



## **NEST - Our 7 step plan for employers:**

### **1. Budget now**

Consider the cost impact of the compulsory 3% employer contribution or if you offer a higher contribution rate, the cost and sustainability of enrolling all staff on this basis. Consider also whether you will make contributions on the full salary amount or band earnings.

The key is to budget now for the new measures, so that bigger pension contributions will not mean a sudden spike in costs. One solution may be for employers to consider reviewing their total remuneration package to absorb the extra costs and looking at methods such as **salary sacrifice** as a cost-effective way of increasing pension contributions.

### **2. Decide which type of pension you want to offer staff**

Consider the advantages and disadvantages of an employer pension scheme and the NEST scheme and decide which is more appropriate for your own organisation. It may be that a combination of the two schemes is the best approach in the first instance, with different staff being eligible for different schemes e.g. senior and employed staff being enrolled into an occupational scheme and contract staff being enrolled into a NEST.

### **3. Consider the impact on retaining and recruiting employees**

What do you want your pension to say about your organisation? Consider how you want your pension scheme to fit in with your overall benefits package. While some employers may take this opportunity to reduce their pension contributions, organisations that provide pension schemes above the standard laid out by the Government are likely to be a more attractive proposition for new and existing employees and demonstrate a commitment to their workforce.

Employers who do intend to offer schemes with contribution rates above the statutory minimum may be interested in applying for a pension quality mark to differentiate their scheme from others.

### **4. Does your existing scheme meet the Government's requirements?**

Examine any existing pension schemes you have in place to determine if they will meet the minimum requirements set out by the Pensions Act. Also consider the likely cost implications of enrolling all non-members into this scheme. In particular, I would advise employers to review their default funds to ensure that they are appropriate for all staff, taking into account the ages of employees, especially those nearing retirement and any ethical or moral views regarding investment.

### **5. How will you communicate the changes to your staff?**

Consider how you will go about communicating these changes to your staff. It is important to try and engage employees with their pension and there are a variety of methods on hand to do this.

### **6. Do you have systems in place to deal with the administration?**

It is important to ensure that your payroll and HR systems are able to cope with any extra administration. This will be particularly relevant for any organisations that intend to run both an occupational pension scheme and enroll some staff into the NEST system.

### **7. When do you need to start considering what to do?**

Starting to prepare for the reform now is a good idea. Beginning sooner, rather than later, will enable changes to be broken down into smaller, more manageable tasks rather than waiting for the Pensions Regulator to begin contacting employers directly, which it is scheduled to do from 2012.

**Call Cade & Co on 01604 832932 for further advice or help with your pensions.**