

A large, semi-circular graphic on the left side of the page features a blurred, orange-tinted photograph of a crowd of people in a professional setting, possibly a conference or networking event. The people are out of focus, creating a sense of movement and activity.

Employers' guide to auto enrolment and NEST

How NEST can help you meet your
new employer duties

Auto enrolment is here



Helen Dean
Chief executive
NEST Corporation

The government's auto enrolment reforms have been up and running since 2012. These changes mean that every employer in the UK, whatever its size, will need to provide a workplace pension scheme to its workers.

Under the new pension rules, 1.8 million employers have enrolled 10 million eligible workers. They've automatically enrolled some and others were enrolled if they asked to join. This means that a new generation of savers started putting money into a pension for the first time.

It doesn't matter what size your organisation is. As an employer you'll need to make sure you're ready to meet your new duties. You'll need to tackle tasks like keeping track of who needs to be automatically enrolled and making regular pension contributions.

NEST can help. Set up by government especially for auto enrolment, we're here to make sure every employer, large or small, has access to a workplace pension scheme that meets the new pension rules. We understand what you need to do to get ready and we provide a range of tools to make your job easier.

Our scheme has been independently recognised for quality and innovation. We've been awarded a Defaqto 5 Star Rating in the auto enrolment pension category and have been independently assessed and achieved Pension Quality Mark Ready status. We've also won a number of industry awards.

NEST's scheme design is based on an in-depth understanding of the new duties and guidance from The Pensions Regulator (TPR) and the Department for Work and Pensions (DWP). That means with NEST you can be confident that you're using a high quality scheme that more than measures up to all the regulations and best practice guidelines.

The very first step on your auto enrolment journey is to know when you need to be ready to comply with the new duties. This is called your duty start date and will set the timeline you'll need to work towards. Next, you'll need to understand the new duties and how they apply to your workers. Once you're armed with these facts, you'll be able to start making any changes to your payroll and HR processes that may be needed to support a pension scheme.

Taking it one step at a time will make it easier to get ready. Have a look at the Getting started section of this booklet on page 16 to find out more.

We hope this guide provides a good starting point. You can also find a range of useful information on our website at nestpensions.org.uk to help you understand what you need to do and when.

Your new pension duties

The Pensions Act 2008 introduced new duties for all UK employers.

If you own a business that employs one worker or more you'll need to:

- › set up a workplace pension scheme that meets the new rules
- › automatically enrol workers who meet the age and earnings criteria
- › pay contributions into the retirement pots of eligible workers
- › enrol other workers if they ask to join the scheme.

When do you have to be ready?

The new employer duties were introduced gradually.

Your legal duties as an employer begin on the day your first member of staff starts work.

Getting started later

You may want to use a waiting period to push back the date you need to automatically enrol your workers by up to three months. In this instance, you'll still need to have your scheme established and offer your workers the right to opt in to the scheme on your duty start date. This is also known as postponement.

Your workers can still ask to be enrolled in the scheme during the waiting period, but you won't have to automatically enrol them until the waiting period ends.

Who'll be enrolled?

You need to automatically enrol and make contributions for anyone who:

- › isn't already an active member of a qualifying scheme
- › works or usually works in the UK
- › earns more than £10,000 a year
- › is at least 22 years old but under State Pension age.

