LA PLAYA

NATIONAL EMPLOYMENT SAVINGS TRUST – 2012 EMPLOYER GUIDANCE

The following employer guidance has been written to outline the salient points regarding the changes in pension legislation being introduced from 1st October 2012.

It is our interpretation of the primary legislation now passed through Parliament and its objective is to give employers a basic understanding of the issues involved.

Q: What is happening in 2012?

In 2012 we will see the launch of a new government initiative which will introduce the concept of 'Qualifying Workplace Pensions' or QWPs. The aim is to ensure that all employers set up and enrol all employees into a 'qualifying' pension. This can be a pension scheme of the employer's choosing or they can elect to enrol into the government sponsored scheme known as 'The National Employment Savings Trust' (NEST) formerly known as 'Personal Accounts'.

Q: How much will it cost employers and employees?

Employers will be required to contribute a minimum 3% of an employee's pay on a monthly basis between 'band earnings', in 2011/12 this is between £7,475 up to circa £44,000.
The minimum total contribution is 8% between these band earnings.

Therefore if the employer pays the minimum of 3% the balance of 5% will have to be met by the employee.
If the employer pays above the minimum this will reduce the amount the employee pays.

Employees include all directors and shareholders whose salary is higher than £7,475 per annum.

Phasing in of employers

The Department of Work & Pensions has opted for a 'phasing in' of membership and contributions. It is proposed to start with the largest employers first and end with the smallest. We are now able to check on the DWP website and advise you of your specific date, subject to any final changes by the government.

The 'large' (120,000 employees and over) and 'medium' employers will be staged in over years 1 and 2 and smaller employers (less than 50 employees?) over the next 18 months to 2 years. There will also be a sample of smaller firms required to enrol in the first phase as a 'test group'.

Any company that chooses to adopt the rules sooner than required will be allowed to do so.

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Phasing in of contributions

		Oct 2012	Oct 2013	Oct 2014	Oct 2015	Oct 2016	Oct 2017
Large employers	ee	1%	1%	1%	1%	3%	5%
	er	1%	1%	1%	1%	2%	3%
Medium employers	ee		1%	1%	1%	3%	5%
	er		1%	1%	1%	2%	3%
Small employers	ee			1%	1%	3%	5%
	er			1%	1%	2%	3%

Q: What employers will it affect?

It will affect all employers in the UK; they will have to offer the minimum stated above as a term and condition of employment to their employees on or after 2012.

This is to be offered when 3 months employment has been reached, to everyone earning over the lower earnings limit and who have attained the age of 22.

Q: Can an employer opt out?

An employer can only opt out of the 'NEST' regime if they have in place a qualifying i.e. 'matching or better' Group Personal Pension Plan or Occupational Pension Plan in existence at their starting date which will be on or after 1st October 2012.

Q: What does La Playa Financial Management think of the new NEST Accounts?

La Playa Financial Management has looked at the legislation proposals and, whilst there are still many unknowns, is of the belief that a matching or better qualifying Group Personal Pension Plan will be in the best interests of employees.

This will enable the employer to administer an efficient on line scheme which, once set up, takes minimal time. All employee changes can be administered at a local level and keeping records up to date is efficient.

Concern continues regarding the government scheme surrounding the lack of flexibility with transfers in and out. Details of the charges, funds and individual choice that will be available are gradually being confirmed. The administration will be done remotely by the scheme and therefore accurate and timely record keeping by a third party will, we think, be problematical.

Q: If the employer is not exempt can an individual employee opt out of the QWP or NEST?

Yes, an individual can opt out of NEST or Qualifying Workplace Pension and will have a short time period from the initial invitation to do so.

If the individual is still with the same employer three years later, then the scheme administrator has to automatically re-enrol that individual into the NEST / QWP. The opting out process will then need to be repeated by the individual if they do not want to join the scheme. This is repeated every 3 years.

Every time an individual changes employment there will be an automatic enrolment into the NEST / QWP unless the new employee is exempt (e.g. aged under 22 or earning below the minimum).

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Q: What does the coalition think of NEST?

The NEST delivery authority has been set up and it is currently written into legislation that the changes will come into force in 2012.
The coalition government have reviewed, tweaked and expressed its commitment to the NEST legislation.

Q: How do I ensure that my employer's scheme will be exempt?

If your employer scheme is amended to reflect the structure mentioned above, then we understand that it is possible to apply for an exemption certificate. The process of actual application is still being finalised.

We understand that this has wider implications other than simply pensions as it can have a direct cost implication on the employer and employee.

If you would like any help in assisting with Contracts of Employment and strategy to enable you to plan for the changes in 2012, please do not hesitate to contact Mike Palmer:
E: mike.palmer@laplayainsurance.com or T: 01223 200674

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