10 per week
  - Plans to make this £140 per week

Source:

A Sustainable State Pension – DWP

Delivering successful automatic enrolment - The Pensions Regulator

# Overview of Today

- Workplace Pension Changes
- Auto Enrolment
- NEST
- Business Standards

# How big is the new market?

- Workplace pensions will mean:
  - New savers - between 5 and 8 million
  - Extra £9 billion in pension savings each year by 2020

# What is happening?

- Employers - with 2+ employees legally have to:
  - set up and register a pension scheme suitable for automatic enrolment
  - automatically enrol eligible jobholders and make contributions
  - arrange membership of a pension scheme for certain other workers
  - collect employee contribution through payroll and pay to pension scheme
  - manage the automatic enrolment, joining and opt out processes
  - provide specific information to workers, pension scheme providers and The Pensions Regulator (TPR) within set timescales
  - keep records of how they have fulfilled and continue to fulfil their duties.

**Employer payroll processes are key to change**

# When is it happening? - Staging dates

Number of PAYE employees at 1 April 2012	Staging Date (Selected dates only)
50-53	1 April 2015
Fewer than 30 with the last 2 characters in their PAYE reference numbers 92, A1-A9, B1-B9, AA-AZ, BA-BW, M1-M9, MA-MZ, Z1-Z9, ZA-ZZ , 0A-0Z, 1A-1Z or 2A-2Z	1 June 2015
Fewer than 30 with the last 2 characters in their PAYE reference number BX	1 July 2015
40-49	1 August 2015
Fewer than 30 with the last 2 characters in their PAYE reference number BX	1 September 2015

# Choosing a workplace pension

- Down to employer
  - NEST
  - GPP
  - GSHP
  - Other
  - Combination
- Traditional providers
  - Aegon, Aviva, Friends Life, L&G, Scottish Life, Scottish Widows, Standard Life, Zurich etc
- New providers
  - NEST, The People's Pension, NOW Pensions

# National Employment Savings Trust

- **Occupational Scheme for employers of all sizes**
  - public service obligation
- **Easy administration**
  - setup and run online
  - employers do administration or choose a third party.
- **Clear communications**
  - website provides all information.
- **Retirement pot moves with the member**
  - every NEST member has one retirement pot whether they change employment, stop working or become self-employed.
  - no ongoing administration for leavers
- **Investment approach**
  - date targeted funds – risk changes over time
  - based on research into the needs and attitude to risk of target
- **Value for money - broadly equivalent to 0.5% AMC**
  - 1.8% on contribution plus 0.3% AMC

# National Employment Savings Trust

- Upper contribution limit
  - £4,400 each year (2012/13) indexed
  - Will be reviewed 2017
- No transfers in or out
  - Divorce sharing, at retirement
  - Will be reviewed 2017
- Retirement options are limited
  - Scheme pension, triviality, or open market option
- Investment choice
  - Default: Retirement age targeted fund
  - Others: Ethical, Sharia, Higher Risk, Lower Growth and Pre-retirement funds.
- Death benefits
  - NEST trustees have no discretion over the payment of death benefits - could be subject to inheritance tax.

# Phased introduction

	Minimum Employer	Minimum Employee (inc tax relief)	Minimum Total
Staging date to Sept 2017	1%	1%	2%
Oct 2017 to Sept 2018	2%	3%	5%
Oct 2018 onward	3%	5%	8%

- Certified alternatives
  - Similar phased schedule

# Joining process

- Various triggers
  - Staging date
  - New employees
  - Employee's 22<sup>nd</sup> birthday
  - Earnings over minimum (per pay period)
  - 3 yearly opt-out anniversaries
- Employer needs to auto enrol workers
  - Within timescales – can delay up to 3 months
- Communications
  - Clear and explain all options and rights
  - Strict timescales
- Opt-out within 1 month

**Not just a one off – constant process for employer.**