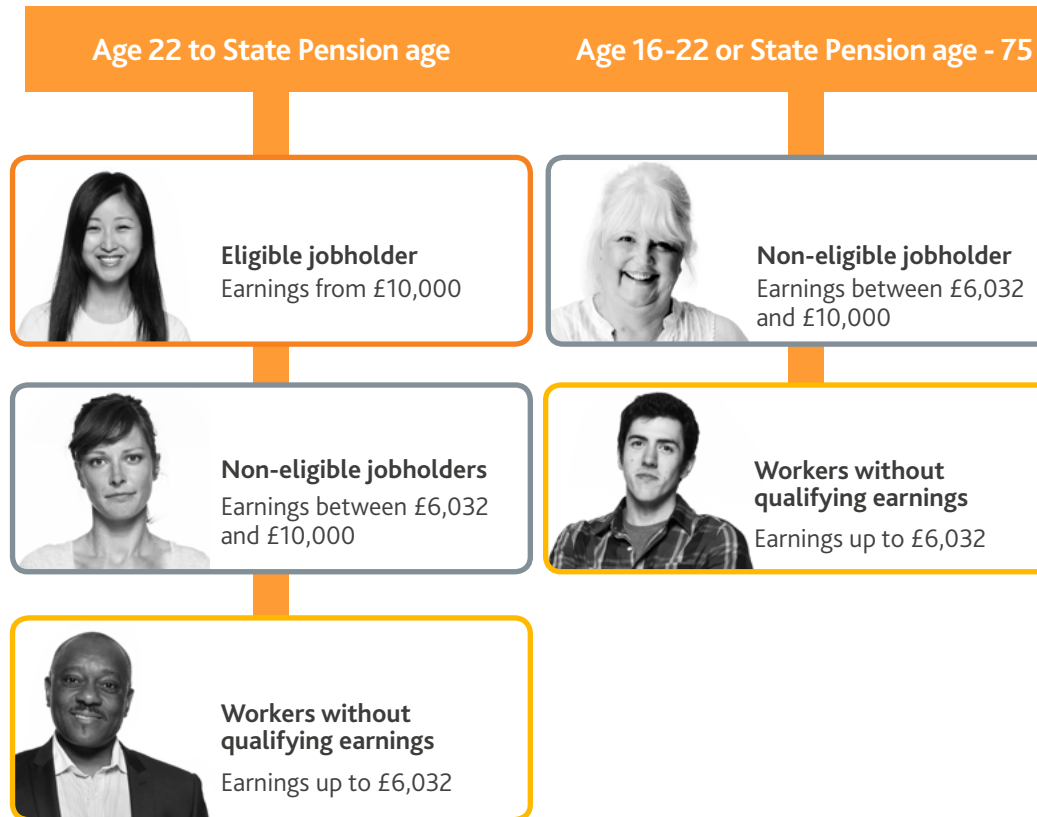
These are known as 'eligible jobholders'.

The auto enrolment earnings trigger of £10,000 applies to the 2018/19 tax year and is reviewed every year by the government.

You'll also need to enrol the following workers if they ask you to:

- › non-eligible jobholders
- › workers without qualifying earnings, also known as entitled workers.

You'll need to make contributions for non-eligible jobholders as well and you can choose to make contributions for workers without qualifying earnings, but you don't have to.



Letting your workers know what's happening

You have a legal responsibility to let your workers know how the reforms affect them, even if they're not eligible for auto enrolment. That means telling them:

- › whether they're being automatically enrolled or have the right to opt in
- › whether they're entitled to contributions from you and how much they'll need to contribute
- › about the scheme you've chosen
- › when they'll be affected.

NEST has created a range of letter templates to help you get the right information to your workers. You can find out more about them on page 19.

Opting out

Eligible jobholders and non-eligible jobholders can opt out within one month of their enrolment. If they opt out you'll need to refund any contributions they've made and treat them as if they were never enrolled. Workers can choose to stop contributions after the opt-out period.

NEST makes opting out straightforward for you and your workers. Workers can opt out online or by telephone. Workers can also ask to opt out by giving you a paper form. You'll need to tell us about it if they do. This is usually taken care of through the system you'll use to make your regular contributions to NEST.

You may be able to hold on to contributions during the opt-out period rather than sending them on. This makes it quicker and easier to make refunds if necessary but it could make your payroll process more complicated.

Contributions

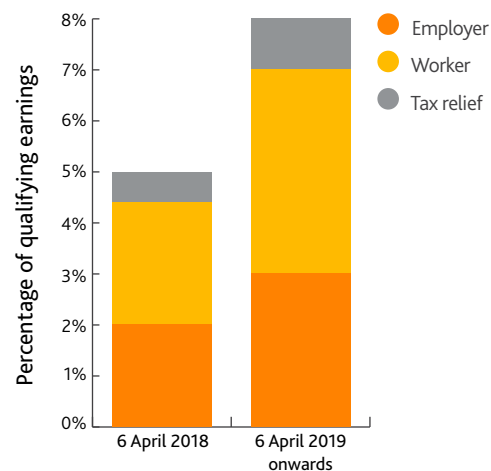
The new duties mean you'll need to make a minimum level of contributions on behalf of many of your workers.

The legal minimum contribution for all jobholders is currently 5 per cent of their qualifying earnings. Of this, you need to pay at least 1 per cent. You can pay more if you want to.

