

## Pensions reform warning

SURREY businesses are being urged to prepare for the biggest changes to pensions for decades.

Under the 2012 Pension Reforms, all employers are obliged to enrol their employees into an approved private sector pension scheme.

This is to encourage people to save for their retirement but it will reduce both profits and take-home pay.

Surrey financial consultants and employment law solicitors says businesses and individuals will have to cut back spending and investment, making sacrifices now to reduce the pension burden on future generations.

Under the new scheme, contributions to the pension scheme will be shared by employers, employees and the government, with employers paying 3% of qualifying earnings, with the gross pay being somewhere between £5,035 and £33,540, into the pot.

HFS Milbourne, the Guildford-

based independent financial advisor, said it is vital that SMEs get ready for the reforms.

Rod Milne, its joint managing director, said: "Although the legislation is still in draft format and therefore subject to change, as it currently stands all employers, large or small, will need to comply with new responsibilities.

"SMEs will face a significant increase in costs and administration because of the new rules and for that reason we are advising business owners to act sooner rather than later in terms of preparing for the changes.

"An initial action would be to examine any existing employee pension schemes to see if they will meet the minimum requirements as set out by the Act."

He added: "It may be difficult but employers should try to think of these reforms in a positive light.

"A decent pension scheme can be incorporated into a package of benefits which can be used to

attract and retain key staff. It is possible to use different pension schemes for specific job grades.

"Pension contributions could be reassessed as part of an annual review or job appraisal and thereby used as a reward or motivational tool."

An alternative is to opt into the National Employment Savings Trust, a new provision targeted at low to medium earners who do not have access to a private pension through their employer.

Mr Milne said the main priority for most SMEs was to consider and prepare for the cost of the compulsory 3% contribution. They have until 2016 or 17 to become fully compliant.

People wishing to learn more about the changes to pensions rules are invited to a workshop at the County Club, 158 High Street, Guildford, on Tuesday October 26, from 8.30am to 11am. Send name, address, phone number and email to [helen.phillips@justemployment.com](mailto:helen.phillips@justemployment.com).