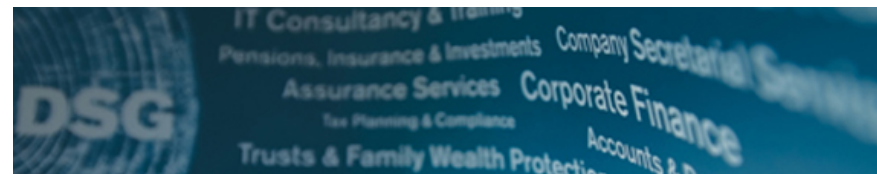


Pension Changes

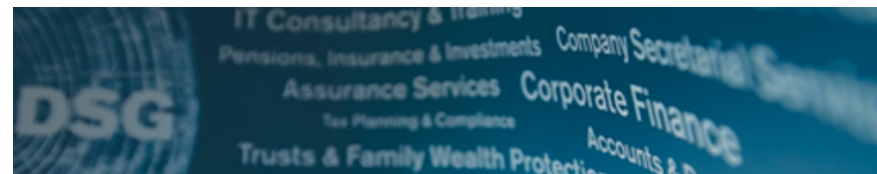
What you need to know

Presented by Roy Crawford
&
Winston Ruddick



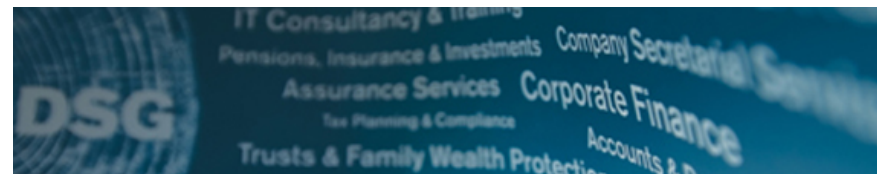
Agenda

- Why changes
- What is changing
 - Employer duties
- When/key dates
- Costs
- Pensions Regulator
- Employer pitfalls
- How to comply
 - Choice of scheme
 - Concerns that we have
- Designing a strategy
- How DSG will help
- Summary



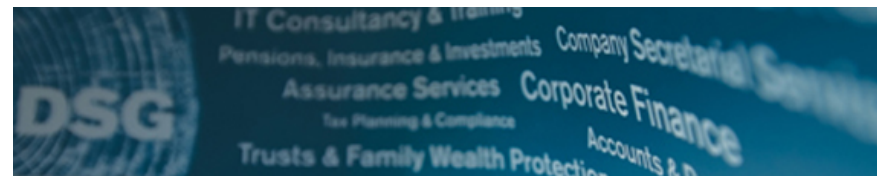
Government spending on state benefits for pensioners

- 2006/07 £84.6 Bn
- 2035/36 £189.1Bn



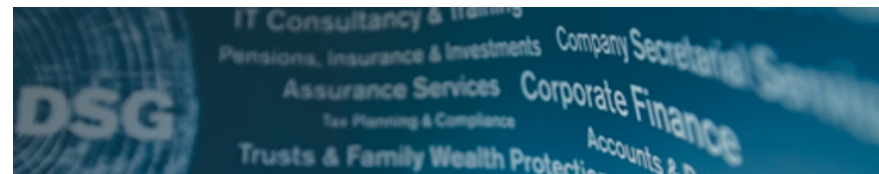
A Package of changes

- People can't/won't save
- Increase in state pension age
- Changes to the amount of basic state pension: £155?
- New employer duties
- **Don't assume these changes are the end!**



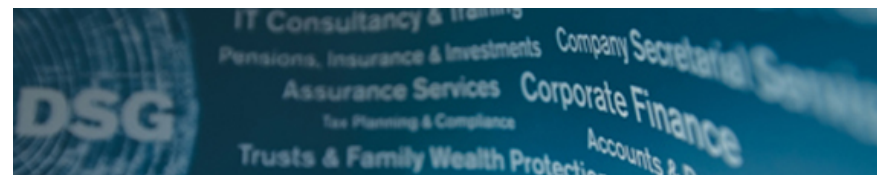
What's new

Auto-enrolment



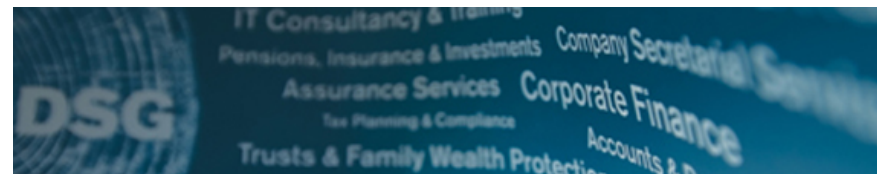
Auto enrolment – an employers view

- Identify relevant staff
- Select a scheme
- Provide information to staff
- Auto enrol all those eligible
- Register/certify the scheme
- Deduct and pay across contributions
- Process opt outs/leavers
- Keep records
 - Re-enroll!



