

# All Workers to Have “NEST” Egg

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The coalition government is pressing on with the Labour scheme which will mean that all UK firms must enrol their staff into a pension scheme. NEST is being promoted as a low cost alternative to more costly private pensions.



## What is NEST?

The Government has introduced NEST to encourage employees who are not saving enough for retirement to join a pension scheme. From October 2012 large UK employers will be required to automatically enrol employees into a “qualifying pension scheme” and by October 2016 all employers, large and small, will have to have auto-enrolled eligible employees. Where existing employer pension schemes do not meet the qualifying scheme requirements, employees will be auto-enrolled in the National Employment Savings Trust (“NEST”), a low cost Government pension scheme.

## When will NEST come into force?

Auto enrolment will be introduced in 2012 but will be phased in according to the number of employees. Employers with 120,000 employees or more will be required to enrol from 1 April 2012 and all eligible employees should be enrolled by 2016.

*Please note: The content of this article is for information purposes only and further advice should be sought from a professional advisor before any action is taken.*

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## Will NEST be compulsory?

If an employer does not provide a comparable scheme, in terms of contributions, then it will have to automatically enrol employees into NEST and make the required contributions. Employees can choose to opt out.

## What are the contributions?

Contributions will be phased in as follows:-

- Until October 2016, the minimum level of contributions will be 2%, with 1% from the employer;
- From October 2016 to September 2017, the total contributions will be 5% with a contribution of 2% from the employer;
- From October 2017 the total minimum contribution level will be 8% with a contribution of at least 3% from the employer.

Employers and employees can choose to increase contributions above these levels if they wish to do so.

## Are there any exceptions?

Employees under the age of 22 earning less than £7,475 per annum will be exempt. Lower earners can join the scheme but have to opt in. Also, an employer does not have to auto enrol an employee who has been employed for less than three months.

## How will NEST be run?

A not for profit Board of Trustees will take over the running of NEST in 2012 and NEST will be regulated by the Pensions Regulator.

## How will the money be invested?

Savers will be able to select funds in which to invest. Funds will include social, environmental, ethical investments and branded funds and there will also be a default fund for those who do not select a particular fund.

## What the papers said ...

The Times quotes the Department for Work and Pensions which estimates that around **7 million** people are not saving enough to deliver the pension income that they are likely to want or expect in retirement.

This is echoed in The Observer which quotes the Pensions Minister, Steve Webb, as saying that “*Too many people are not saving into a pension – in 2009 nearly 13 million jobs had no pension provision. Our reforms will mean up to 8 million people newly saving or saving more with support from their employer*”.

Geoff Prestridge, Personal Finance Editor at The Mail on Sunday is quoted as saying that “*NEST will be a force for good and will bring more people into long term savings*”. However, the Observer also highlights the fact that given the earnings threshold, critics argue that this threshold will hit women and part-time workers.

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