

What you need to know about...

Pension Reform

This factsheet should be of interest to employers and employees, as it concerns the changes proposed to pension provision from 2012. Both employers and employees will be required to pay into a new type of pension plan from this date.

What is happening to pensions?

From 2012 the Government plans to make changes to the state pension (increasing the state retirement age). They are also bringing in legislation to require employers and employees alike to contribute to pension plans.

Automatic enrolment

All employers will be required to enrol their employees into a simple, low-cost pension scheme; alternatively, you can continue to use your current scheme if it meets the criteria.

Who is eligible?

Employees will be eligible for automatic enrolment if they do not have their own private pension and they are aged between 22 and the state retirement age, earning over £5,035 per year (increasing with inflation from 2007).

Compulsory contributions

Employers will be required to pay in a minimum of 3% of each employee's eligible earnings.

Employees will be required to pay in 4% of their earnings.

The Government will top this up with a further 1% tax relief, leaving a total of 8% to be invested in the account.

These compulsory contributions will be phased in

over 3 years.

Qualifying schemes

The contributions may go into a company scheme or a personal account

Can employees opt out?

Employees can choose to opt out from the requirement to pay in 4% of their salary; however, if they choose to pay in the 4%, employers will be required to pay in 3%.

In time, this opt out is likely to be removed.

Preparing for the extra costs

Employers who do not currently pay into their pension schemes should start to plan now for the changes, as their costs are likely to increase when the legislation becomes law. Research has shown that automatic enrolment significantly increases the number of pension scheme members.

Personal Accounts

The proposed new personal accounts will offer a simple and straightforward way of saving for retirement, offering low charges, limited investment choices and a maximum contribution limit of £3,600 per year.

In practice, this means that some people will prefer

Continued overleaf...

Call today for independent financial advice on this or any other issue on

01206 266882 or email **advice@woodruff-fp.co.uk**

to use more complex schemes with greater fund choice, allowing higher contributions, although probably more expensive.

Existing schemes

If you run an existing scheme as an employer, or contribute to a plan as an employee, it is likely that you may wish to continue with your current arrangements once the new legislation comes in. You will probably get better flexibility from other types of schemes.

Qualifying company schemes

To permit your existing scheme to avoid the requirement to set up personal accounts, you need to meet the following criteria:

- Allow automatic enrolment
- Pays in a minimum of 8% of salary into the scheme
- Has a default investment fund
- Has a minimum accrual rate of 1/80 for final salary schemes (contracted out)

Thinking ahead

The legislation has yet to be finalised, but should not change much from the information provided in this leaflet.

Are you an employer with 5 or more employees?

If so, you should already have a stakeholder pension in place. We have produced a separate leaflet on your responsibilities as an employer.

Preparing for the new legislation

If you are an employer consider whether:

- Your employees will be satisfied with the level of choice and flexibility of personal accounts;
- Your existing scheme (if any) will exempt you from needing to set up personal accounts;
- You need to change your existing scheme to ensure

that it is qualifying;

- The level of employees who will meet the criteria for automatic enrolment as this will likely bring in extra costs from 2012.

How we can help

We have expertise in the set up of company and individual pension schemes, and have state of the art research tools which can allow us to analyse which scheme would be best for your needs.

We can give you advice on the best way to set up your scheme to ensure you meet current and future requirements, and more importantly set yourself on the path to a comfortable retirement.

Why use us?

1. **Free** initial consultation
2. **Guaranteed** satisfaction with our advice
3. **Fee-based** - no commission hungry salesmen
4. **Fully independent** from insurance companies
5. **State of the art research tools**
6. **Regular contact & services to suit you**

Call today for independent financial advice on this or any other issue on

01206 266882 or email **advice@woodruff-fp.co.uk**



© Woodruff Financial Planning March 2009.

This leaflet is for general information purposes and should not be relied upon as financial advice. Legislation is subject to change at any time.

Principal: D Woodruff

Woodruff Financial Planning is Authorised and Regulated by the Financial Services Authority.

The Colchester Centre
Hawkins Road
Colchester, Essex
CO2 8JX

www.woodruff-fp.co.uk