

## **NEST (National Employment Savings Trust) Announcement**

On Wednesday 27<sup>th</sup> October 2010, the Minister of State for Pensions, Steve Webb, announced the publication of the 'Making automatic enrolment work' review.

### **Introduction:**

His letter states that employees earning more than the personal income tax allowance of £7,475 will be automatically enrolled into a pension scheme from 2012, the Department for Work and Pensions has confirmed.

The threshold is more than £2,000 higher than Labour's proposed threshold of £5,035 a year. An optional waiting period of three months has also been introduced, during which employees can voluntarily opt-in.

Self-certification for employers operating money-purchase schemes has been simplified, alongside further deregulatory measures designed to reduce the burden on employers. The National Employment Savings Trust has been retained.

Speaking at the press briefing last Wednesday, Mr Webb confirmed that the minimum contribution rates would remain the same. The previous Government proposed 3 per cent from the employer, 4 per cent from the employee and 1 per cent tax relief.

Webb said he would not be drawn on any issues relating to the basic state pension reforms before the Government green paper is published later this year. Auto-enrolment will come into force on 1 October 2012, with employers phased in gradually over the following four years depending on size. Only businesses with 120,000 or more employees will have to comply with the reforms at the start date.

### **NEST Review 2010:**

The lower limit of £5,035 will be increased to £7,475 (2011) limits to ensure individuals are not automatically enrolled until they reach the income tax threshold.

All employers will have to either designate a 'qualifying' scheme and then automatically enrol all 'qualifying' employees or alternatively offer to auto enrol directly into the NEST arrangement.

NEST should be able to accept transfers in/out once automatic enrolment is fully established circa 2017.

Legislation should make it clear that NEST's contribution cap will be removed in 2017.

Communications to micro employers from The Pensions Regulator (TPR) should strongly flag NEST as taking account of their needs.

Employers should be given some flexibility around the date they re-enrol employees who had previously opted out by giving a 6 month window for the activity to take place.