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Work Based Pensions - Nest & Auto Enrolment

Starting in 2012, all employers will be required to pay into a pension scheme for their employees under the government's auto-enrolment reforms.

Monahans Financial Services Ltd are here to help you understand what you need to do, when you need to do it and how much the pension contributions will cost you.

Although you may have a pension scheme in place already, it may not meet the 'qualifying' criteria. In order to meet this standard:

- Employees must be 'auto enrolled' into the pension, only being able to opt out by written request
- Employees will need to have broadly 8% of their earnings paid into the scheme
- At least 3% of this contribution must come from the employer

Even if you already provide a generous pension scheme to your staff, you may still need to make various administration and reporting changes. The Pensions Regulator will be strictly monitoring companies to ensure that they do not encourage their staff to opt out of a scheme and there will be onerous penalties for anyone caught doing so.

If you are not yet paying into a pension for your staff, a quick calculation of 3% of your payroll will show you that the cost could be considerable and will need budgeting for well in advance. In an attempt to ease businesses into the new regime, the government will be staging its implementation with only the largest employers being required to conform to the new rules in October 2012. The staging dates for other companies are broadly as follows:

- November 2012 to February 2014: companies with 250 to 120,000 employees
- March to July 2014: companies with 50 to 250 employees
- August 2014 to September 2016: new companies and those with under 50 employees

The employer contribution levels will also be introduced in 1% stages with the 3% contribution only being required from October 2017.

The government will be running its own pension scheme, the National Employment Savings Trust (NEST), which is open to all employers as a solution to the need to provide a qualifying scheme. Although NEST may be the most suitable route for some, for the majority it will not provide the flexibility needed by staff members or the business.

The level of support offered by NEST will also be minimal, particularly when it comes to providing advice to employees, so using an alternative pension provider may therefore be a better option for you and your staff. Given the stringency of the new regulations and the importance of compliance, it is essential that you understand what is required, when it is required and how much it will cost you. You need to be confident that there will always be someone on hand to guide you through the process of implementation, ensure your scheme is effectively managed and be available to talk to your staff and answer their questions.

Monahans Financial Services Ltd can provide invaluable expertise in this area, helping you to minimise the impact of the changes on your business. We can help you to identify any shortfalls in your current scheme, set up a new scheme for you and help you decide whether NEST or an alternative provider is right for you.

We can also advise you in planning and paying for the additional costs through methods such as salary exchange. Even if action will not be forced on you for years rather than months, start talking to us now to ensure you are prepared for the biggest change to pensions we have ever seen.

Monahans Financial Services Ltd is the financial services arm of the Monahans Group.

Monahans Financial Services Ltd is authorised and regulated by the Financial Services Authority, but not all topics covered in this leaflet are so regulated.

For further advice and assistance

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