

Pension News Update

Millions to get first pension – employers to pay in

Millions of workers today moved a step closer to getting a workplace pension for the first time as the final rules for the Government's pensions reform were put before Parliament today.

Calling this the most radical change to workplace entitlements since the introduction of the National Minimum Wage, Secretary of State, Yvette Cooper, highlighted the fact that employers of all size would be joining employees in paying into a pension scheme for the first time.

The changes kick off in 2012 starting with the largest businesses of over 120,000 employees paying into a pension scheme from October 2012. Employers will be staged by size from largest to smallest through to 2016, with start up small business given additional time to prepare to comply.

Secretary of State for Work and Pensions, Yvette Cooper said:

"Even during these difficult economic times, employers, industry and unions agreed with us that these reforms were vital in giving millions of people the chance to save in a pension for the first time.

"All employers will be required to pay into a pension for their workers for the first time. We have responded to the concerns of business to make the introduction of these reforms as straightforward as possible. Start-up businesses will be given valuable extra time to prepare for these changes as we come out of recession.

"The cost to all of us of doing nothing in the face of an ageing society is too great to ignore. Currently 14 million people get no contribution from their employer towards a pension and around 7 million people are not saving enough for their retirement.

"These reforms will give everyone the chance to build up a pension. It is the biggest change to support for working people since the introduction of the minimum wage."

The regulations have increased flexibility and removed some of the burdens that were identified, without compromising the intentions or undermining protection for individuals, such as:

- Start-up businesses created from 2012 will be given until 2016 to start enrolling staff
- Businesses employing 120,000 staff start enrolling in October 2012, with smaller businesses phased in over the next three years
- Phasing in employer contributions from 1% in 2012 to 2% in October 2016 and to the full 3% by 2017.

The regulations reflect small changes to implementation announced in December – designed to help small and start-up businesses through the recession. Auto-enrolment will begin as planned in October 2012 and will be fully phased in by October 2017.

Minister of State for Pensions and the Ageing Society, Angela Eagle, said:

"These landmark reforms, on a scale unprecedented anywhere in the world, will ensure millions of workers on low and moderate incomes will be able to save for their retirement with a guaranteed new minimum contribution from their employer, many for the first time.

"Along with our changes to the State Pension from April, we will ensure pensions are fair and sustainable in the longer term.

"It is essential we get the foundations right and continue to focus on minimising any process burdens on business. With the publication of the regulations today, we take a big step closer to automatic enrolment from 2012, moving from consulting with employers into a phase where we explain in clear and simple terms what their obligations will be."

The Government's aim has been to introduce effective regulation without placing unnecessary burdens on employers or the pensions industry. The changes made in response to our consultations introduce increased flexibility and remove some of the burdens that were identified, without compromising our intentions or undermining protection for individuals.

Also published today is the National Employment Savings Trust Corporation Order and the Order to establish the National Employment Savings Trust Corporation and as a consequence, the Order which will wind up the Personal Accounts Delivery Authority in July 2010.