

# Workplace FAQs



To help you understand the new workplace pension reforms and how NEST fits in we've put together our responses to some of the questions we often get asked by employers.

The first part of this FAQ document is about auto enrolment into workplace pension schemes like NEST and your new duties. It includes details about who qualifies for what, minimum contributions and tax relief. The second section gives you a bit more information about what NEST is and how we work with you.

If you can't find the answer to your question here, then you can visit the websites of The Department for Work and Pensions and The Pensions Regulator: [dwp.gov.uk](http://dwp.gov.uk) and [thepensionsregulator.gov.uk](http://thepensionsregulator.gov.uk). For questions about NEST please go to [nestpensions.org.uk](http://nestpensions.org.uk)

## Auto enrolment

### ➤ What is auto enrolment and why is it being introduced?

People in the UK today can expect to live longer than ever before. The number of retired people will rise by more than a third by 2050 but there will be relatively fewer working people.

Many people plan to rely on the basic State Pension when they retire, which is £115.95 per week for the 2015/2016 tax year. It can give people a foundation for their income in retirement but might not be enough for the kind of retirement they want.

The government has now made changes to encourage people to save more. The Pensions Act 2008 introduced new duties on employers to provide access to a workplace pension scheme for most workers. As part of this many workers will get new rights.

Over the next few years employers will have to automatically enrol all eligible jobholders into a pension scheme that meets certain legal standards unless they're already in one. These standards include the minimum that employers have to contribute to a worker's retirement pot.

### ➤ Who will be automatically enrolled?

It depends on the worker's age and earnings. Employers have to automatically enrol eligible jobholders and make a minimum contribution to their retirement pots.

Eligible jobholders work or normally work in the UK, are aged at least 22 but are not yet State Pension age and earn more than £10,000 a year for the 2015/2016 tax year. This figure will be reviewed every year by the government.

Employers must make a minimum contribution to the retirement pot of any automatically enrolled jobholder.

### ➤ Can other workers join and will we need to make a contribution to their pot?

Under current legislation you'll need to:

- enrol and pay minimum contributions for any workers at least 16 but under State Pension age who earn more than £5,824 in a year and who ask to be enrolled
- enrol any workers aged at least 16 but under State Pension age who earn less than £5,824 who ask you to enrol them. However, you don't need to pay contributions for them.

These figures apply to the 2015/2016 tax year, and will be reviewed every year by the government.

### ➤ When will workers be automatically enrolled?

That depends on the size of your organisation. Very large employers have already started automatically enrolling their workers. Other employers will follow over the next few years.

The date the duties first apply to your organisation is called your staging date. You can find your staging date here: [thepensionsregulator.gov.uk/employers/tools/staging-date.aspx](http://thepensionsregulator.gov.uk/employers/tools/staging-date.aspx). You'll need to provide your employer PAYE reference to see your staging date.

### ➤ Who can contribute to a worker's retirement pot?

**The employer** – the employer will make a minimum contribution based on a worker's earnings.

**The worker** – if they've been automatically enrolled they may be required to make a contribution to their retirement pot from their earnings.

**The government** – NEST claims basic rate tax from the government on the money that workers pay into their retirement pot. This is called tax relief.

**Other people** – if NEST is your chosen scheme, other people such as a worker's spouse or partner can also make contributions to a retirement pot.

### ➤ How much are the contributions?

Minimum contributions are normally based on what's known as qualifying earnings. This is the band of earnings used to calculate minimum contributions. Under current legislation this is earnings between £5,824 and £42,385 for the tax year 2015/2016. Qualifying earnings include salary, wages, overtime, bonuses and commission, as well as statutory sick, maternity, paternity or adoption pay.

At first an amount equal to at least 2 per cent of a worker's qualifying earnings must be paid into their NEST retirement pot. A minimum 1 per cent of this will be paid by the employer, but you can pay more if you choose. The rest will come from the worker's own contribution and tax relief from the government. It's a good idea to save for retirement so it's worth encouraging your workers to put aside more than the minimum if they can.

The minimum contribution will increase gradually, rising to 8 per cent of qualifying earnings, of which the employer will pay at least 3 per cent.

## NEST

### › What is NEST?

NEST is an easy to use, great value pension scheme that any employer can use to meet their new workplace pension duties. It's been designed specifically for auto enrolment following extensive research into the needs of our future members. We have an award-winning investment approach and use plain language to make pensions easier to understand.

NEST is run by an independent Trustee in its members' interests on a not-for-profit basis.

It gives workers one retirement pot for life. The pot moves with them whether they change contract, employer, become self-employed or stop working. This is especially useful if they're freelancing, as it means they just have to pay into a single retirement pot.

NEST's key features are:

- › clear communications
- › easy to use
- › puts the worker in control
- › an investment approach based on what workers need
- › great value
- › travels with the member
- › run for the benefit of members.

### › Is NEST suitable for all employers?

Yes. NEST is flexible and can provide an easy to use scheme for all employers of any size or sector.

### › How does NEST fit into the current pensions market?

NEST is designed for a target market that is largely new to pensions saving. It complements existing workplace pension schemes by increasing access for millions of people who may not have had access before.

### › Who takes responsibility for communicating with the worker about their NEST pot?

Once a worker is enrolled, all communications relating to a worker's NEST pot will be sent by NEST. This may be done through the worker's online account, or sent by post if the worker has requested this.

### › Can a worker opt out?

Yes. If your worker is automatically enrolled they can choose to opt out of the scheme within one month of enrolment. If they opt out, any money they've contributed will be refunded to you, and you'll need to pass this back to them.

