

Work Place Pension Reform

A guide to Employers

The Pensions Act 2008 set out the fundamental reform of work place pensions requiring all employers to automatically enrol their eligible staff into a qualifying pension scheme and contribute up to 3% of staff members earnings into the scheme.

All UK job holders aged between 22 and state pension age and who earn over £7,475 (2011/12 personal income tax allowance) will be enrolled into their employer's work place pension. Ten million individuals are expected to be eligible for automatic enrolment. Automatic enrolment will be the responsibility of employers and will begin from October 2012, starting with larger employers, then medium and finally small companies.

Employers will be able to choose the pension scheme(s) they wish to use for automatic enrolment provided the scheme meets certain quality criteria. This will include an existing pension scheme as long as the scheme meets the new qualifying standards.

For all eligible job holders, employers will be asked to contribute 3% of earnings between £7,475 and £33,540 for 2011/12. The employer contribution level being up to £782 per member per year. The 3% contribution will be supplemented by the members own 4% contribution and 1% income tax relief. Overall contribution will total at least 8% of this band of earnings.

To aid employers with these additional costs, the plan is to phase in the employer contribution levels. They will start at 1% then 2% and finally 3%. Member's contribution will be phased in the same way.

