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3HR Legal Weekly

Understanding the NEST workplace pension scheme

As smaller businesses prepare for their Automatic Enrolment (AE) staging date, they face a tough decision over which pension provider will best support them in meeting their new employer duties. One of the options that many businesses will need to evaluate is NEST, the National Employment Savings Trust. NEST is an alternative to the many insurance companies that are offering AE schemes.

What is NEST?

Endorsed by the British Government, NEST was designed specifically for AE. Aware that many smaller employers would be unable to establish workplace schemes such as Group Personal Pensions (GPPs), the Government needed to ensure there was a solution that would accept any employer needing to enrol employees into a qualifying scheme. NEST is run by the NEST Corporation, which is accountable to Parliament through the Department of Work and Pensions. It is free for employers to use, regardless of the number of workers being enrolled. However, like many other pension schemes, charges are deducted from the contributions that are made and on a continuous basis from each worker's accumulated pension fund.

The service offered by NEST is very basic but straightforward. Employers still need to understand AE and make key decisions regarding how they will implement their pension scheme and meet their legal duties.

What will we need to do if we decided to use NEST?

Regardless of the pension scheme you use, you will need to:

- assess your workforce so that you know who needs to be automatically enrolled and what information each worker needs to be given;
- decide on the level of contributions that will be paid, along with the pensionable pay that the contributions will be calculated against;
- decide whether a waiting period will be used before enrolling workers;
- prepare statutory communications that will need to be issued to each worker, informing them of their pension scheme rights and other important information.

You will have a number of ongoing requirements that need to be considered. These include:

- ongoing workforce assessments;
- deducting worker contributions from worker pay and forwarding them, along with employer contributions to the pension provider;
- keeping records to ensure continuous compliance of your legal duties.

With so much to do it will be important to identify someone who will manage the pension scheme for you. This could be a third party advisor or someone internal who has a relevant level of pensions knowledge and adequate training.

Is NEST the right choice for us?

This will depend on your specific circumstances. However, it is important to remember that selecting the pension scheme and provider is only a small part of your AE preparations. For further information and detailed advice regarding your AE preparations, please contact your 3HR representative.

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