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Pensions Bill Receive Royal Assent

The Pensions Bill has now received Royal Assent and become the Pensions Act 2011. Starting from October 2012 employers will begin to automatically enrol eligible workers into a qualifying workplace pension scheme and contribute to that pension. Workers who are automatically enrolled will also contribute to the scheme and get tax relief. Measures in the Pensions Act 2011 such as allowing companies to defer automatic enrolment for up to three months, simplifying the scheme certification process, and greater flexibility on choosing the automatic re-enrolment dates will apparently reduce red tape and cut costs.

The measures in the Pensions Act 2011 are:

- An optional waiting period allowing the automatic enrolment date to be deferred for up to three months to help those employing short-term and seasonal staff.
- Simplifying the process for employers to certify that their schemes meet requirements.
- Greater flexibility to choose an automatic re-enrolment date three months either side of the three yearly re-enrolment date.
- Introducing a new higher earnings threshold for automatic enrolment set initially at £7,475, to be reviewed every year.

Automatic enrolment will be introduced gradually over four years, starting from October 2012, to give employers time to prepare for automatic enrolment, and large firms with 120,000 or more workers in their PAYE scheme will be first to enrol their staff. Small businesses with fewer than 50 workers in their PAYE scheme will not have to begin enrolling their workers until 1 April 2014 at the earliest. All employers must enrol their staff by 1 September 2016.

The National Employment Savings Trust (NEST) will provide a simple, low cost scheme for all employers who have little or no experience of pensions, and will be particularly suitable for small businesses.

The level of pension contributions will be phased in over time to help employers and individuals adjust to the additional costs of the reforms. Nobody will have to pay the full contribution until October 2017.

Pension contributions will be phased in from October 2012 as follows:

- From October 2012, these will be 1% from the employer and 1% from the worker (2% in total).
- From October 2016 to September 2017, they will increase to 2% from the employer, 2% from the worker and 1% tax relief (5% in total).
- From October 2017, the full minimum contribution of 8% must be paid: 3% from the employer, 4% from the worker and 1% tax relief.

The Pensions Act 2011 builds on reforms set out in previous legislation. The Pensions Act 2008 introduced measures to encourage greater private saving which included workplace pension reforms.

These included new legal duties requiring employers to automatically enrol eligible workers into a qualifying pension scheme; a compliance regime enforced by The Pensions Regulator; and a new workplace pension scheme, the National Employment Savings Trust (NEST).

For further information, please contact one of our specialist advisers on

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