



PRIVATE & CONFIDENTIAL

TO CLIENTS OF MORRELL MIDDLETON

As a professional connection of Morrell Middleton and a near neighbour we write to you on Steve's recommendation with the following information.

We are independent financial advisers with over thirty years experience in providing financial advice to corporate and private clients and enclose information on the *Workplace Pension Reform* due to be rolled out to all employers starting in October 2012. Whilst that may seem a long way off, it is important to start thinking about what it means to your business now.

We hope you find the information useful and that we can be of service in the near future. Please return the reply slip to ourselves or Morrell Middleton and we will be in touch.

Please feel free to contact us at any time for further information and advice.

PAUL GARDNER
INDEPENDENT FINANCIAL ADVISER

(jp/2011/sl-pensadv)

REPLY SLIP

TO : Atkinson Powell Financial Management LLP
 1 Cayley Court
 George Cayley Drive
 Clifton Moor
 YORK
 YO30 4WH

FROM :

Thank you for your recent letter regarding Work Place Pension Reform.

We would be interested in discussing our Company situation.

Please call me/us on Tel No to arrange a convenient meeting.

ANY OTHER
COMMENTS :

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SIGNATURE :

NAME :

DATE :

WORKPLACE PENSION REFORM

Beginning in October 2012 the government is rolling out workplace pension reform over a four year period which will impose new duties on employers to make mandatory pension provision for their employees.

What does this mean for an Employer?

All employers will be required to **automatically enroll** all **eligible** employees into a **qualifying pension scheme** and make contributions on their behalf. By 1 October 2017 when fully rolled out an employer must pay a minimum of 3% and an employee 8% of qualifying earnings into a pension scheme.

Each employer will have a staging date, which is the date they must start making contributions, somewhere between October 2012 and October 2016, depending on the number of employees and their PAYE reference number.

Who is an eligible employee?

Eligible employees are those aged between 22 and State Pension Age who earn at least the basic personal allowance (£7,475 in 2011/12).

What does automatic enrolment mean?

Employers must include eligible employees in a qualifying scheme without the employee having to provide any information or make any choices about how much they wish to pay or where the contributions are invested.

Employees can opt out but will be automatically re-enrolled periodically.

What is a qualifying pension scheme?

The government is setting up a scheme specifically for the purpose of auto enrolment which will be known as the National Employment Savings Trust (NEST).

Employers can enroll eligible employees in this scheme or they can use a good quality scheme of their own choice providing it meets certain qualifying standards.

The qualifying standards for a defined benefit or final salary scheme are that it must have a minimum level of benefits at retirement.

For a money purchase scheme such as a group personal pension qualification means it must have a minimum level of contributions. Minimum levels of contribution are being phased in as shown in this table:

		<u>MINIMUM EMPLOYER CONTRIBUTION</u>	<u>MINIMUM EMPLOYEE CONTRIBUTION</u>
Phase 1	Staging – Sept 2016	1%	2%
Phase 2	Oct 2016 – Sept 2017	2%	5%
Phase 3	Oct 2017 onwards	3%	8%

How will NEST work?

NEST will be a simple low cost pension scheme aimed at low to moderate earners.

It will have special rules making it less flexible than other types of pension scheme.

The NEST Corporation will be the trustee but day to day administration is being sub-contracted to the Tata Consultancy Service based in India.

NEST will have a limit of contributions expected to be £5,000 per annum by October 2017.

It will not therefore meet the minimum qualification needs of higher earners (£45,500 plus per annum).

Investment

NEST will have a default investment fund likely to be a cautious tracker fund with no active management.

There will be a limited choice of alternative funds. No investment advice will be available.

Pension Income

The only option at retirement will be to purchase an annuity.

Charges

NEST will have an initial charge of 1.8% on every contribution.

AND

An annual management charge of 0.3% levied against the fund value.

Transfers

In the early stages there will be no allowable transfers in or out of the scheme except at normal retirement age (age 55 onwards).

What are the alternatives to NEST?

Many existing workplace pension schemes will be suitable as an alternative to NEST providing the scheme meets the qualifying criteria and you are able to enroll all eligible employees into the scheme and pay the required level of contributions. It may be suitable to use a combination of NEST and another pension scheme in order to meet the requirements in full.

For employers where no suitable alternative scheme is currently in place a good quality scheme can be set up in time to meet the workplace pension reforms roll out.

What action do I need to take?

- (1) Visit the pension's regulator website to check out when your provisional staging date is by clicking on the following link www.thepensionsregulator.gov.uk/employers.aspx

- (2) Plan early to ensure you have time to organize and build up the financial commitment that will need to be made to implement the requirements.
- (3) If you have an existing pension scheme have it reviewed to ensure it meets the qualifying requirements and plan accordingly.
- (4) If you don't have an existing pension scheme, compare the benefits of NEST and an alternative qualifying scheme to ensure you make suitable and affordable choices for your business and your employees.

How can we help?

We can provide:

- (1) Initial consultation meeting free of charge or obligation to proceed any further should you wish to discuss work place pension reform requirements in more detail.
- (2) Following on from an initial meeting we can review existing schemes and advise on whether they meet the qualifying criteria for workplace pension reform and implement any changes that need to be made.
- (3) Where no schemes exist already then we can advise on and implement the changes that need to be made to meet the qualifying criteria for workplace pension reform.

Please return the reply slip and we will be in touch.