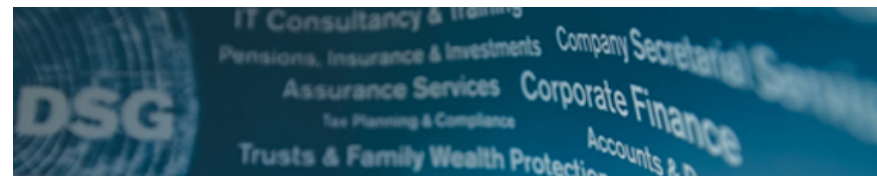
Who must I contact?

- Jobholders



“Eligible jobholders”

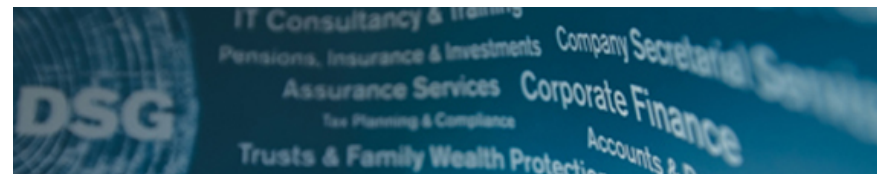
- Aged between 22 – state pension age
- Work in the UK
- Earn above £7,475



But.....

- Aged 16 – 21
- Or between spa – 74
- Working in UK
- Earning above £5,035
- Have the right to opt in.....

AND GUESS WHAT?



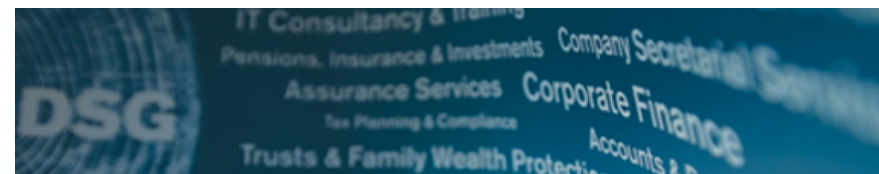
What must be sent

Eligible jobholders:

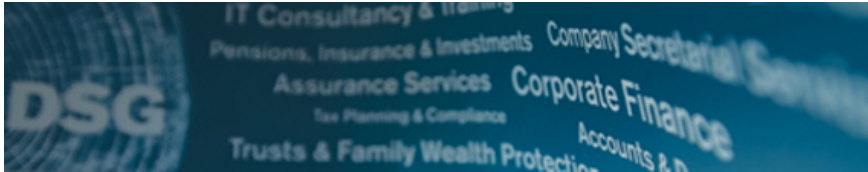
Information about auto enrolment what it means for them the right to opt out

Non eligible jobholders:
(don't have to auto-enrol)

Information telling them of their right to opt in via auto enrolment



Staging Dates



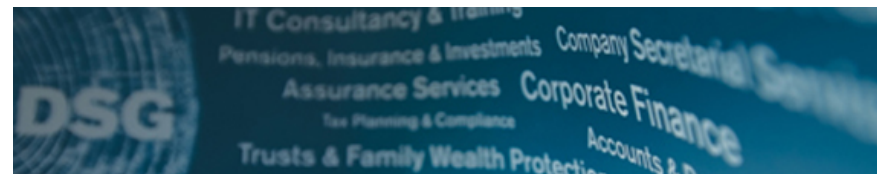
Staging dates

Staging date		Size of workforce
Oct 2012	-	120,000
Oct 2013	-	800-1,249
July 2014	-	50 – 89

But

Some companies with less than 50 workers have a staging date in March 2014

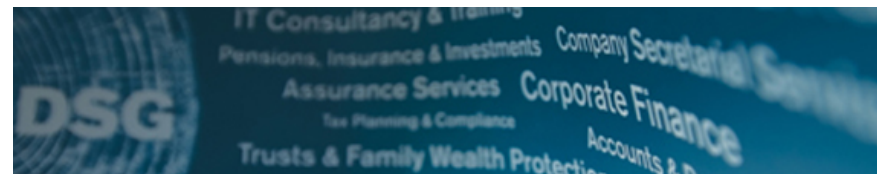
www.tpr.gov.uk/staging



Ideas on costs

- Contributions based on band earnings;
£5,175 - £38,185
- Progressing up to a total contribution of 8%

