

# 'Personal Accounts' Pensions – All Employers Take Heed

The Pensions Act 2008 seeks to encourage more people to build up an adequate and well-protected private pension income, to tackle growing concerns over the increased cost of retirement for a growing older population.

To achieve this, the Government are introducing a national system of 'Personal Accounts' pension schemes from April 2012. This will affect **every employer in the UK** in some form, and those who seek to review this issue in advance will be better placed financially to cope with the change.

## Key Facts

- It is currently estimated that around 7 million members of the UK workforce are not saving enough to generate a future pension income that they will expect upon retirement.
- The pension reforms aim to empower more people across the UK to make proper provision for their retirement by supplementing their basic State Pension.
- The personal accounts scheme is being created to provide a low-cost, independent, workplace pension scheme that any employer can use.
- The scheme is predominantly aimed at those individuals on low to middle incomes.
- From 2012, any individual in full-time employment earning over £5,000 a year, aged between 22 and State Pension age, who is not already part of an occupational pension scheme, will be automatically enrolled into the new 'personal accounts' scheme or similar qualifying workplace pension scheme.

## Key Responsibilities for Employers:

- Employers who do not currently offer a group pension scheme to employees will need to do so from 2012.
- Employers will have to automatically enrol all eligible employees into an appropriate workplace pension scheme, and register with the Pensions Regulator how they have fulfilled their enrolment duty.
- Employers must provide a genuine opt-out procedure for those employees who do not wish to participate. It is the responsibility of the employee to opt-out of their own accord however.
- Employers will be required to pay a minimum contribution of 3% towards an employee's pension savings.
- Participating employees will contribute 4% of their monthly salary, and will receive around 1% from the Government in the form of tax relief.

The Government intend for the scheme to be introduced gradually. Employers who take action sooner rather than later will be able to absorb the costs gradually. Ideally, companies should plan a phased introduction of pension benefits over the coming years so that come April 2012, they do not suffer a sudden increase in payroll costs that could disadvantage their competitive position.

**Speaking to one of our financial advisers in advance will allow you to review your current arrangements and discuss the available options, and then plan an appropriate strategy accordingly.**

**To discuss the forthcoming changes to pensions or any other aspect of corporate financial advice, please contact us on (01633) 844456.**

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