

Comparison between NEST, NOW: Pensions and The People's Pension

September 2014

At Lentells we recognise the enormity of the auto enrolment process and whilst we are not authorised to give any specific advice on a suitable pension scheme we have put together this guide to assist our clients when comparing the differences or similarities of the main points of the three major multi-employer pension schemes. We have also partnered with an Independent Financial Adviser, Pilgrim Financial Planning, to assist clients in meeting their auto enrolment obligations if you wish to explore other pension schemes and options available to you.

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The three main multi-employer pensions schemes are provided by NEST (National Employment Savings Trust), NOW: Pensions and the People's Pension. All three are defined contribution (DC) schemes, which mean the employee builds up their own pension pot to provide income when they retire. The employee and employer pay in contributions that are then invested. How much the pot grows depends on how well the investments perform and the scheme's charges.

NEST

Was set up by the UK government to offer a suitable workplace pension scheme for all employers.

NOW: Pensions

NOW Pensions is backed by Danish retirement specialists ATP, which has run the Danish National Pension for more than 40 years.

The Peoples Pension

The firm behind The People's Pension is B&CE, a firm which has managed workplace pensions, particularly in the construction sector, for more than 30 years.

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Main Point	NEST	Now: Pensions	The Pensions People
Fund choice	<p>Default investment choice is a target date fund corresponding to the date of retirement (State Pension Age) of the member or a date on which the member wishes to retire. Employees can swap between retirements dates to suit. There are 3 phases to choose from depending on how far a member is from their NEST retirement date. Other fund choices i.e. ethical, high risk, lower growth are available.</p> <p>Self employed people can join even though there is no requirement under auto enrolment legislation currently.</p>	<p>A single investment solution with a strategy that makes use of three fund components to create a systematically risk managed solution, designed to deliver better returns for UK employees.</p> <p>Risk in the portfolio is allocated between five risk classes with very different profiles in order to ensure that the return is as stable and as independent of economic conditions as possible:</p> <ul style="list-style-type: none"> -Equities -Inflation -Rates -Credit -Commodities <p>Self employed people cannot join.</p>	<p>Three lifestyle profiles to choose from: Cautious, Balanced and Adventurous. Default fund is Balanced. Can move between funds twice a year with no charge. Other funds available to employees to self select including ethical.</p> <p>Self employed people cannot join.</p>
Employer charge	None	None	None
Annual Management charge for employee ***	0.3% on total value of members fund each year calculated on a daily basis	0.3% of Assets under Management.	0.5%

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Contribution charge for employee	1.8% on each new contribution	£1.50 monthly Admin fee (reduced to 30p for those earning less than £18,000 a year until October 2017, then increasing to £1.00 and £1.50 from October 2018).	None
Can you transfer funds In from another source/pension	No*	Yes – no charges for transfers however if transferred in conjunction with a financial adviser you may be charged.	Yes without penalty.
Can you transfer funds out	No – you cannot transfer funds out of NEST to a different scheme*	Yes – A member may request a transfer from the plan to another registered pension scheme as long as that scheme allows transfers in.	Yes – A member may request a transfer from the plan to another registered pension scheme as long as that scheme allows transfers in.
Can you carry on contributing to the scheme after you have left your current job	Yes – you can carry on contributing into the scheme if you change jobs or stop work. If your new employer offers NEST then you can continue to pay into your existing plan.	No – you cannot carry on contributing to the scheme after leaving your job, however if your new employer offers NOW: Pensions as the provider the employee will be matched to their existing pot and will continue to contribute into it.	Yes – you can carry on contributing into the scheme after leaving your job, however if your new employer offers The Peoples Pension as the provider the employee will be matched to their existing pot and will continue to contribute into it.

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Maximum annual investment	£4,600**	No limit	No limit
Online for Employers	Secure online system to enrol workers, set up contributions, make payments. Delegate access to payroll provider to access and update as required.	Secure online system to enrol workers, set up contributions, make payments. Delegate access to payroll provider to access and update as required.	Secure online system to enrol workers, set up contributions, make payments. Delegate access to payroll provider to access and update as required.
Online for Members	Members can access their own portal to change their retirement date, switch funds or opt out.	Members can access their own portal to change their retirement date, nominate beneficiaries, opt out, view fund valuations.	Members can access their own portal to change their retirement date, switch funds or opt out.
Assessment	Unable to assess your workforce.	Unable to assess your workforce independently of payroll software.	Can provide an assessment of your work force by using their templates and uploading employee details each pay reference period.
Communication	Templates available for use by the employer to communicate with their employee.	Pre-staging – NOW:Pensions provide letter Templates for use by the employer to communicate with their employee and announce the staging date. Post staging – NOW:Pensions produce all statutory and on going communications to employees. Preferred approach via email or printed and posted for a charge.	Templates available for use by the employer to communicate with their employee.