Employer:	3%
Employee:	4%
Tax Relief:	1%

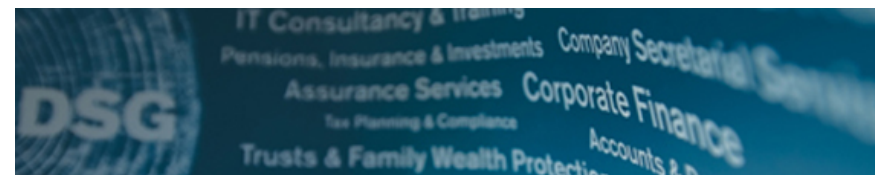


Direct costs

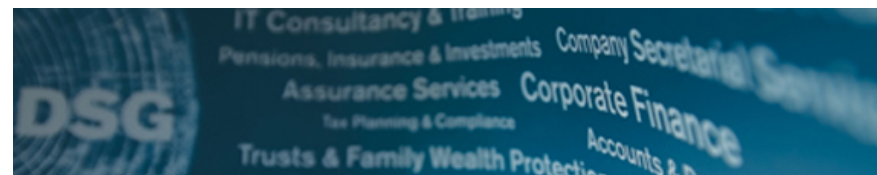
Joiners	Payroll	Employers cost	Date
30	£500k	£3,286	March 2014
		£9,857	Oct 2017

Just a thought

40	£750k	£15,642	Oct 2017
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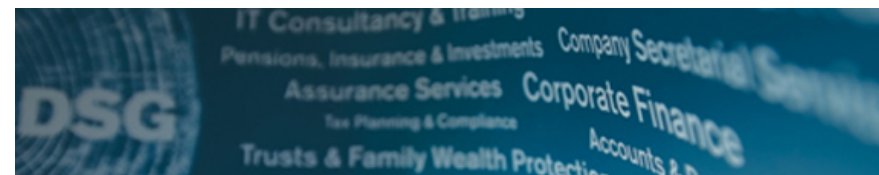


Don't Bury Your Head In The Sand



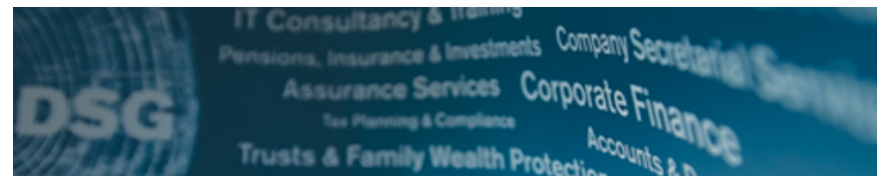
The Pensions Regulator

- It is the employers **duty** to provide
 - The right information
 - To the right individual
 - At the right time



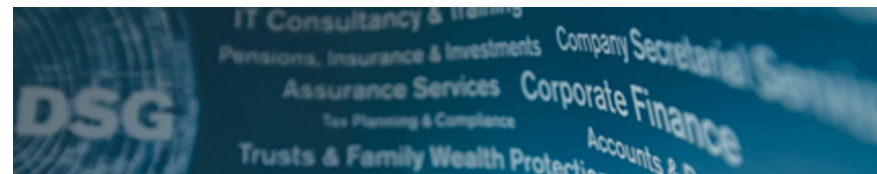
Penalties

- Stage 1 – Compliance notice
- Stage 2 – “Wake up call”
 - fixed penalty
 - £400
- **Stage 3 – Persistent Offender**
Escalating penalty if say employ under 50 staff £500 Per day



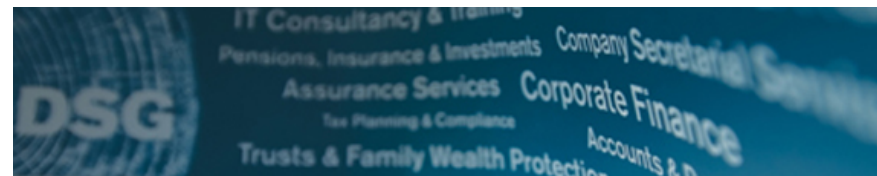
Employers must not

- Offer advice
- Discourage membership
- Give jobholders the opt out form
- Encourage opt outs
- Use prohibited recruitment conduct

