New workplace pension rules

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Big pension changes are coming for dental practice staff (indeed for staff across all businesses) over the next few years. Employees will be automatically enrolled in a workplace pension by their boss and contributions deducted from their wages to add to their pension savings.

Auto enrolment

Known as *auto enrolment* the new pensions system covers employees between aged 22-years and state pension age (this in itself is increasing gradually from 65 to 68-years). They must also work in the UK and earn over £10,000 a year. Other staff can also ask to be auto enrolled as long as they are between 16 and 74 years and earn over £5,772 a year.

Eligible staff will automatically become members of their employer's pension scheme. The rules apply in this mandatory way in order to encourage individuals to take responsibility and to save appropriately for their retirement. Nevertheless, staff can choose not to participate in their pension scheme but they can only make this decision after they have been auto enrolled.

Contributions

Both employer and employee must make contributions to the employee's pension fund. The employer will have to handle these through their pay-roll system. Minimum rates have been set, these are being introduced gradually on a sliding scale. By the time work place pension auto enrolment has been fully implemented in 2018 the rates will be 4% for employees (which with tax breaks should work out at 5% in real terms) and 3% from your employer; making an overall contribution of 8% of your salary in total. This money will be invested on each

employee's behalf in a qualifying pension scheme from an independent provider that meets strict legal requirements. Your savings with the pension scheme provider will go into what is known as a *defined-contribution* pension scheme; what is invested in your name from your contributions and the money put in by your employer and the government (in the form of tax relief) will build up a pension pot for you to use at retirement. It is possible to opt-out after you have been auto enrolled and if you do so within a month your contributions will be refunded (if you opt out later contributions already paid will be frozen in your pension pot). You would need to get an opt-out notice, directly from the pension scheme provider. Nevertheless, the independent **Money Advice Service** says that 'for most people, staying in a workplace pension is a good idea, particularly if the employer is contributing to it.

Workplace pensions are a great way to save for retirement'.

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Staff in large businesses, that is those with over 50 staff have already been automatically enrolled in workplace pensions. Auto enrolment is being rolled out to businesses with between 30 and 49 employees from June 2015. Then staff in businesses with less than 30 staff will be enrolled from 1 January 2016 up to 1 April 2017. Newly established businesses, of whatever size, will have slightly longer, until 1 February 2018. The official watchdog overseeing work-based pension schemes, The Pensions Regulator, will contact your employer about their *staging date* – the date they have to start enrolling you – 12-months before they must start enrolling staff. It is important that employers and employees discuss how this policy will affect them before enrolment starts. You need to know the details of the scheme and its provider, how much will be contributed and how it will be saved on your behalf.

Individuals can get further information on this change from the independent

Money Advice Service at www.moneyadvice.org.uk

or 0300 500 5000. The BDA has produced guidance for your practice owner, it is in the *Staff pensions – automatic enrolment* section of BDA Advice **Employing staff**, which can be found on the website at www.bda.org/advice

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