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The Money Advice service has compared the effect of charges over different periods of time.

The chart below compares the effects that the schemes' charges would have on a person's pension pot when contributing £10 or £50 a month over 5 years and 30 years.

As shown above, the People's Pension makes just one charge a year of 0.5%. NEST and NOW: Pensions have a lower yearly charge of 0.3%, but they also charge for every contribution made during the year. As a result, the People's Pension shows the best results over five years but NEST comes out best over 30 years.

Effect of different schemes' charges over 5 or 30 years

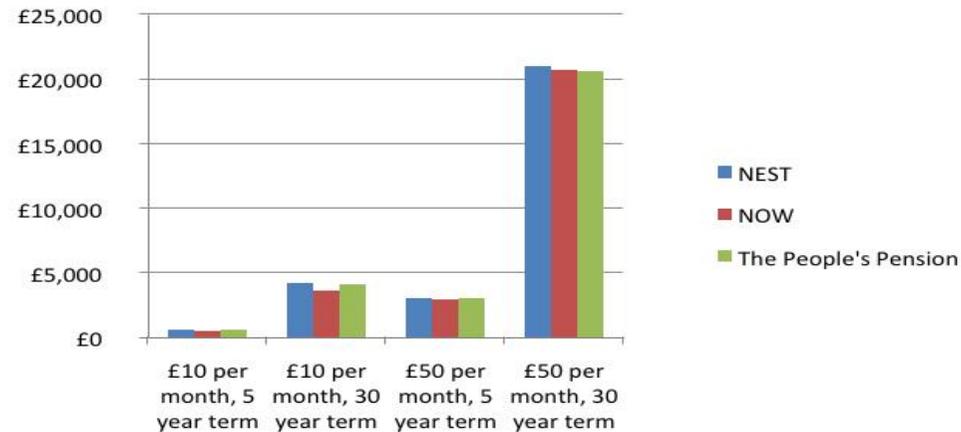


Chart shows amounts in today's money, assuming 5% a year investment growth and 2% year inflation.

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Lentells payroll team can help ease the burden

Our payroll department processes over 300 payrolls a month and we have invested in software to help clients with the administrative burdens of auto enrolment. If we process your payroll, once you have selected your qualifying pension scheme, we will be able to:-

- Assess your entire workforce against Automatic Enrolment legislations according to UK worker status, age and earnings for each pay reference period.
- Automatically put your workforce into the correct category and enrol all your eligible job holders into the correct qualifying scheme.
- Manage postponements, waiting periods and earnings spikes based on rules you set.
- Manage opt ins and opt outs as they are received from your pension provider.
- Create your data file in the correct format to be sent to your pension provider.
- Create the correct, individually addressed communication for your employees to be sent from email or for printing by yourselves. Communication to the workforce individually is an on-going requirement depending on changing situations and is assessed each pay period i.e. weekly or monthly.

Contact Lentells Payroll Manager: Rose Richards on 01460 68700 or by email to autoenrolment@lentells.co.uk for further information and assistance.

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*New government legislation announced in September 2014 confirmed that the annual contribution limit and transfer restriction will be lifted in April 2017 although further clarification is still required.

** This figure relates to the 2014/15 tax year and will be reviewed every year by the government (see * above)

*** From April 2015 the maximum annual charge as set by a Government cap will be 0.75%.

**** Any advice or work undertaken by Pilgrim Financial Planning will be under their own Terms and Conditions and they will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000.

The information provided is for general information purposes only and has been sourced from the websites shown below. It is not, and should not be construed as, financial or other professional advice. You should not rely on the information you find here to inform your decisions; rather, use it as a starting point for doing your own independent research. Clients should contact the pension scheme providers direct to discuss their own individual needs and requirements.

Acknowledgements:

NEST: www.nestpensions.org.uk

NOW: Pensions www.nowpensions.com

The Peoples Pension: www.thepeoplespension.co.uk

The Money Advice Service www.moneyadviceservice.org.uk/en/articles/multi-employer-pension-schemes