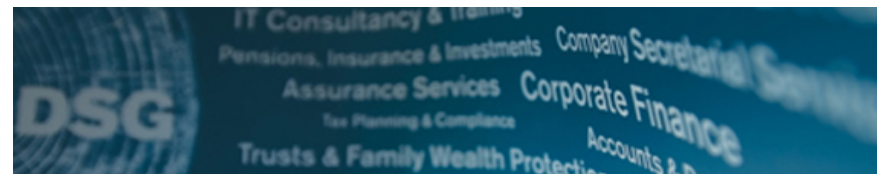
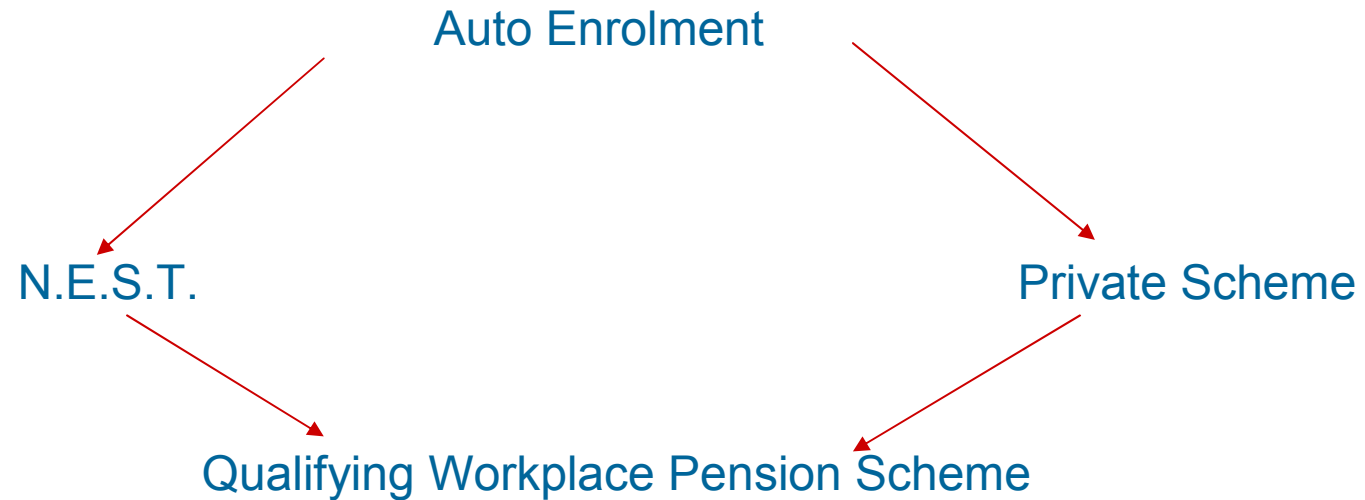


Complying with employer duties

Winston Ruddick



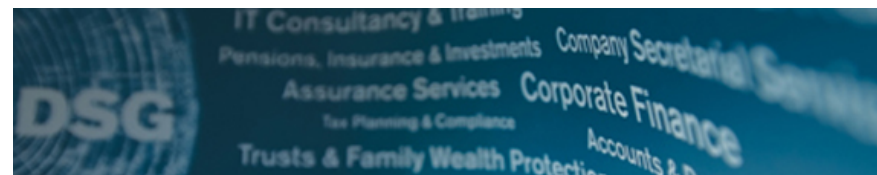
First Step – Choosing a Scheme



National Employment Savings Trust (N.E.S.T.)

Why has NEST been introduced ?

- 7 Million people estimated to be not saving enough for their retirement
- 750,000 employers currently do not offer any workplace pension provision
- Viewed as an initiative to help employers
- Will be very high profile



The Structure of N.E.S.T

Trustee Body

NEST Corporation

Scheme Administration

Tata Consultancy Services (TCS)
Corporation

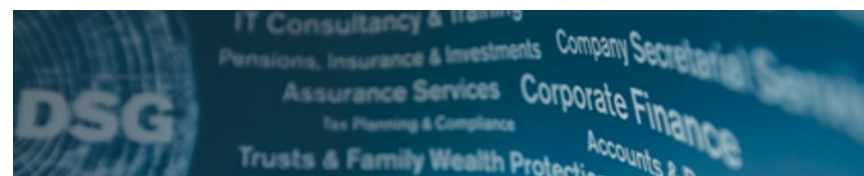
Fund Administration

State Street

- Enrol members
- Collect contributions
- Manage accounts
- Pass funds to fund administrator

