

Pension Auto Enrolment

Latest News

October 2012

Eleven million workers will start being automatically enrolled in pension schemes from 1 October as part of a scheme to ensure everybody has enough money to live on in retirement.

Anyone who is aged 22 or over, earning more than £8,105 a year and has been employed for three months or more will be made a member of either their employer's existing occupational pension scheme or an alternative scheme chosen by their employer. The scheme is being phased in over five years, starting with the UK's biggest companies and culminating with those that have just one or two members of staff. The amounts of money involved will be increased gradually to prevent contribution-shock – but by October 2018, all employees must contribute at least 4% of earnings, their employer will contribute 3% and they will receive a further 1% in tax relief.

The introduction of auto-enrolment has spurred debate about how to invest employees' money to get the best returns.

For employers who do not want to set up their own scheme, there are low-cost options available. The government has developed a scheme 'Nest' which can be used by all employers, including the smallest with just one or two members of staff who might otherwise struggle to find a provider to take them on. Nest has an annual management charge of just 0.3%, but investors must pay a charge of 1.8% on every contribution. However, the scheme limits the amount you can invest to stop it being in competition with commercial fund managers.

The not-for-profit People's Pension (www.thepeoplespension.co.uk) formerly the B&CE pension scheme, has extended its potential membership from those in the construction industry to all companies from any industry. It has an annual management charge of 0.5% – very low by the standards of most British schemes – and no charge for contributions, switching funds or transfers.