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New Pension Laws

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In 2012, the Government will bring in new laws that will have a significant impact on every employer in the UK.

From 2012 employers will be required to:

- Auto-enrol **all** employees over 22 years of age and earning £5,035 per annum or more into a qualifying workplace pension scheme
- Auto-enrol those employees that opt out of the scheme exactly 3 years after the date they first became eligible to join
- Provide information to eligible employees (but not give advice)
- Collect contributions from the employee's salary and make the employer contribution on a daily basis from the point of enrolment
- Pay pension contributions for any employees who join and stay in a pension scheme

A breach of any of the above points could lead to **a fine of up to £50,000 and a possible 2 years imprisonment**.

So what are the options available to employers?

Employers can either use their own pension scheme to comply with these new laws, set up a new pension arrangement to comply with the new rules or rely on a national pension scheme called Personal Accounts. Even if an employer has an existing workplace pension scheme in place, changes may need to be made to ensure that it complies with the new rules.

What is the minimum contribution that can be paid in?

Contributions in the first year will be a minimum of 1% by the employee and 1% by the employer. However, by the end of 3 years the full contribution rate will have to be reached, which is 5% gross by the employee (4% net) and 3% by the employer.

Can you make a transfer into Personal Accounts?

No, transfers will not be permissible until at least 2017.

Can you opt out of contributing to Personal Accounts?

Yes, the employee can opt out, but this only lasts for 3 years, after which the employee is automatically opted back in. The employee can then opt out again, but this cycle will continue until the employee reaches retirement age. The employer is responsible for ensuring this opt out takes place and refunding any money which has been deducted.

Does an employer have to offer Personal Accounts?

No. If an employer already has a good pension scheme in place then they will not have to use Personal Accounts. However, the scheme(s) that the employer offers must meet certain criteria, one of our pension specialists can determine if your existing scheme suffices or help you to amend your current scheme. We can also help to set up a brand new pension scheme that will meet all your responsibilities.

Who will run the scheme?

Personal Accounts will be run by a board of trustees who will be independent of Government and be regulated by The Pensions Regulator.

Who will monitor whether an employer meets their responsibilities?

Deadlines will be policed by a compliance department which is being set up by the new Personal Accounts Delivery Authority. Breaches of the main requirements could lead to a fine of up to £50,000 and a possible 2 years imprisonment.

Who should employers contact for further information?

They should contact their usual Old Mill representative or speak with one of our dedicated pension managers. I am based predominately in Shepton Mallet while my colleague, Joanne Batty, is in our Yeovil office. Whilst the new responsibilities may seem onerous there are many steps that we can take to minimise the cost and administrative burden.

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