Qualifying earnings is a band of gross annual earnings on which you can calculate contributions for auto enrolment. This is between £6,032 and £46,350 a year for the 2018/19 tax year. The figures will be reviewed every year by the government. Qualifying earnings include a worker's salary, wages, overtime, bonuses and commission, as well as statutory sick pay, maternity, paternity and adoption pay.

By April 2019 the combined minimum contribution rate for qualifying earnings will have gone up to 8 per cent of which you must pay 3 per cent.

Contribution phasing example



Different ways to work out minimum contributions

You don't have to use qualifying earnings to work out contributions for jobholders. For example, you could use your existing definition of pensionable earnings, if you already have a scheme in place, or you might find it easier to use total pay. The legislation sets out the minimum contribution levels depending on the earnings definition you use. These alternative methods are sometimes referred to as 'certification' because you normally need to fill out a certificate if you're not using qualifying earnings to calculate contributions.

At NEST, we allow you to use a definition of earnings that suits your organisation. You can select qualifying earnings or one of the other pre-set alternatives from our system. You can even use your own earnings basis, as long as it satisfies the regulatory minimum.

TPR can help you understand the best way of working out contributions for your organisation. Before you make a decision on this, you should look at the information on their website at [thepensionsregulator.gov.uk](https://www.thepensionsregulator.gov.uk). There's also an [online calculator](#) tool to help you decide what contributions to make.

How NEST can help

NEST is built for auto enrolment

NEST has been created specifically for auto enrolment. We understand what you need to do and we're here to help. We offer:

- ▶ online tools that make the day-to-day management of NEST as straightforward as possible
- ▶ pre-set enrolment types and contribution levels to get you up and running quickly
- ▶ decision trees, guides and information that lead you through auto enrolment and NEST
- ▶ plain language templates to help you communicate with your workers
- ▶ online guidance and web chat support to get instant help with any part of running NEST.

We don't just comply with the regulations, we've taken the time to understand the new duties and best practice guidance from The Pensions Regulator (TPR) and the Department for Work and Pensions (DWP). NEST incorporates the standards set by the government for what a high-quality pension scheme should look like.

Online and easy to use

NEST is easy to manage online. You can carry out almost all processes through your online account, whenever it suits you. To get started with NEST, just follow these easy steps.

- ▶ Accept our terms and conditions.
- ▶ Add details of your organisation.
- ▶ Give other people access to your account if you want, so they can run it for you.
- ▶ Set up groups of workers.
- ▶ Set up payment sources and methods.

You can do all this through your online account.

Seamless payroll integration

You can run NEST with any payroll software. When you're up and running, you can send your worker information by file upload, dedicated secure file transfer protocol (SFTP) or simply fill in the details online.

You may also be able send us data directly from your payroll software by using our web services. This connects directly with your payroll system so you can send information to and from your payroll to NEST. It means you can manage day-to-day tasks without needing to log into your NEST account at all. You can save time this way and benefit from faster processing and cleaner data with fewer errors. Check with your payroll provider for details of how they work with NEST.

Want to get started now? Take a look at *Getting started* on page 16.

Remember - auto enrolment isn't a one-off activity. After you've enrolled your workers and started sending contributions over to NEST, there are still things you'll need to do on a regular basis to make sure you're meeting your duties.

Great value

NEST is a great-value pension scheme. There are no charges for employers and we keep our member charges low.

Members' charges are made up of the following:

- a contribution charge of 1.8 per cent on each new contribution to their retirement pot
- an annual management charge (AMC) of 0.3 per cent on the total value of their fund each year.

Suppose a member contributes £25 to NEST each month. Of this £25, we take a contribution charge of 45p.

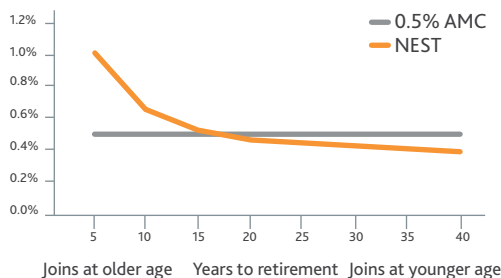
We also take a small percentage off the value of members' retirement pots over the year. This is known as the annual management charge (AMC). This amount is 0.3 per cent.

Suppose a members' total retirement pot is worth £5,000. This means we charge £15 over the year. Together NEST's charges are broadly equivalent to an AMC of 0.5 percent over the lifetime of the average pot.