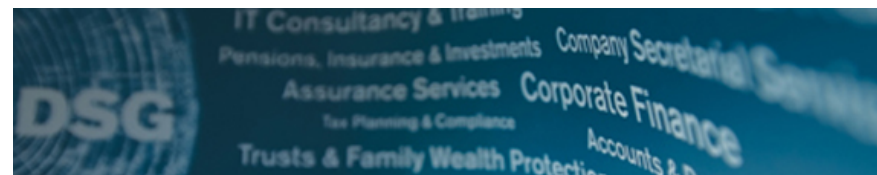


DSG
Financial Planning Ltd



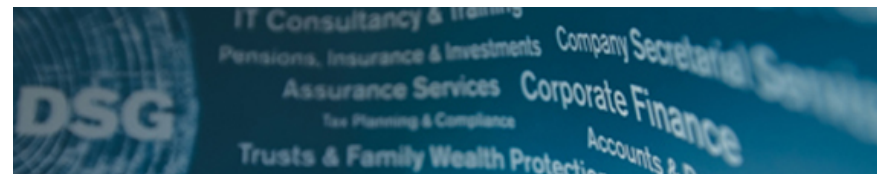
The cost of N.E.S.T.

- Government estimate NEST will need a loan of £904m, & a subsidy of £235m
- Predicted to break even 2032 – 2039?
- *Loan of £1.275bn could be needed & subsidy of £379m from government??*
- ***What could happen if N.E.S.T. does not meet it's targets ?***



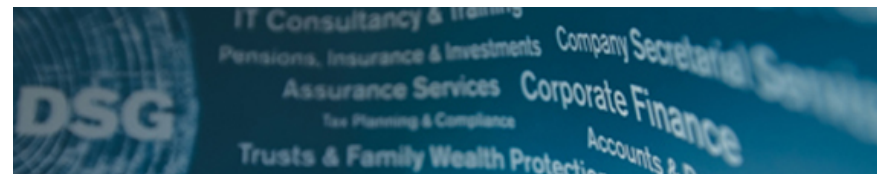
N.E.S.T. – Charging Structure

- 1.8% charge on the value of each contribution to cover NEST's start-up costs
- 0.3% annual management charge (of fund value)



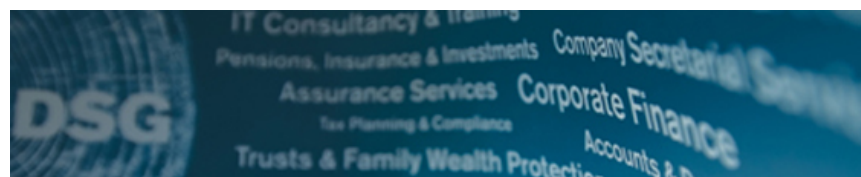
N.E.S.T. – Contribution Limits

- Contributions currently limited to £4,271* per annum (indexed by increase in NAE)
- Transfers in & out of NEST will not be allowed (except at retirement)



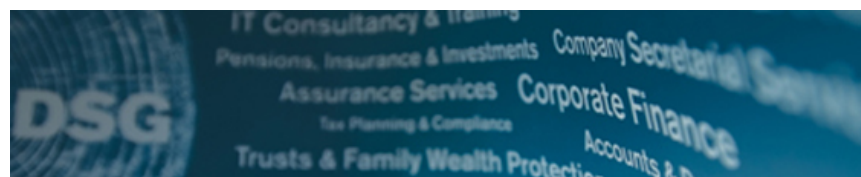
N.E.S.T. – Investment Options

- **Do not give any advice to employees**
- 6 different investment options for employees
- Higher Risk
- Lower Risk
- Sharia
- Ethical
- Pre Retirement
- **Default investment Option – Employee can't or won't decide**



N.E.S.T. – Default Investment Option

- Member does not need to make an investment choice
- Over 45 different funds based on year NEST expect the member to retire
- i.e. 30 year old in 2014 wants to retire at SPA (68) contributions will be invested into the 2052 Retirement Date Fund



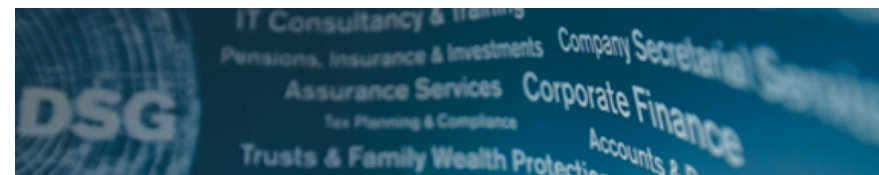
N.E.S.T. – Retirement Date Funds

- “target investment returns in excess of inflation over the long term”
- 3 different phases

