

## Pension Changes

The 2008 Pensions Act is now in force and it has important implications for all employers and their employees. The current Stakeholder legislation is being replaced in 2012 with the new National Pensions Savings Scheme (NPSS). All employers in the UK, whether they have one member of staff or 10,000, will need to take action to comply with their new responsibilities under this new pension reform.

The main points of the new legislation are:

- All jobholders between the age of 22 and state pension age must be automatically enrolled unless they are members of a “qualifying scheme”.
- A jobholder is defined as anyone between 16 and 75 in receipt of earnings between £5,035 and £33,450 per year. This includes wages, salary, bonus, commission, overtime, shift allowances, and all maternity, paternity and adoption pay.
- Contributions will be 3% from the employer, 4% from jobholders and 1% in tax relief (a total of 8%) and contributions can be phased in over 3 years.
- Individuals may opt out within a prescribed period but must be re enrolled at regular intervals of no more than 3 years..
- Contributions will be limited up to £5,000 (£10,000 1<sup>st</sup> year).
- Qualifying schemes can be either occupational or personal pensions and contributions must be at least 8% of qualifying earnings of which the employer must pay 3%.
- It is proposed that there is a 5 year ban on moving money out of Personal Accounts.
- There is no allowance for independent financial advice
- The schemes will be heavily regulated by the Department of Work and Pensions

As a direct consequence of this significant change in the Pensions Law, there is the prospect of 10 million members throughout the UK, being auto enrolled at midnight on 5<sup>th</sup> April 2012. These members could be auto enrolled into a pension scheme that is not to their advantage, if they do not have the benefit of professional advice. This could affect not only those on low income but also those at the upper end of the age spectrum at commencement, or people who have heavily interrupted employment records.

It is highly advisable for employers to discuss the impact these changes will have upon their business and employees with their financial advisers as soon as possible. Employers need to ascertain whether their existing arrangements are likely to make their business exempt from the NPSS and if not, potentially start budgeting to cover future employer pension contributions.

# e-Newsbrief

We are very happy to recommend and introduce you to companies offering specialist employer pension advice, so please do not hesitate to contact one of the employment department on the following details:

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