



*Welcome to the first issue of Illuminate, the new regular newsletter from Fidelius, helping you shine a light on the fitness of your employee benefits provision. We hope you find it useful.*

## This month:

Preparing for workplace pension reforms and auto-enrolment

Getting fit for 2012 at EBLive

Governance: is your scheme fit for purpose?

## Preparing for workplace pension reforms and auto-enrolment

In just 12 months time, for the UK's largest businesses, the new rules requiring employers to automatically enrol their employees into a 'qualifying workplace pension', and make at least a minimum level of contributions on their behalf, will come into force. The following four years (up to September 2016) will see these rules impact every UK employer as each reaches their official 'staging date'.

For the majority of employers, these wide-scale reforms are currently the number one priority when looking at their pension arrangements. As every business is different, the approach taken will vary from employer to employer. Whatever your solution, you need to ensure it is the right one for you and your workforce.

There are a number of questions every employer will need to answer, such as:

- What will be the financial impact on our business?
- Should we use our own scheme or NEST? If our own scheme, what shape and structure should this take? Is our current scheme fit for purpose?
- Will changes be needed to our existing processes to cope with the auto-enrolment, and re-enrolment, requirements?
- What level of contributions should we make?
- How will we communicate the changes to our employees?

The introduction of compulsory auto-enrolment is a positive step to help bridge the UK 'savings gap'. That said, the cost increase many employers will face is a concern, particularly

given the sustained period of economic uncertainty we find ourselves in. However, there are a number of steps employers can take to help offset this cost and ensure their workplace pension scheme is a genuine asset both to their employees and their business. We look at two of these in more detail below.

### Salary sacrifice

Using salary sacrifice (often referred to as SMART – 'save money and reduce tax') for pension contributions can result in significant National Insurance Contribution (NIC) savings for both employer and employee. Employer pension contributions are free from both income tax and NICs, therefore an employee 'sacrificing' salary in exchange for an employer contribution means that neither party is liable for NICs on the amount sacrificed.

Employers now save 13.8% on any salary sacrificed – this can be used to offset the cost of auto-enrolment, passed back to your employees as an additional pension contribution and / or used to improve other areas of your benefits package.

Whether salary sacrifice is the right option for your business will depend on your own circumstances and employee profile. Salary sacrifice is not appropriate for all, notably (amongst others) those on very low incomes so you need to review your options carefully.

### Employee communications

With the removal of the default retirement age, helping your employees understand the need to save for their retirement has become more important than ever. With any pension or employee benefit arrangement, if your employees do not understand what it is you are providing for them, they cannot value it. Without clear, engaging communications even the best pension scheme can fail to help you meet your business and HR objectives.

Effective communications can help ensure your pension spend is understood, valued and appreciated – and, once auto-enrolled, your employees stay in your scheme and continue to save.



## Getting fit for 2012 at EBLive

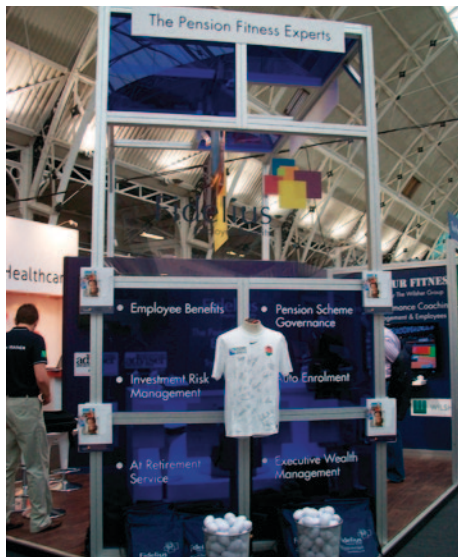
Fidelius again exhibited at EBLive this year – and enjoyed another record number of visitors talking to us on stand 71. This included many reward and benefit professionals we were meeting for the first time, as well as the return of lots of friends and familiar faces.

Our theme this year was 'Fit for 2012', as next year will see the introduction of two significant changes to workplace pensions in the UK, namely:

- Auto-enrolment and other employer duties being introduced as part of the UK's workplace pension reforms; and
- new legislation resulting from the Retail Distribution Review (RDR), which removes the option for advisers to be remunerated through commission payments from pension providers.

Many of our visitors were looking for assistance in navigating their way around this latest 'pensions maze' and we are, of course, delighted to help.

Workplace pensions have always been a core part of our business and we have many years' experience designing effective, efficient and engaging schemes that deliver maximum benefit to our clients and their employees.



Our bespoke calculator to measure the financial impact of auto-enrolment on a business is just one of the tools we use to help employers prepare for the changes.

This year we were joined on our stand by ex-England and Bath rugby star Matt Perry who was challenged by many to a 100 metre sprint race - albeit on a Nintendo Wii! The winner of the England rugby shirt, autographed by all of the current squad, will be announced in the next issue.

Every year we find the quality of the conference, and the show as a whole, improves and Fidelius were proud to be part of EBLive 2011.

## Governance: is your scheme fit for purpose?



Defined contribution (DC) pension scheme governance is high on the agenda for the Pensions Regulator. Indeed, the Regulator recently confirmed that a lack of scheme governance is one of the biggest threats to DC pension provision in the UK.

So, how do you ensure your governance procedures are up to scratch and your scheme is fit for purpose? Whether you are running a trust-based or a contract-based (such as a group personal pension or group stakeholder pension) DC scheme, the best practice principles of good governance apply equally.

To adequately monitor your scheme, you need to receive comprehensive, accurate and timely management information (MI). However, simply receiving an annual MI report, which is then filed away, will not help you to achieve good scheme governance. Ultimately, what is most important is ensuring your employees receive good outcomes from their pension scheme membership.

The Regulator is focusing on six key areas:

- Contribution levels
- Investment choices
- Scheme administration
- Protection of assets
- Value for money
- Decumulation decisions

Each of these has a direct impact on the benefit our members receive from their DC scheme. They should therefore form the basis of any regular governance reporting and reviews. However, it is crucial that this is not just a 'tick box' exercise; what you do with the information you receive is the true test of how effective your governance arrangements really are.

## Get in touch

To find out more about any of the issues raised in this issue of *Illuminate*, please get in touch – one of our experienced consultants would be delighted to help you.

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*We hope you found this issue of *Illuminate* both informative and insightful.*

*Please do share it with your colleagues and associates.*

*We look forward to sending you issue 2.*

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