Foundation

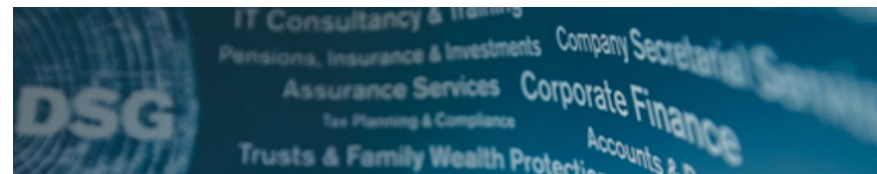
Growth

Consolidation



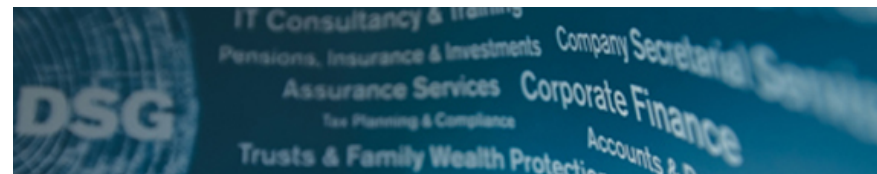
N.E.S.T. – Foundation Phase

- Aimed to be lower risk (e.g. gilts) even for younger members
- Target is to grow in line with CPI
- Why?



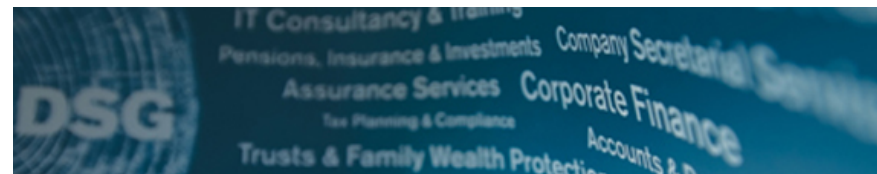
Growth Phase

- Majority of their time in this phase
- Target to achieve growth CPI +3%
- Balance between risk & reward
- Higher Risk approach e.g. global equities

