

Workplace pensions – Auto enrolment

The Pensions Act 2008 requires every employer in the UK to put certain staff into a pension scheme and pay into it. This process is called 'auto enrolment' and for those earning a certain minimum amount and meeting various age criteria as the name suggests, this is automatic.

There is a compulsory minimum that both we and you must contribute (see below). This comes out of your gross pay so the Government say that there is also a tax saving (although this applies to all personal pensions).

These contribution amounts increase significantly over the next few (expressed as a percentage of your qualifying earnings).

DATE	EMPLOYER CONTRIBUTION	EMPLOYEE CONTRIBUTION	TOTAL
01/05/ 2017 -06/04/2018	1.00%	0.8%	1.8%
06/04/208 – 06/04/2019	2.00%	2.40%	4.4%
06/04/2019 onwards	3.00%	4.00%	7%

These amounts will be paid into a quasi public sector pension fund called the 'National Employment Savings Trust' (NEST). This will not be a 'company pension' and we will have no access to these funds either directly or as a notional asset.

If you wish you will be able to opt out but only after we have auto enrolled you and Nest have contacted you direct. You must tell them – not us. You only have thirty days in which to do this.

You may want to do this if you have your own personal pension. The legislation does not require employers to make contributions to other schemes under these arrangements.

There are a number of issues you should be aware of while considering your position while contracting via ourselves as an agency worker/contractor.

- 1) While we would strenuously challenge any suggestion that we are your employer in terms of day to day management, the law in this area is clear; because we make payments to you and make deductions for Tax and National Insurance, for those purposes we are the designated employer and therefore have no option but to comply.
- 2) The justification for this policy is that it ensures everyone has some form of pension. While this laudable enough as far as it goes, you could be forgiven for thinking National Insurance contributions which come from both employee and employer already have always formed part of your state pension. Successive Government's have shied away

from increasing 'income tax' preferring other forms of direct taxation so this does look very like a tax increase by another name.

- 3) At present while you would be able to transfer a pension fund into NEST there is no means to transfer out (although this may change). For a temporary worker who may work in several places this does set up the spectre of having numerous small pension pots dotted around. The owners of these various funds may go through numerous identify changes/mergers and so on before you come to retire in what could be many decades' time.
- 4) No one knows what a future Government may do to contribution levels or general pension policy. The now defunct State Earning related Pension Scheme (SERPS) was an early forerunner of this. Billed as a second state pension, employees were also given incentives to 'opt out of SERPS' and then a decade or so later 'opt back in'. This ran from 1978 to 2002. Its replacement was phased out in April 2016. This latest scheme more or less replaces the 'Stakeholder Pension' which was also set up to provide a universal pension in around 2006.

There is no doubt it is a sensible thing to have a pension and it does make sense for those employers who do not provide one to be required to do so. You will be auto enrolled; there is no choice. However it is for you to decide if you wish to opt out.

While we are not allowed to give you pension advice or encourage you to opt out or not, we have prepared the above to highlight some of the issues, particularly where they impact on the whole 'agency worker' debate. The Government would have it that agency workers should pay the same amount of Tax and NI as everyone else, while they are denied many of the benefits normally available, as a result of specific statute law and supply chain structures which are both used and encouraged by Government itself. These allow the end user client to take no responsibility for the welfare of their workforce and this extends to pensions.

In the absence of a major re think on the wider issue of who should ultimately be responsible for ensuring ALL their staff are treated fairly, we accept that it will fall to us to implement this complex piece of policy, but please be aware that no action means you will be auto enrolled and stay in the NEST scheme.

If you are happy with this there is no need to do anything else.