



BARTHOLOMEW HAWKINS LTD

A GUIDE TO **Auto- Enrolment**

Making it 'personal' is
critical to retirement
saving in the UK

FINANCIAL GUIDE



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A radical reform of UK workplace pensions is under way and eventually this will affect millions of people. October 2012 saw the start of the new pension auto-enrolment system, which is expected to take six years to be fully rolled out. Under the new system, initially any workers over 22 years old and under the state pension age, not already in a scheme and who earn more than £8,105 a year will automatically be enrolled.

The UK’s largest firms

Workers employed by the UK’s largest firms (those employing more than 120,000 people) from 1 October 2012 have started to be automatically enrolled into company pension schemes. Between now and 2018 all other employers will have to ensure that UK-based workers aged over 22 years and earning a minimum of £8,105 (for the current 2012/13 tax year) are also enrolled into a pension.

Earnings allocated to a workplace pension

Employees will initially see a minimum of 0.8 per cent of their net earnings allocated to their workplace pension. Their employer will contribute 1 per cent of their earnings and tax relief adds a further 0.2 per cent. For many workers, this will be the first time their employer has contributed to their pension savings. From October 2018, these amounts will increase to a minimum of a 4 per cent contribution from the employee, 3 per cent from the employer and 1 per cent in tax relief.

Auto-Enrolment at a glance

- Workers not already in a company pension scheme will be enrolled if they are aged between 22 and the state pension age
- However, these workers must be earning at least £8,105 a year
- Contributions will be levied on earnings between £5,564 and £42,475
- Staff can opt out

A new era in workplace communications

These funds will be invested in either the company’s existing workplace pension scheme, by a scheme run by an insurance company, or by a government-backed scheme, such as the National Employment Savings Trust

(Nest). At retirement, usually at the age of 55 at the earliest, the employee can access the funds to buy an annuity - an annual pension income for retirement.

Getting the nation’s workers saving

The Department for Work and Pensions (DWP) estimates that 380,000 workers were signed up during October alone, increasing to 600,000 by the end of this year. The government believes that Britain’s employers hold the key to getting the nation’s workers saving for their retirement, but to be successful they will need to find innovative ways of discussing money matters in the workplace.

The success of automatic enrolment

It is essential that employers consider their pension options carefully before deciding on the best solution for their business and employees. Working closely with employees to actively engage with them on how they could personally benefit is also essential to the success of automatic enrolment.

Workers unaware of the changes

The Scottish Widows Workplace Pensions Report 2012 reveals that 52 per cent of workers – equivalent to 9.9 million people [1] in the UK – have been completely unaware of the changes, despite an increase in the average amount people are willing to save for retirement.

Expectation to hear more from the government

A survey was carried out for Standard Life [2] in August this year to find out more about the levels of awareness and interest in automatic enrolment among employees in Britain who don’t have a pension. It found that more than four fifths (83 per cent) of those surveyed who would be interested in finding out more and would expect to find out more from their employer, while over half (54 per cent) would expect to hear more from the government.

Keen to know about the investment options

When asked what aspect they would like to find out more about, nearly three fifths of employees (58 per cent) said they would like to know more

about how much they would need to contribute; two fifths (40 per cent) wanted to find out more about when they would start paying; and almost a quarter (23 per cent) were keen to know about the investment options. Just 27 per cent of employees who don't currently have a pension said they would like to know more about opting out.

Helping people to save more for their retirement

For many employers and employees in the UK, the introduction of auto-enrolment is still some way off, due to the staggered start dates. For several years now, there has been a downward trend in the number of people actively saving into a workplace pension. This trend should be reversed as more people are helped to save more for their retirement.

Employers have an important role to play

Communicating the benefits of being enrolled into a workplace pension is essential to the success of auto-enrolment. Employers, the government and pension scheme providers all have an important role to play in this respect. There is clearly still a gap to close and a TV and print advertising

campaign by the Department of Work and Pensions has been launched to help people understand the opportunity workplace pensions bring. ■

Make the most of your retirement opportunities

Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension requirements. Whether you need to set up or review existing pension arrangements, for you or your employees, we can discuss ways to help you make the most of the different retirement opportunities. Please contact us, don't leave it to chance.

*[1] Calculated by the pension regulator/employers/staging-date-timeline
[2] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,125 adults, of which 1,098 confirmed they were workers and 387 of them did not have a pension. Fieldwork was undertaken between 29–31 August 2012. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).*

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