

A short guide to National Employment Savings Trust (NEST)

Quick Facts

Between 2012 and 2016, employers will be required to automatically enrol all eligible employees into a qualifying pension scheme and make contributions on their behalf. The start date will be based on the number of qualifying employees:

Number of PAYE staff	Start date
>1,250 employees	1 October 2012 – 1 September 2013
>50 <1,250 employees	1 October 2013 – 1 July 2014
<50 employees	1 August 2014 – 1 February 2016
New employers 1st April 2012 – 31st March 2016	1 March 2016 – 1 September 2016

After October 2017, all companies have to meet the obligation of 3% company and 5% member contribution level no matter their size or how long they have been trading.

Eligible staff

All staff must be automatically enrolled into a qualifying scheme, with the exception of the following:

- Those aged under 22.
- Those over the State Pension Age.
- Those earning less than the income tax personal allowance of £7,475 pa.
- Those already members of a Qualifying Scheme.

Employees outside of the age range can ask to be enrolled and, if asked, the employer must contribute as for other staff. Low Earners may opt to join but the employer does not have to contribute.

Opt Out

Employees can opt out of the pension. Any coercion or encouragement by the company to opt out and they will be met with a fine from HMRC. There is also a fine for not paying across contributions from the third eligible month.

Qualifying schemes

Existing schemes will qualify for exemption if they meet these criteria:

- Must permit auto-enrolment.
- Employees must be enrolled within 90 days of joining the company.
- Must offer a default investment fund.
- A minimum contribution rate must be satisfied.

Employers have the option of either establishing their own qualifying scheme or allowing staff to be enrolled into the National Employment Savings Trust (NEST) scheme.

If an existing scheme is in place it will need to be reviewed to ensure compliance with the new regime.

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Minimum Qualifying Contributions

The minimum contribution rate for NEST, or a qualifying scheme, is 8% of all earnings between a minimum and maximum threshold. These will be set initially at £5,715 pa and £38,185 pa respectively.

Date Range	Employee*	Employer
Up to October 2016	1%	1%
October 2016 - October 2017	3%	2%
From October 2017	5%	3%

* Member contributions include basic rate tax relief.

New Employer responsibilities

1. Select an automatic enrolment scheme.
2. Provide information to the scheme.
3. Provide required information to employees when they become eligible.
4. Collect employee contributions as soon as they are eligible.
5. Automatically enrol employees into the qualifying pension.
6. Process opt-outs.
7. Refund contributions of those who opt out.
8. Repeat the process every three years for those who opt out.

There is an alternative to NEST

This could be a qualifying Group Personal Pension (GPP).

What benefit is there to setting up a GPP scheme early?

- Employee confidence - it will help to foster better relations and evidence your commitment to your staff. Rather than delaying until you are forced to act by legislation, promote a positive message.
- The GPP offers more flexibility in terms of investment, charges and appeal for higher earners/key employees within the business.
- Help make the transition more manageable – eg planned salary increases could be factored in as pension contributions to manage costs to avoid sudden rise in cost of contributions and administration.
- Salary sacrifice could be used to make the contribution cost more bearable.
- For schemes sold on commission (before January 2013) the set-up costs can be passed on to employees and potentially administration for NEST can also be covered. This avoids the need to have employee expertise in house.
- Using market leading providers who have years of expertise in successfully administering group schemes for employers.
- The company will be able to claim corporation rate tax relief, at their marginal rate, on the contributions they make.

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