



CVS Rochdale **Policy Briefing**

2012 Pension Reforms – Compulsory Employer Contributions

Following on from the **Pensions Act 2008** a number of reforms have been put forward and the coalition government decided to review these reforms, in particular those pertaining to auto-enrolment and the national employment savings trust (NEST). It is expected that with effect from **October 2012** legislation will have been enacted requiring employers to contribute into each employee's pension fund.

All employers need to prepare for their new responsibilities under the legislation which is expected to be finalised in July 2011, and should be planning and budgeting at an early stage to prepare for the additional costs - both of any additional employer contributions, and of the additional administrative costs of upgrading payroll systems, collecting and paying over contributions and retaining the required records. See *Department for Works and Pensions for more information on the Pensions Bill 2011:* <http://www.dwp.gov.uk/policy/pensions-reform/>

Main Points are:

- Will initially apply to large employers. Small employers (< 50 staff) will be included in the new scheme from 2014 to 2016.
- Employer must auto-enrol all employees into a Qualifying Workplace Pension Scheme (QWPS)
 - Over 22 years but below state pension age
 - Earning £7475 or more in 2011/12
 - Within 3 months of commencing employment
 - Employees can opt in earlier if they wish
- Contribution rates, which will be phased in between 2012-2017, will be:
 - 1% rising to 3% - Employer
 - 1% rising to 4% - Employee
 - 1% - Government
- A new type of low cost pension fund will be created (NEST).