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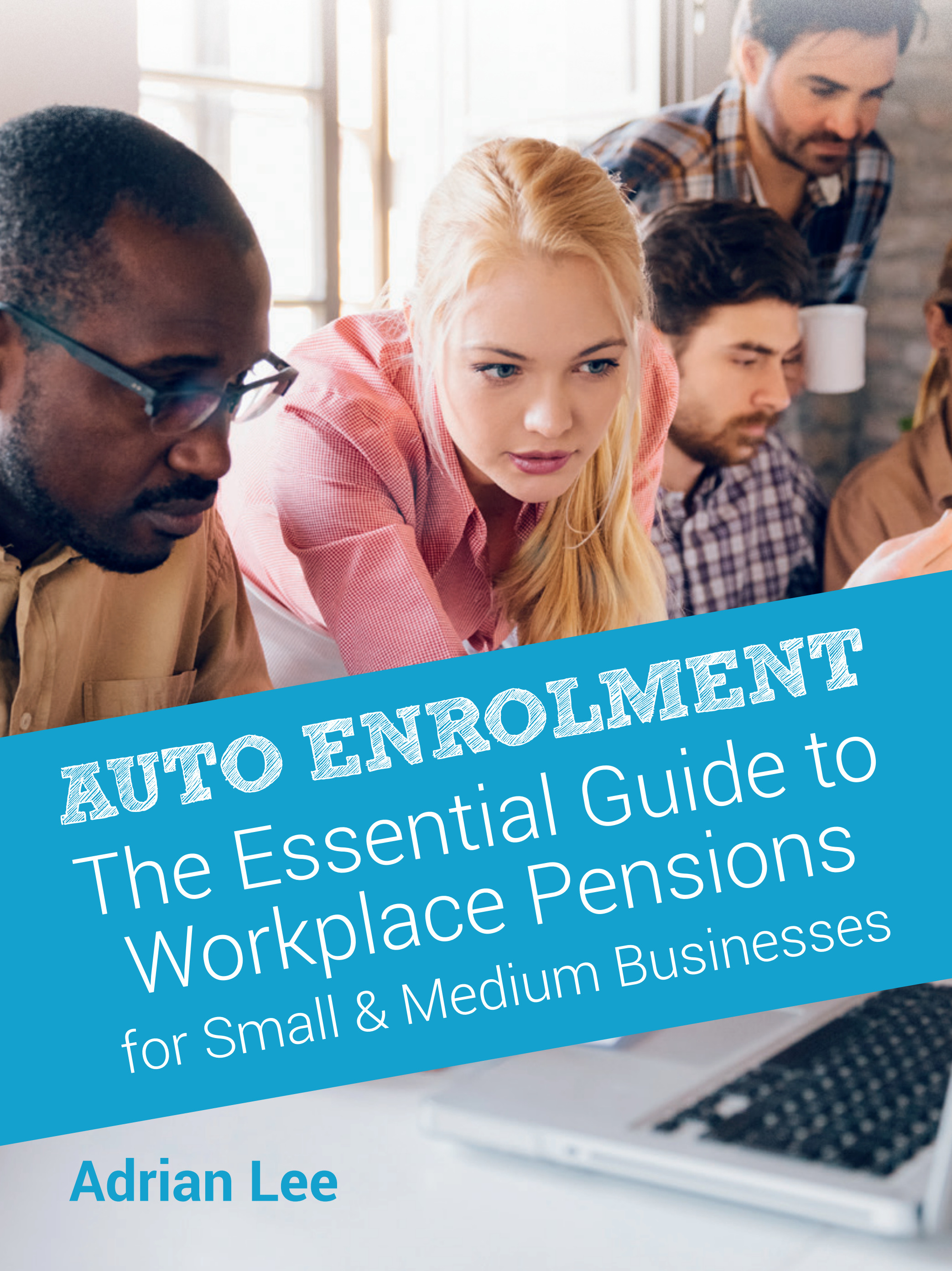

AUTO ENROLMENT

The Essential Guide to Workplace Pensions for Small & Medium Businesses

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Acknowledgements

This booklet is brought to you by workplace pension provider Smart Pension. Smart Pension is one of a handful of providers with the Master Trust Assurance Framework (MAF) accreditation and it's also listed on The Pension Regulator's website. Its platform was built specifically to help thousands of small British businesses sign up their employees to a workplace pension scheme. Smart Pension was co-founded in 2014 by Andrew Evans, CEO, and Will Wynne, Managing Director, and launched in May 2015. Its Master Trust is overseen by professional, independent trustees with decades of experience of supervising large pension schemes. Smart Pension has partnered with Apex Fund Services, one of the world's largest independent funds administrators, to securely and cost-effectively administer employees' pensions. In 2016 Legal & General Investment Management, the UK's largest fund manager, took a minority share in the fast-growing business. Smart Pension has a 5 star rating from Defaqto. It is the fastest auto enrolment platform on the market to sign up with and advisers and employers can use it for free – there are no upfront or ongoing charges for companies or their advisers.

www.autoenrolment.co.uk

Introduction

THIS booklet is a concise, self-contained and straightforward guide to automatic enrolment. It's designed to help small and micro businesses, with fewer than 50 employees, understand and comply with new rules on workplace pensions. Drawing on the knowledge of industry experts and the experiences of real-life case studies, it is intended as an overview covering all the key areas, and with the aid of useful links will point you in the right direction if you want to delve deeper.

Quick-start guide

Use these links to fast forward to the relevant chapters:

The Pensions Crisis: A Short History

IN Roman times centurions received an “annuity”, or regular sum of money, which was a reward for good service and meant to tide them over in old age.

In the UK, it was not until the Victorian era that employers began offering pensions to workers to help retain staff and boost morale. Schemes for civil servants, teachers and police were set up in the 1890s, while railway companies were the first industrialists to offer pensions.

The state pension was introduced by Prime Minister Herbert Asquith, in 1908. At a time when the average life expectancy was 47, the payment of five shillings a week (about £14 today) was only available to men over the age of 70. Women did not become eligible until the early days of World War II. The state pension was regarded as a safety net against destitution in retirement. It was never intended to provide a comfortable income in old age.

In the 1920s, pensions became much more attractive when tax relief was introduced. Workers who opted to pay into their company schemes could build up a tidy nest egg over the years.

The 1950s, when the value of funds soared, is viewed as the golden age for workplace pensions. By 1967 more than eight million employees working for private companies enjoyed a pension based on the value of their final salary, along with four million state workers.

The problem was that the boom was not sustainable.

At the heart of the modern-day pensions crisis are advances in medical care and much longer life expectancy. Asquith could never have envisaged a nation where people routinely live into their mid-80s and enjoy nearly a quarter of a century of good health after 60.

It has to be funded somehow but the state cannot afford the burden.

Rising costs in the 1980s, caused by issues such as inflation-proofing pensions, taxation on dividends and sexual equality, only added to the looming disaster.

Mis-selling scandals tarnished the image of pensions. Some schemes collapsed, while attractive final salary pensions