Auto-enrolment
selecting the right pension scheme

Make the correct choice for your business and your employees

in partnership with

Johnson Fleming
Group Pensions | Group Risk and Healthcare | Service Provision
Auto-enrolment is here to stay

Choosing the right pension for your business and your employees really matters. For many, auto-enrolment has been viewed as another administration exercise, with the focus on just doing it as simply as possible, often with little attention given to the choice of pension provider.

With 1% contributions of qualifying earnings does the pension scheme really matter? The answer is yes, because auto-enrolment is not simply about reaching your staging date, but where you will be heading in the near future.

Starting from April 2019 you will be paying 8% of employees earnings into your chosen pension.

Here are two ways to view this:

1. If you were spending that amount of your payroll on any other item wouldn’t you want the very best option?

2. You have decided on behalf of your employees how 8% of their earnings will be invested. Isn’t it important that the money is invested the best way it can be and that you can demonstrate why you made that particular choice for them?

For someone starting work today at the age of 20, this could mean that their pension fund at retirement, age 68, may be close to £500,000*.

For many, the workplace pension is likely to become their single biggest asset, exceeding the value of their home within a few decades.

David Roderick
Development Director

Assumptions:
* National Average Earnings. 8% Qualifying Earnings. Inflation at 2.5% per annum. Growth 5.3% per annum. Figures in todays terms.
Could you do better than NEST?

We are sure you can…

NEST, often wrongly seen as the ‘Government’ scheme, was set-up as a low cost pension scheme to ensure that all employers had access to a qualifying arrangement for auto-enrolment.

Along with most other low cost master trusts, NEST has limited investment choices available.

NEST predicts that its debts will have climbed to a staggering £1.2 billion by the middle of the next decade. If the biggest scheme set-up for auto-enrolment is struggling to pay its way, how will some of the smaller master trusts fair?

The biggest concern however is the way NEST treats the payment of benefits on the death of a scheme member. NEST is very different in not adopting a discretionary approach to paying death benefits, which means that if a member dies, the proceeds are not free from Inheritance Tax. Given how large member funds are projected to become, that could present a real issue with significant tax payable when a member dies.

Whilst NEST may be suitable for some, many leading providers offer access to good quality, flexible pension schemes for even the smallest employer.

There is no ‘safe harbour’ system for employers, so the responsibility for choosing your workplace pension is yours, unless you have chosen to outsource this to a professional adviser.
How important is the financial welfare of your employees?

Your workplace pension scheme is an increasingly prominent part of your remuneration package so it’s extremely important to make sure the money being paid into your selected pension gets the best possible start!

You are the custodian of your employees’ pension savings. It doesn’t matter whether you are new to auto-enrolment or already have something in place, it’s not too late to ensure due diligence on your pension scheme selection and demonstrate to your employees that you care about their financial wellbeing.

We provide support to your employees, whether through the choice of provider to ensure the right funds and options are available, or on-going support as the value of the asset grows.

Over 8 million people are now saving into a workplace pension as a result of auto-enrolment, yet most are in the default fund! This highlights the need for financial assistance which we can offer your employees to help them make the best choices for their financial future.
For further information contact your Health Insurance Group Consultant

or visit

www.johnsonfleming.com/thig