



NATIONAL EMPLOYMENT SAVINGS TRUST (NEST)

Automatic enrolment – the basics

From 2012 all employers with one worker or more will be required to enrol all eligible jobholders into a workplace pension scheme and make an employer contribution towards it. This is known as automatic enrolment. The scheme must be a qualifying scheme, meaning it must meet certain government standards. This is the first time that employers have been required by law to contribute to their workers' pensions.

Currently, 'eligible jobholders' are workers aged at least 22 and under state pension age who are working in the United Kingdom and who earn more than the minimum earnings threshold (currently set at £5,035). As a result of the Making Automatic Enrolment Work Review, the Government is bringing forward legislation to introduce an earnings trigger (to be set initially at £7,475) so that only those who earn over this amount will be automatically enrolled by their employer.

'Jobholders' are workers aged at least 16 and under 22 or between State Pension Age and under 75 who are working in the United Kingdom and who earn more than the minimum earnings threshold. They will be able to choose to join a pension scheme, known as opting in, and will qualify for the employer contributions.

Those who earn below the automatic enrolment minimum earnings threshold can choose to join workplace pension saving and their employer can choose to contribute.

People can choose to leave the scheme at any time, however, they will still be able to re-join pension saving, should they choose. Employers will also have a duty to re-enrol their eligible jobholders approximately every three years, so that those who left the scheme will have the opportunity to reconsider pension saving.

Timings

These reforms will be introduced over a period of four years, starting from 2012. This extended time frame is known as staging, each employer has a specific staging date, which will give employers time to get prepared and have systems in place. The largest employers will be staged in first, followed by medium then small employers. Their staging date will be triggered by their Pay As You Earn (PAYE) scheme.

For a fuller description of when particular businesses will come under the new regulations please see the attached sheet.

Choosing a Pension scheme for automatic enrolment

Employers need to choose a pension scheme that meets certain Government standards. To qualify, minimum contributions must be made into the scheme, or it must provide a minimum rate at which benefits will build up.

Options available to an employer when choosing their scheme are:

-  use an existing pension scheme if it qualifies;



- amend an existing scheme to meet the qualifying criteria – employers with existing pension provision that does not meet the minimum qualifying criteria may decide to amend the scheme so that it qualifies;
- set up a new pension scheme which meets the qualifying criteria; and/or
- use NEST – any employer can choose to use NEST for some or all of their staff.

An employer can also use a combination of these options for different areas of their workforce.

Regardless of the scheme the employer chooses, they must give their workers factual information such as: that they are going to be enrolled into a pension scheme; what that pension scheme is and the amount of contributions they will have to pay.

Contributions

Contributions to defined contribution pension schemes will be gradually increased throughout the staging period and up to October 2017. This is known as phasing.

- From October 2012 to September 2016 the total contributions from the employer and jobholder will be 2 per cent, with the employer paying a minimum of 1 per cent.
- From October 2016 to September 2017 the total contributions from the employer and jobholder will be 5 per cent, with the employer paying a minimum of 2 per cent.
- From October 2017 total contributions from the employer and jobholder will be 8 per cent, with the employer paying a minimum of 3 per cent.

By 2017 approximately 1 per cent of the jobholder's contributions will be from tax relief.

The contribution level is just a minimum. Employers will be able to contribute more if they wish. In many existing schemes employers already do.

For defined benefit and hybrid pension schemes, alternative arrangements apply.

Implementation timetable

Overleaf is a detailed implementation schedule for the National Employment Savings Trust (Nest).

Need more help?

If you would like to discuss the potential implications of the introduction of the NEST on your business please speak to your normal contact at Bevan & Buckland, or:



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IMPLEMENTATION TIMELINE

Employer (by PAYE scheme size or other description)	Staging date
120,000 or more	1 Oct 2012
50,000-119,999	1 Nov 2012
30,000-49,999	1 Jan 2013
20,000-29,999	1 Feb 2013
10,000-19,999	1 Mar 2013
6,000-9,999	1 April 2013
4,100-5,999	1 May 2013
4,000-4,099	1 June 2013
3,000-3,999	1 July 2013
2,000-2,999	1 Aug 2013
1,250-1,999	1 Sept 2013
800-1,249	1 Oct 2013
500-799	1 Nov 2013
350-499	1 Jan 2014
250-349	1 Feb 2014
Less than 50 with last 2 characters in their PAYE reference numbers 92, A1-A9, AA-AZ, B1-B9, BA-BY, M1-M9, MA-MZ, Z1-Z9 or ZA-ZZ	1 Mar 2014
240-249	1 April 2014
150-239	1 May 2014
90-149	1 June 2014
50-89	1 July 2014
Less than 50 with the last 2 characters in their PAYE reference numbers BZ	1 Aug 2014
Less than 50 with the last 2 characters in their PAYE reference numbers 00-01	1 Sept 2014
Less than 50 with the last 2 characters in their PAYE reference numbers 02-04	1 Oct 2014
Less than 50 with the last 2 characters in their PAYE reference numbers 05-07, 0A-0Z, C1-C9, CA-CZ, D1-D9 or DA-DZ	1 Nov 2014
Less than 50 with the last 2 characters in their PAYE reference numbers 12-15, 2A-2Z, F1-F9, FA-FZ, G1-G9 or GA-GZ	1 Feb 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 16-20, 3A-3Z, H1-H9 or HA-HZ	1 Mar 2015
Less than 50 with the last 2 characters in their PAYE reference numbers I1-I9, IA-IZ	1 April 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 21-25, 4A-4Z, J1-J9 or JA-JZ	1 May 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 26-31, 5A-5Z, K1-K9 or KA-KZ	1 June 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 32-38, 6A-6Z, L1-L9 or LA-LZ	1 July 2015





Employer (by PAYE scheme size or other description) - Continued	Staging date
Less than 50 with the last 2 characters in their PAYE reference numbers N1-N9 or NA-NZ	1 Aug 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 39-47, 7A-7Z, O1-O9, OA-OZ, P1-P9 or PA-PZ	1 Sept 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 48-57, 8A-8Z, Q1-Q9, QA-QZ, R1-R9, RA-RZ, S1-S9, SA-SZ, T1-T9 or TA-TZ	1 Oct 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 58-69, 9A-9Z, U1-U9, UA-UZ, V1-V9, VA-VZ, W1-W9, WA-WZ	1 Nov 2015
Less than 50 with the last 2 characters in their PAYE reference numbers 70-83, X1-X9, XA-XZ, Y1-Y9 or YA-YZ	1 Jan 2016
Less than 50 with the last 2 characters in their PAYE reference numbers 84-91 or 93-99	1 Feb 2016
(a) Less than 50 unless otherwise described or (b) no PAYE scheme	1 Feb 2016
New employer (PAYE income first payable between 1st April 2012 and 31st March 2013)	1 Mar 2016
New employer (PAYE income first payable between 1st April 2013 and 31st Dec 2013)	1 May 2016
New employer (PAYE income first payable between 1st Jan 2014 and 30th Sept 2014)	1 June 2016
New employer (PAYE income first payable between 1st Oct 2014 and 30th June 2015)	1 Aug 2016
New employer (PAYE income first payable between 1st July 2015 and 31st March 2016)	1 Sept 2016

The Regulator will write to all employers around 12 months before their staging date so that they know when to automatically enrol their eligible jobholders. Three months before the employer's staging date the Regulator will write again to remind them of the new duties and the need to register.

Employers with more than one PAYE will start their duties for all their PAYEs at the same time, on the staging date of their largest PAYE.