

Compulsory Pension Contributions: Preparing for 2012

Compulsory pension contributions will be introduced from 2012 in the form of Personal Accounts.

As an employer, this means you are likely to have to:

- Automatically enrol employees into the scheme
- Pay a compulsory contribution for each of your employees
- Administer the payroll deductions and payments
- Demonstrate that you are not restricting information or access to the scheme

These changes gained Royal Assent in the Pensions Act 2008 and they will affect all businesses in the UK. Many existing company schemes will be able to continue running in their current form, pre-empting the new Personal Accounts. However for employers who do not currently pay pension contributions or for those with a low contribution level, participation will be mandatory.

High Contributions, High Take-up

- The changes are likely to have minimal impact on your business.
- You may choose to continue to run your "quality" pension instead of offering the Government pension but you will need advice to ensure that you meet the "quality" test.

High Contributions, Low Take-up

- The contributions into your pension may allow you to continue to offer this instead of the Government scheme, but having to enroll everyone will increase your costs.
- The legislation is currently being changed, with proposals stating that encouraging or forcing workers not to save will be unlawful.

Low Contributions, High Take-up

- Many of your employees have joined the pension, but contributions will need to increase to at least 3% of salary, increasing your costs. With the advertising raising employee awareness of pension changes, your take-up may still increase further.

Low/No Contributions, Low/No Take-up

- Offering the basic requirement of a Stakeholder Pension with no company contribution or a scheme with a low contribution that you do not promote to your employees will no longer be options.
- You will have the double impact of both a new company contribution, and paying this for all of your employees

Employers working with Oval will:

- Understand the background to the changes
- Know why they are being introduced
- Be able to sort fact from fiction
- Understand how their existing scheme(s) relate to Personal Accounts
- Be sure that their key people know about the changes
- Be able to clearly identify the cost implications of Personal Accounts
- Have a bespoke internal communication programme to explain the changes

Benchmarking

If you already have a scheme that you need to benchmark against Personal Accounts,

Oval will assess:

- Member take-up and engagement
- Employer cost projection
- Contribution levels
- Fund/Investment options
- Charges
- Governance
- Administration
- Enrolment procedures

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