

# Pension Changes – What you need to know

Auto-enrolment forms part of a package of measures which are being rolled out which are aimed to reduce the cost of State Pension Benefits.

In 2006/2007 £84.6 billion was spent on State Pension Benefits, by 2050 it is estimated this could increase to **£189.1 billion**.

## Changes to State Benefits System

To combat the rising costs there will be significant changes to the State Pension System;

- Increases to State Pension Age
- Proposes introduction of flat rate payment - £155 per week

## Why Auto-enrolment

- People are not saving enough for their retirement
- Previous attempts have failed i.e. stakeholder pensions
- Auto-enrolment is designed to tackle inertia towards saving for our retirement

## What is Auto-enrolment

Auto-enrolment is the process where employees are automatically entered into a workplace pension plan.

From 2012 employers will be expected to enrol all eligible employees into a qualifying pension **and** make contributions into the scheme.

## When will Auto-enrolment affect you

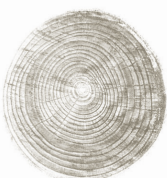
- Auto-enrolment will be phased in between 2012 – 2016.
- When you will be affected will depend on the size of your business

Example of different staging dates based on different workforce sizes	
October 2012	120,000 staff or more
October 2013	800 – 1,249 staff
July 2014	50-89 staff
March 2014 – February 2016	Less than 50 staff

## Auto-enrolment – Your Employer Duties

You **must** undertake the following duties;

- Identify eligible staff
- Select an Auto-enrolment scheme
- Provide relevant information to eligible staff
- Auto-enrol **all** eligible staff
- Deduct & pay across contributions
- Process opt outs & scheme leavers
- Keep records
- **Repeat this process every 3 years for those who opt out**



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# Pension Changes – What you need to know

## Who are your eligible staff

- Aged between 22 – State Pension Age
- Work in UK
- Earn over £7,475 per annum

## Can non-eligible staff opt in

Yes they can, and if they do you **have** to pay contributions into their pension.

## How much will it cost

Contributions will be phased in over three different stages;

	Up to October 2016	Up to October 2017	From October 2017
Employer	1%	2%	3%
Employee	1%	3%	4%

## Penalties

Auto-enrolment will be policed by The Pensions Regulator if you do not comply you will face penalties;

- Stage 1 Compliance Notice
- Stage 2 "Wake up Call" - Fixed penalty of £400
- Stage 3 Persistent offenders – Escalating penalty will apply  
e.g. Employer with 50 staff will be fined £500.....**per day**

## How to comply

- Set up an auto-enrolment scheme – N.E.S.T or Private Scheme
- If you have a pension scheme in place it may satisfy the required criteria

## N.E.S.T.

- Low cost centralised workplace pension scheme
- Aimed at lower earners
- Limited investment options
- No scope for advice

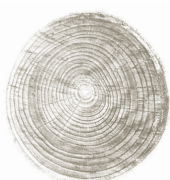
## Private Scheme

- Flexible charging & administration structure
- Comprehensive range of investment options
- Run by providers with proven track records
- Scope to receive professional advice

## How we can help

We will help employers to ensure they are ready to comply with their new duties;

- Provide advice when selecting an auto-enrolment scheme
- Forecast costings to your business
- Review your existing scheme – will it qualify ?
- Guide you through the new legislation & how to avoid the pitfalls



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