



Getting ready  
for workplace  
pension reform  
*A guide for employers*



## Background to the pension reforms

Government estimates suggest that around seven million people are not saving enough to give them the retirement income they want or expect.

The Pensions Act 2008 introduces new duties on employers that start to be introduced from 2012.

These duties mean that for the first time employers will have to automatically enrol all eligible jobholders,<sup>1</sup> and when asked by them any jobholder,<sup>2</sup> into a workplace pension arrangement that meets or exceeds certain legal standards and make a minimum contribution to that arrangement.

NEST (National Employment Savings Trust) is a new low cost pension scheme any employer will be able to use.

It is being designed specifically to meet the needs of low-to-moderate earners and their employers.



## What is NEST Corporation?

NEST Corporation is the trustee body that has overall responsibility for running NEST.<sup>3</sup> It is a non-departmental public body that operates at arm's length to government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation is overseen by a Chair and up to 14 Trustee Members. Together they form the trustee of the scheme. Trustees of pension schemes have an over-riding legal duty to act in the best interests of scheme beneficiaries.

<sup>1</sup> Eligible jobholders are aged between 22 and State Pension Age, work or ordinarily work in Great Britain or Northern Ireland and earn more than £5,034 and not more than £33,540 a year in 2006/07 earnings terms. These figures will be updated for 2012. Total earnings include an individual's salary, wages, overtime, bonuses and commission, as well as statutory sick pay and statutory pay he or she receives during maternity, paternity or adoption leave.

<sup>2</sup> Jobholders have qualifying earnings – as above – and are aged between 16 and 22 or older than 75.

<sup>3</sup> On 5 July 2010 NEST Corporation took over from the Personal Accounts Delivery Authority, which was wound up.

## How can you use NEST?

You can use NEST in a variety of ways. It could be the only scheme you offer your workers or sit alongside another scheme you already have.

For example, you could use NEST as a foundation scheme on top of which you offer other schemes. Alternatively you could use NEST for a certain category, grade or group of workers. This might be seasonal workers, new joiners or staff who take career breaks.

## The main features of NEST

- It will be simple and easy to administer with straightforward and convenient online services and tools.
- It will offer flexibility over contribution levels and the way these are calculated.
- An individual's membership of NEST is portable - it can travel with them throughout their working life. This is why there will be no continuing administration for you when a NEST member leaves your employment. For new joiners who are already members of NEST, all contributions made on their behalf can be added to their existing retirement savings pot. Also more than one employer can contribute to a member's NEST retirement savings pot at the same time.
- NEST Corporation will set an investment approach for NEST that's specifically designed to meet the needs of low-to-moderate earners.



# NEST's unique features

- NEST Corporation has a public service obligation to run NEST so it's open to any employer that wants to use it to meet the new duties. This means that employers of all sizes and sectors can use NEST.
- Up to £3,600<sup>4</sup> per year can be paid into each member's retirement savings pot.
- NEST Corporation can only accept transfers in and out of the scheme only in very limited circumstances.
- NEST Corporation is legally bound to run NEST in the interests of scheme beneficiaries.

## Joining NEST

It is planned that NEST will launch in 2011 on a limited basis with volunteer employers and their low to moderate earners.

From then you will have the chance to use NEST ahead of the onset of your new legal duties.

There are many reasons why you might consider using NEST sooner rather than later:

- A Relationship Manager could provide you with support to help you understand what action you need to take to comply with your employer duties, and information on how NEST can help.
- You could also get administrative support to resolve any early HR or payroll problems.
- You could make your workers members of NEST in stages and avoid having to enrol them into a pension scheme in one go when the new duties impact your business.
- You can choose when to join and avoid peak business times. By joining NEST early you can give your organisation, and your workers, time to adjust to contributing to a pension scheme.

<sup>4</sup> The contribution limit is £3,600 in 2005 terms. This limit will be adjusted in line with earnings growth before the reforms are introduced in 2012.

## Contact the team

When it comes to deciding how your organisation should act in response to its new legal duties, your first port of call could be to seek advice from an internal expert or an external adviser, although there is no obligation to do so.

However our Distribution Team can provide you with help and information on using NEST and its suitability for meeting your new legal duties.

Email: [employer.enquiries@nestpensions.org.uk](mailto:employer.enquiries@nestpensions.org.uk)

Call: 020 7940 8544

Visit: [www.nestpensions.org.uk](http://www.nestpensions.org.uk)

## The Government initiated a review of automatic enrolment and the role of NEST in June 2010.

Find out more here  
[www.dwp.gov.co.uk/policy/pensions-reform/workplace-pension-reforms](http://www.dwp.gov.co.uk/policy/pensions-reform/workplace-pension-reforms)