Contribution charge example

One way of showing how charges affect future savings is through reduction in yield (RiY). This shows how much of the final return of a savings product is eaten up by charges over time.

The graph below compares the effect of NEST charges with the typical charges that apply to other pension plans over different periods.



The graph is based on the following assumptions:

- benefits calculated on the basis used by the Financial Conduct Authority
- £50 contributions paid every month
- average investment growth of 5 per cent per year
- 1.8 per cent contribution charge throughout the term.

How our charges compare

Our charges are low, but we still give members a high quality award-winning investment approach that carefully manages the investment risk they take throughout their time with NEST.

Clear communications

We know that pensions can be complicated and hard for you to explain to your workers. We've done a lot of research into:

- what people know about pensions
- the sorts of questions they have
- how to talk about pensions in a way people will understand.

Based on this research we've created a range of communications materials for you to let your workers know what's happening. These make it easy for you to understand what you need to do.

Our employer notice templates can help you meet your legal duty to inform your workforce about their new pension rights. They're designed to be flexible, informative and easy to understand to help you keep your workers up to date with what's happening and how the changes affect them. This means they'll have fewer questions for you, which should save you time and administration effort.

You can find out more about the communication tools we offer in the section Tools and letter templates on page 19.

Award-winning investment approach

NEST's investment approach has won awards for quality and innovation. Our in-house investment team believe members deserve to get more back from what they save by having a pension that's carefully looked after by experts. We offer:

- A sophisticated default investment strategy designed for all working life stages.
- Dynamic and sophisticated risk management that takes account of changing economic conditions.
- Efficient fund structure that reduces the cost of fund management.
- Diversified portfolios to give members access to a range of asset classes.
- High levels of investment governance to protect your workers' money.
- A focused range of fund choices that give your workers easy-to-understand options rather than lots of complicated alternatives.

Pensions Insight DC Awards 2017

Highly commended award for the best default fund strategy

Pensions Insight DC Awards 2017

Highly commended award for best master trust

ISG Paragon Awards Europe 2017

Impact award

World Pension Summit Innovations Awards 2017

Excellence for innovation in investment

Institutional Investor peer to peer awards 2017

DC scheme of the year

Pensions Age awards 2017

Master Trust offering of the year

NEST Retirement Date Funds

Unless they tell us otherwise, we'll put a member's money into one of our NEST Retirement Date Funds based on the year we expect them to retire. There'll be a fund for every year a member could take their money out of NEST. For example, if they expect to take their money out in 2022, their retirement pot will be put in the NEST 2022 Retirement Fund.

NEST Retirement Date Funds allow us to look after members' money in different ways depending on how close they are to taking their money out of NEST. Each of these funds is managed according to the life stage of members in it.

So, if they're five years from retirement, we'll manage their money in a particular way, making sure it's ready for them to take it out. If they're 20 years from retirement, we'll manage their money differently, with a focus that aims to grow it by more than the cost of living.

NEST's other fund choices

NEST Retirement Date Funds are likely to be a suitable option for most of our members. However, we offer a choice of funds for people with particular personal beliefs or preferences about how we manage their money.

- NEST Ethical Fund
- NEST Sharia Fund
- NEST Higher Risk Fund
- NEST Lower Growth Fund
- NEST Pre-retirement Fund

For more information visit nestpensions.org.uk/otherfundchoices

It's easy to get help with NEST

We understand you may want someone else to administer NEST on your behalf, so we've built delegated access into the scheme. This means you can hand over some or all of the tasks involved in managing NEST to other people. You can decide to do this at any time, either when you're setting up or later on when your scheme is up and running. All you need to do is make sure you sign NEST's terms and conditions.

You choose how much responsibility you want to hand over. It can range from just being able to look at the account and double check everything's okay to setting up and running the whole scheme.

Types of access

You can give different people different levels of access to your account.

- A full access delegate can carry out all tasks on your behalf and view all records.
- You can give people access to specific tasks only, for example, enrolling workers, putting together and submitting contribution schedules or making payments.
- You could give someone 'read-only' access, so they can read your account records but not change them.

NEST Connect

With NEST Connect someone outside your organisation can help you manage NEST, like your accountant, financial adviser or payroll provider. To use NEST Connect they'll need to have a delegate organisation account with NEST. You'll then need to give them access to your account.

