



Mary Poppins' Pension

Pension automatic enrolment is getting closer to home.

The roll out of automatic enrolment of employees into pension schemes started back in October 2012 with the largest employers. The logic was that these big organisations would have the necessary resources to start the process quickly and efficiently. Since those early days, the size of employers required to introduce automatic enrolment has been shrinking. As of this month, the threshold fell to fewer than 30 employees.

This is the minimum threshold and embraces nearly 800,000 small and micro employers. In this group, the precise timing (“staging date”) for when automatic enrolment must be offered is driven by PAYE coding letters, which can have unusual effects. For example, two employers working from the same premises might have staging dates two years apart.

The first sub-30 group (with the last two letters of PAYE reference numbers 92, A1-A9, B1 – B9, AA-AZ, BA-BW, M1-M9, MA-MZ, Z1-Z9, ZA-ZZ, 0A-Z, 1A-1Z or 2A-2Z) have now reached their staging date of 1 June 2015. That has prompted some press coverage about the employment of nannies. Parents who employ nannies directly fall within the automatic enrolment rules, even if the recruitment of the nanny was originally via an agency. The initial pension cost will be modest – generally 1% of earnings above £5,824 – but the rate will rise to 2% in October 2017 and 3% a year later. For a nanny in London that could mean employer pension contributions of more than £1,000 a year from autumn 2018.

The pensioning of Mary Poppins is a reminder of the way auto-enrolment is working its way through to all employers. If you are an employer – of any sort – make sure you know your staging date and understand your responsibilities. Failure to do so could lead to escalating fines from the Pensions Regulator

The value of your investment can go down as well as up and you may not get back the full amount you invested. The value of tax reliefs depends on your individual circumstances. Tax laws can change.