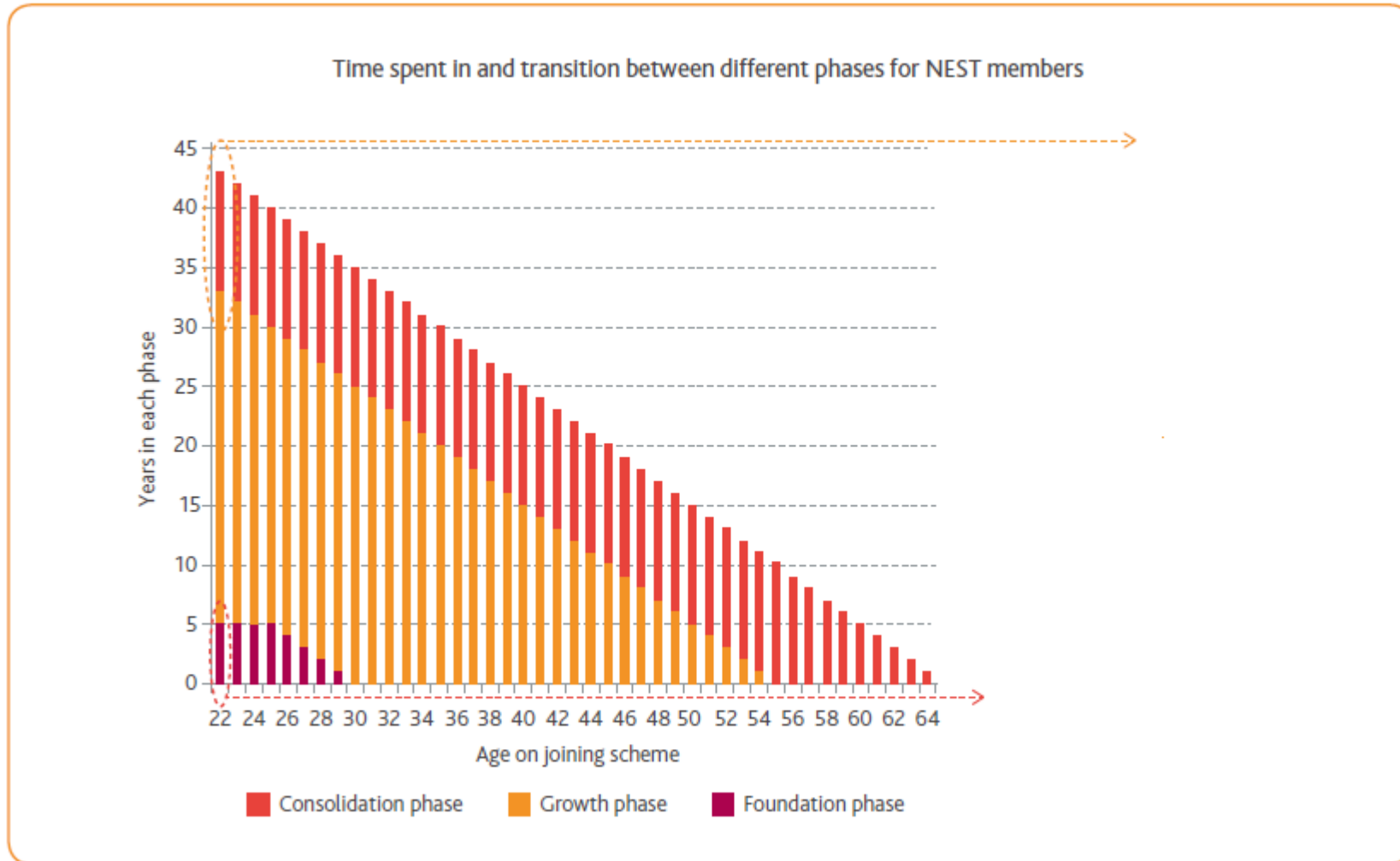


Consolidation Phase

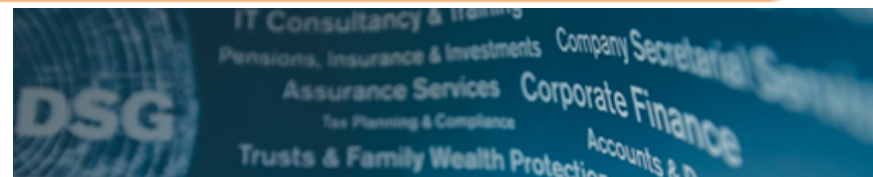
- Starts 10 years before Retirement
- Gradually reduce risk exposure
- Switch out of global equities into gilts, index linked gilts, money market funds
- Members retiring in early years of NEST likely to be invested in the Consolidation Phase immediately



NEST Retirement Date Fund - Timeline

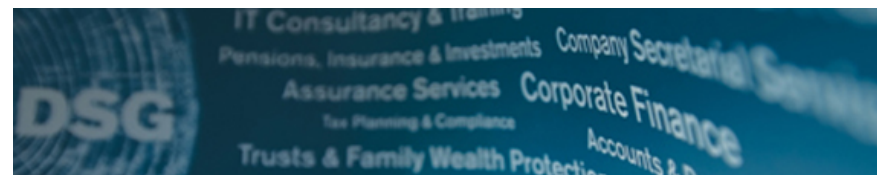


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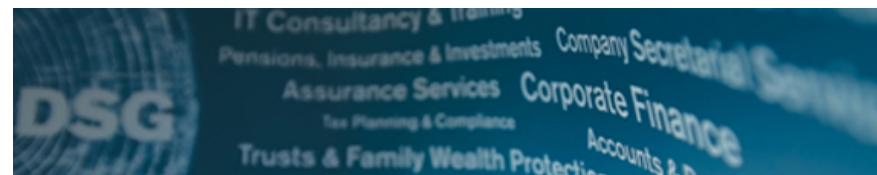
Taking benefits via N.E.S.T.

- Default retirement age 65 (rising in line with increase in SPA)
- Employees can take retirement benefits from age 55
- Retirement benefits to be taken as an annuity with or without tax free lump sum



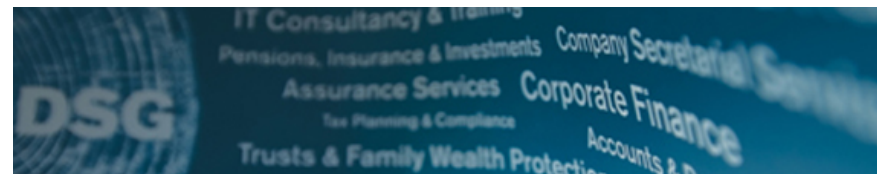
N.E.S.T. – A summary

- Low cost (not guaranteed to stay at this level)
- Appeal to low earners
- Default option for employers
- **Concerns**
- Help or hindrance ?
- Cost of N.E.S.T
- Not good value for older members
- Investment Options