A third party can take on as much of the set-up and ongoing administration as you want them to. They can even set up NEST for you completely from scratch and get you ready for your duty start date. All you need to do is make sure you agree to our terms and conditions.

If you nominate a third party to set up NEST for you, they'll get full access to your account and will be able to perform all the administration on your behalf. If you only want them to take on some tasks, you can give them an appropriate level of access in line with their role in managing your account.

Individual delegate

You could invite individuals within your organisation to help with NEST, such as a colleague in HR or payroll. It's a good idea to set up additional individual delegates to cover holidays and other absences. When you assign individual delegates you can set the level of access you'd like each delegate to have and what you'd like them to work on.

Delegate levels of access

Full access delegate – set up an employer account, enrol members, make payments, manage schedules and communications for workers.

General delegate – manage employer account and receive communications.

Payment delegate – manage contribution schedules and payments.

Schedule delegate – manage contribution schedules.

Enrolment delegate – enrol members.

If you set up an employer with NEST, you'll automatically have full access to their account. In other cases, they'll have to authorise your access. Note that the permissions they give to your NEST Connect account will apply to all users from your organisation.

Ways to use NEST

Any employer can use NEST and some of the largest and smallest organisations in the UK have already chosen us to meet their new duties.

Different organisations need different things from their pension provision, so we've made sure NEST is flexible enough to be used alongside other schemes or on its own.

How Employers can use NEST:

- as a sole scheme for all workers
- for a particular group of workers
- alongside an existing pension scheme
- as a catch-all scheme for eligible workers who haven't joined an existing scheme.

Connecting your payroll to NEST - web services

Our web services make it easier for you to meet your day-to-day auto enrolment duties. They connect your payroll system directly to NEST meaning they can send information to each other automatically. This cuts down on your administration and reduces the risk of errors.

Transfers in and out

Members can transfer their pots out of NEST or certain pots into NEST. There are lots of different factors to consider when deciding whether or not to transfer pensions. It's important to be aware that transferring money into or out of NEST may not be in everybody's interests.

To find out more please see [Transferring your pension pot](#).

Getting started - a quick guide

Getting ready to enrol workers may mean making significant changes to your systems and processes. It's a good idea to start thinking through your key decisions as early as possible.

Whether you're a large or small organisation, we'll provide you with the tools and information you need to make auto enrolment easier.

Once you've understood what the law requires you to do, you'll need to decide how you want to set up NEST, and prepare to manage your scheme.

Plan



If you have existing pension arrangements, take a look at them to see if they'll **meet the requirements of the new duties**.

Depending on when you began employing staff the date you need to comply with the new duties will be known as your duty start date. You can find out your duty start date from The Pensions Regulator.

You can put off automatically enrolling some or all of your staff by up to three months if you need to. You'll have to write to them within six weeks from the date postponement starts to let them know.

The Pensions Regulator's **guidance on postponement**

NEST is open to all employers and can work alongside or replace your current arrangements.

Now is also the time to talk to your payroll supplier, accountant or financial adviser and see if they can help.

Make decisions



You'll need to make some decisions about how you want to manage your scheme, such as:

- › what you'll pay into your workers' pots – **see more about contributions**
- › if you want to use a waiting or postponement period
- › how you're going to set up and use your scheme, and if you want someone to do this for you

You may want to ask your payroll supplier, accountant, financial adviser or bookkeeper if they can:

- › assess your workers for you
- › use NEST's web services to seamlessly send data to NEST
- › create statutory communications
- › help you set up your scheme or run the scheme for you

Make changes to processes and systems



You may also want to think about making any necessary changes to your in-house business processes or systems to meet the new duties. Check to make sure you have:

- › a process in place to assess your workforce
- › communications ready to give to your workers
- › a way to collect accurate information about your workers, including their National Insurance number and full home address
- › payroll and data processes that are compatible with NEST's data formats
- › training for the people who'll manage NEST for you
- › a way to keep records of certain events from your pension scheme

Inform your workers



You're required by law to let your workers know about their new pension rights. You also need to tell them if you plan on using a waiting period before you start auto enrolment.

We've prepared communications guidelines to help you with this. It includes template letters with all the information you have to give your workers. There are also decision trees to help you work out which information you need to give each worker.

Check NEST's [communication guidelines and templates](#)

Set up online



Our handy form [Information you need to set up NEST](#) helps you gather everything together in one place before you get started.

