

# National Employment Savings Trust

Do you need help saving for your retirement?

In December 2006, the former government published a White Paper outlining its workplace pension reforms, including proposals for NEST (the National Employment Savings Trust) – previously called Personal Accounts. This led to the Workplace Pension Reforms set out in the Pensions Act 2008. These reforms aim to increase individuals' savings for retirement.

As part of this overall pensions reform strategy the UK government is introducing major changes to UK pensions from 2012.

Currently the government estimates that about seven million people are under saving for retirement and a major part of the reform is the government's ideas for making it easier for these people to save for retirement.

## Compelled to offer employees a pension contribution

UK companies will be compelled to offer employees a pension contribution and each company will have to have a pension in place into which employees will automatically be enrolled. This could be an existing or new pension scheme (like a Group Personal Pension or Stakeholder pension) as long as it 'qualifies'. If you do not have a pension scheme or do not introduce one to suit your requirements then you will be able to adopt the government's NEST scheme.

NEST will be a trust-based defined contribution occupational pension scheme and regulated in the same way as existing trust-based defined contribution schemes, providing people with access to a simple, low-cost pension scheme.

More than half of workers are not aware that they could be automatically enrolled into a new national pension scheme starting in October 2012 and many are likely to be surprised when employers start taking deductions from their pay, research from HSBC has found. Between October 2012 and 2016, depending on the size of company, all UK employers will be required to contribute a minimum of 3 per cent of each employee's eligible earnings into a pension, assuming the employee does not 'opt out'.

## Option to opt out

This will involve workers who are not already a member of a 'Recognised Workplace Pension Scheme'. Employees will be auto-enrolled by their employers and will be given the option to opt out. The employer will have to eventually pay a minimum of 3 per cent (initially this is being phased in starting from 1 per cent paid by the employer and 1 per cent by the employee) of 'qualifying (band) earnings'. The overall minimum contribution will be eventually 8 per cent and if the employer pays the minimum of 3 per cent the employee will have to pay 5 per cent (with 1 per cent of this coming from tax relief).

## New auto-enrolment

The new auto-enrolment obligations will impact on employers of all sizes once phased in between 2012 and 2016. Employers will have responsibility for paying contributions into a pension – both from them and the employees – as well as communicating with staff and ensuring the pension scheme is compliant.

The hope is that these new auto-enrolment obligations will help the estimated seven million workers who are not putting money aside for their retirement to start saving for tomorrow, today.

While the NEST scheme is available to all employers, it has features that may make it suitable for some and less desirable to others.

The National Employment Savings Trust is regulated by the Pensions Regulator.

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