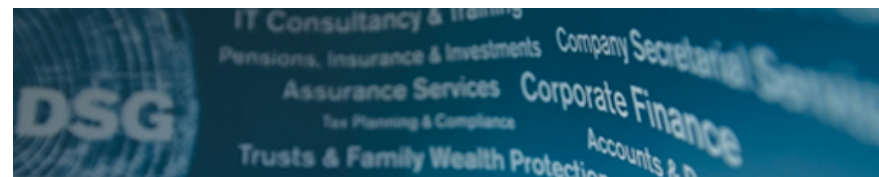


Why a Private Scheme

- Control
- Professional Advice
- Proven track records
- Less of a headache ?
- Same rules for Auto Enrolment

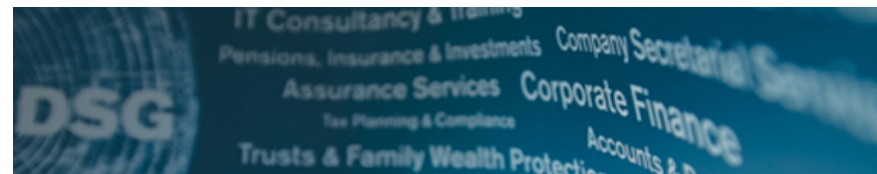


How will you Comply?



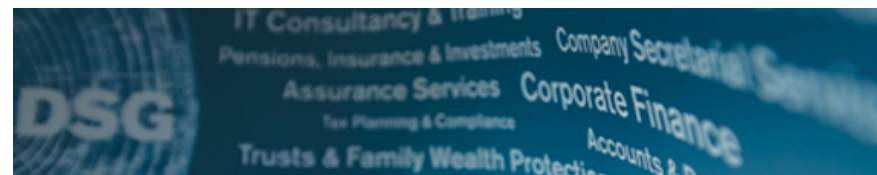
“I do not currently have a scheme in place”

- **You will need to put in place a Qualifying Workplace Pension Scheme**
National Employment Savings Trust or Private Scheme ?
- **Measuring the Impact on your business**
- Cost – when and how much??
- Staging date
- Who will actually do the work??



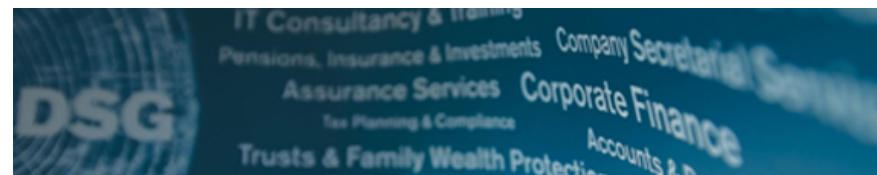
When you have selected a scheme

- Provide required information to eligible employees
- Auto enrol eligible employees
- Provide information to the scheme
- Collect contributions
- Process Opt Outs
- Refund contributions to those who opt out
- Repeat the process every three years for those who opt out



“I do currently have a scheme in place”

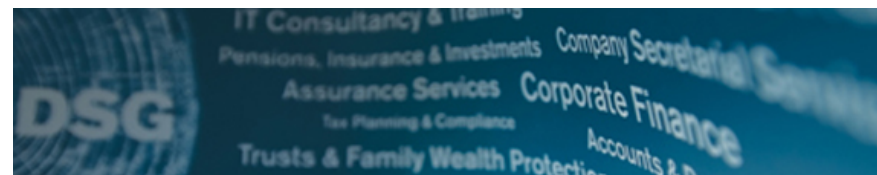
- Will your existing scheme qualify ?
 - Auto-enrolment
 - Default investment option
 - Minimum Contribution levels
- **Questions to consider**
- What is the current take up of your scheme ?
- What is the qualifying period to join existing scheme ?
- Big increase in work for??



Our Pension Audit Service

- Initial consultation
- Analyse and categorise staff
- Forecast costings to your business
- Present findings and discuss which option you require.
- Totally independent view

Ensuring you are ready
to meet your Employer duties



Summary

- Start to plan now
- Keep up to date with changes
- Pension Audit Service
- Do you want to treat all staff the same?
- Design a strategy to hit the staging date
- Keep good records