You can start [setting up NEST online](#) at any time.

Remember, you haven't completed the online set-up process until you've clicked 'Done'. We'll send you a confirmation email when you're up and running.

Enrol workers and start contributions



Check you've got everything you need and test your systems to see if they're working properly.

If you are sending files directly to NEST and not through your payroll software you can save time by using the NEST file tester to make sure your files are compatible before you send them to us.

Ongoing administration



You will need to manage the scheme on an ongoing basis:

- › assess your workers to see if they're eligible for enrolment
- › enrol new workers
- › keep track of opt-outs and contributions

Who runs NEST Corporation?

NEST Corporation is the Trustee body that runs the scheme. It has a Chair and up to 14 Trustee Members who have a number of legal duties – one of which is to act in the interests of scheme members.

Our Trustee Members have been selected for their wide range of experience, skills and pensions industry knowledge. They set the strategic direction and objectives for NEST. Among other things, this means they run NEST so it delivers value for money.

NEST is a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NDPBs are public organisations but they're not part of the government and the day-to-day decisions they make are generally independent. However, government ministers are responsible to Parliament for the effectiveness of decisions made by NDPBs.

How are NEST's Trustee Members selected?

For an initial period, selection of NEST's Trustee Members will be appointed by the Secretary of State for Work and Pensions. Appointments are made in line with the practices of the Office of the Commissioner of Public Appointments, the body that scrutinises public appointments.

When the initial period has ended, NEST Trustee Members will be selected by NEST Corporation with the participation of the Members' Panel.

NEST's Employers' Panel

The Employers' Panel is made up of employers using NEST as their workplace pension scheme and representatives from employer groups. It's a way for employers to give their perspective on NEST on a range of issues.

These issues will vary over time, but could include providing input on whether communications aimed at employers are appropriate and ensuring that specific employer concerns are raised at Trustee level.

The Employers' Panel will also be consulted whenever our Statement of investment principles (SIP) is reviewed. The SIP outlines the Trustee members' approach to managing members' money.

NEST's Members' Panel

The Members' Panel is made up of NEST members and representatives from public interest and consumer groups. It works in much the same way as the Employers' Panel, and ensures specific issues relevant to members are raised at Trustee level. The Members' Panel publishes an annual report that details how the Trustee has addressed the views of the panel.

The Members' Panel will participate in the appointment of Trustee Members and is consulted alongside the Employers' Panel whenever the SIP is reviewed.

For more information on our corporate governance visit the [About NEST Corporation](#) section of our website.

Tools and letter templates

We've got a wide range of tools and templates to help you communicate auto enrolment, explain what NEST is, how it works and what's happening to workplace pensions in general. Our leaflets, brochures, videos, letters, emails and case studies will help you and your workers get to grips with auto enrolment and the new duties.

Statutory communications

Employer notices: Let your workers know what rights they have and give clear information about their enrolment and contribution choices. Our Guide to employer notices PDF contains guidance and decision trees to help you provide the right information to the right workers. Our Employer notices templates word document is made up of easy-to-understand letters that you can copy and paste to use as a basis for what you tell your workers. We have also created a **Short guide to NEST's employer notices** for employers whose only pension scheme is NEST.

Worker communications

Workplace videos: NEST provides a selection of videos that can help you demonstrate to your workers the importance of saving for retirement and how this is possible with NEST.

Posters: Use these posters around your workplace to raise awareness of NEST and the importance of saving for the future.

Leaflets, guides, notices: We've created a range of materials to help you increase understanding of auto enrolment in your workplace. They're free for you to use and they can help you answer questions from your workers.

Line manager communications

Frequently asked questions: NEST has created an answer sheet for the questions you're likely to get from your workers.

HR communications

Workplace presentation to managers and senior staff: This PowerPoint file lets line managers and other senior people know about the reforms, the effects on workers and when they'll happen.

To download any of these tools visit nestpensions.org.uk/communicationmaterials

**NEST Corporation
Riverside House
2a Southwark Bridge Road
London
SE1 9HA**



nestpensions.org.uk

© NEST Corporation 2018. All rights reserved. This information does not constitute financial, investment or professional advice and should not be relied on. Any form of reproduction of all or any part of this material is not allowed. We do not give any undertaking or make any representation or warranty that this material is complete or error free. We do not accept responsibility for any loss caused as a result of any error, inaccuracy or incompleteness.