We're set up to allow workers to opt out electronically, either online or by using an automated telephone system. If a worker opts out electronically we stop accepting contributions for them right away. We can also manage worker opt-outs in bulk, saving you time and hassle.

Workers can also ask for a printed opt-out notice if they prefer. If you receive an opt-out form directly from a worker you'll need to update the worker record using the next contribution schedule. We'll then process the opt-out.

### ➤ How do workers keep track of their pension after they join?

NEST is an online scheme. This means that we provide almost everything workers need to know about their pension through their online account. We also provide a contact centre and workers can ask to receive information by post if they prefer.

A worker's login details will arrive with their *Member welcome pack* a few days after they've joined NEST. They can then quickly and easily activate their account.

Once the account's been activated workers can log on at [nestpensions.org.uk](https://nestpensions.org.uk) whenever they want to check what's been added to their pot and update their details.

### ➤ What if a worker asks me why contributions have started without them appearing in their NEST account?

It's normal for there to be a lag between contributions being deducted and them appearing in the retirement pot because of the time it takes to submit and process them.

However, there are several reasons why it could take longer. You'll need to check with the person responsible for managing auto enrolment in your organisation to find out which applies:

- If you've recently enrolled them and they're entitled to an opt-out period you may have chosen to hold on to contributions. You can do this for the one-month opt-out period in case the worker decides to opt out. Once this period is over workers will see their contributions if they stay in NEST.
- Your payment schedule shows when contributions must be received by NEST. It could be that you're still within the deadline and will make the payment to NEST shortly. Your workers are entitled to review your payment schedule.
- If you've recently paid contributions to NEST it could be a timing issue and they should appear within a couple of working days.

### ➤ What if a worker asks me why contributions have been deducted before they've received their *Member welcome pack*?

If you've enrolled the worker in the last three working days, the *Member welcome pack* should be on its way. If they still haven't received this after a further seven days they should contact NEST. Check if the worker has been enrolled with the person responsible for managing auto enrolment in your organisation.

### ➤ Where is the money invested?

Retirement pots are invested in a NEST retirement fund. We use our member's money to buy and sell things like company shares, property or loans to carefully selected companies and governments that will pay interest and grow their savings. Spreading workers' money around different types of investment in this way means their money is safer in the long term than if it was invested in just one place.

Unless a worker tells us otherwise we'll put their money into one of our NEST Retirement Date Funds. There'll be one for every year a worker could take their money out of NEST.

For example, if they expect to take their money out in 2022 their retirement pot will be invested in the NEST 2022 Retirement Fund. If a worker doesn't confirm when they want to take their money out, we'll link their NEST retirement date with their State Pension age. If

they tell us that they want to change the year they plan to take their money out of NEST, we'll switch them into the right fund free-of-charge.

We look after worker's money in different ways depending on how close they are to taking their money out of NEST. There's more about this in:

[nestpensions.org.uk/nest-retirement-date-funds](https://nestpensions.org.uk/nest-retirement-date-funds)

### ➤ Other fund choices

We believe our NEST Retirement Date Funds are the best option for most of our members.

However, we do offer a choice of funds for people with personal beliefs or preferences about how we manage their money. You can find out more at: [nestpensions.org.uk/fund-choices](https://nestpensions.org.uk/fund-choices)

### ➤ What happens if a worker leaves your employment?

You'll need to let us know that a worker no longer works for you through your online account. We'll write to the worker to confirm that they won't be receiving any more contributions from you but they can continue to make their own payments into their pot if they choose to.

### ➤ What happens at retirement?

A member can use their retirement pot to buy a retirement income by transferring to another provider. They can also take some of their retirement pot as a cash lump sum, a quarter of which will be tax-free.

As members get close to taking their money out of NEST, they'll be able to use the *Retirement pack* to support them in making their choice. They'll receive their *Retirement pack* six months before they take their money out of NEST.

### ➤ How much will NEST's members get when they retire?

The more money a worker has in their retirement pot when they take their money out, the greater the annual income they can buy. How much income they get also depends on interest rates when they retire and the retirement income products being offered by companies at the time.

Members and non-members can find out how much they might get when they retire by using our online Pension Calculator: [nestpensions.org.uk/pension-calculator](https://nestpensions.org.uk/pension-calculator)

### ➤ What happens if a worker dies before taking their benefits?

When a worker is enrolled we write to them asking them to let us know who they want to get their retirement pot if they die before taking their money out of NEST. This could be their partner, a member of their family, a favourite charity or a combination of people and organisations. They can tell us in writing or through their online account.

If a worker doesn't nominate someone then we'll normally pay it to whoever has been appointed to look after the worker's estate. They'll then be responsible for distributing the money from the retirement pot in line with the worker's will or, if they haven't left a will, in line with the law.

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## ➤ Where can I get help or find out more about the workplace pensions reforms and NEST?

**The Pensions Regulator** – gives useful information including when your staging date is and what you must tell your workers by law. See [thepensionsregulator.gov.uk](http://thepensionsregulator.gov.uk)

**Gov.uk** – for more information on the workplace pension reforms visit [gov.uk](http://gov.uk)

**The Money Advice Service** – offers free advice to help workers make the most of their money. They can help with questions about debt repayment, saving and budgeting. See [moneyadviceservice.org.uk](http://moneyadviceservice.org.uk)

**The Pensions Advisory Service** – an independent non-profit organisation that provides free information, advice and guidance on the whole spectrum of company, personal and stakeholder schemes. See [pensionsadvisoryservice.org.uk](http://pensionsadvisoryservice.org.uk)

**NEST** – you can find out more about NEST by visiting [nestpensions.org.uk/nestforemployers](http://nestpensions.org.uk/nestforemployers)