

Corporate & Financial Weekly Digest

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Government Announces Workplace Pension Reform

On October 27, the UK Government announced that it will implement pension reforms as suggested in the recently published report of an independent review team commissioned by the previous Labour government. Specifically, the team reviewed the practicalities of automatic enrollment in workplace pension schemes.

A new Pensions Act will introduce three key reforms to workplace pensions:

1. new legal duties requiring employers to automatically enroll eligible employees into a qualifying pension scheme;
2. a compliance regime enforced by The Pensions Regulator; and
3. the establishment of a new low-cost pension scheme, the National Employee Savings Trust (NEST). NEST will be available to all employers.

The reforms will apply to all employers, including those in small companies. Automatic enrollment will be phased, starting in October 2012 with the largest companies and continuing through 2016. By the end of this phasing period, all employers must enroll employees earning more than £7,500 (approximately \$12,000) in a pension. Employer contributions will also be required for employees earning more than £5,700 (approximately \$9,100). During the initial period between 2012 and 2016, employees and employers must contribute a collective minimum of 2% of earnings, with a minimum of 1% coming from the employer. From October 2012, once the reforms have been fully implemented, the minimum contribution will rise to 8% of earnings, with a minimum of 3% coming from the employer.

Employers will have the option of a three-month waiting period before automatic enrollment, to avoid having to enroll temporary workers.

To read more, click [here](#).