

# A Guide to...

## Personal Accounts - 2012 - Update 2

### Special points of interest:

- National Employment Savings Trust
- Staging Dates
- Contribution Phasing
- Contribution Levels
- Tata Consultancy Service appointed as Administrator

Since our last newsletter in August 2009, Personal Accounts have been rebranded as the National Employment Savings Trust (NEST). This was announced on 7th January 2010 by the Personal Accounts Delivery Authority (PADA).

Nearly every employer in the UK will be affected by the Pensions Act 2008.

From 2012 employers will be required to auto-enroll all eligible employees into a Qualifying Workplace Pension Scheme.

Our last newsletter covered which employees would be eligible, the proposed contribution levels and

outlined what the requirements would be to make sure any existing pension arrangements were either Qualifying Workplace Schemes (QWPS) or Quality Qualifying Workplace Schemes (QQWPS).

Additional information is now available as to the implementation dates. The start date for NEST will be 1st October 2012 with the Government proposing a phasing in of membership by staging dates, starting with the country's largest businesses (more than 120,000 employees). Staging will continue through to 2016. Start-up small businesses will be given additional time to prepare to comply.

All in all there will be 43 separate staging dates over a four year period. A full breakdown of the stages can be found on our website. In summary:

The first 11 stages run between 1st October 2012 and 1st September 2013, during this time employers with more than 1,250 to 120,000 + employees must have enrolled eligible employees into a QWPS or better.

Employers who employ between 50 and 1,249



National Employment Savings Trust  
'NEST'

employees come next between 1st October 2013 and 1st July 2014.

Between 1st March 2014 and 1st February 2016 employers with less than 50 employees will be staged. The actual staging date of this group will depend on the last 2 characters of their PAYE reference number.

Finally, between 1st March 2016 and 1st September 2016 new employers will be staged.

Employers will be informed of their staging date by the Pensions Regulator twelve months in advance.

Now that the staging dates are known, phasing of contributions will apply as follows, bearing in mind that contributions are to be based on 'Band Earnings' (£5,035 to £33,500 in 2005 terms).

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Phase 1 - October 2012 to September 2016

Employer Contribution	1.0% of band earnings
Employee Contribution	0.8% of band earnings
Tax Relief	0.2% of band earnings
Total	2.0%

Phase 2 - October 2016 to September 2017

Employer Contribution	2.0% of band earnings
Employee Contribution	2.4% of band earnings
Tax Relief	0.6% of band earnings
Total	5.0%

Phase 3 - October 2017 onwards

Employer Contribution	3.0% of band earnings
Employee Contribution	4.0% of band earnings
Tax Relief	1.0% of band earnings
Total	8.0%

Employers using a QWPS as an alternative to NEST will have to pay the full Phase 3 contribution levels from outset.

MGP have always believed that pensions would become compulsory for anyone working in the UK and NEST looks to be the first step towards this.

Employers cannot afford to ignore these changes but do have time to make sure existing pension arrangements are either QWPS or better.

A scheme the employer has full control over, which is part of their overall 'employee benefit package', would, in our opinion, always be more beneficial - both to the employer and their employees.

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It has just been announced that Tata Consultancy Services (TCS) will administer NEST.

TCS became the only bidder left after all other previous bidders pulled out.

PADA is due to sign contracts with TCS later this month - much to the annoyance of the Conservative Party who requested this be delayed until after the General Election!

The contract is divided into two stages and runs for 10 years, with possible extensions for up to a further five years. The first stage will run to October 2010, allowing TCS to begin the activity required to set up and administer

**NEST.**

Prior to the expiry of the first stage, a decision will be made on whether to proceed with the contract for the remainder of the contract term!

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Although now might not be an appropriate time to take on additional costs, serious consideration needs to be given to the future implications of NEST and how the administration of this scheme will impact on businesses - any employer deciding to use NEST will, amongst other things, need to employ and train dedicated people to carry out the necessary work.

Alternatively, a QWPS or Q Q W P S c a n b e established with the help

of MGP who will then administer the scheme - we are sure our charges for this work would be more cost effective than training employees and administering NEST in-house.

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MGP will be undertaking a comparison exercise for all existing pension scheme clients - more to follow on this.

We will be happy to provide a consultancy service to non-pension scheme clients on request.

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This and previous newsletters can be found on our website - [www.mgpeb.co.uk](http://www.mgpeb.co.uk)