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Bulletin

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Is the Government about to delay auto-enrolment?

Recent media speculation has raised the spectre of the Government putting on hold the plan to automatically enrol workers into pension schemes. The reason is growing concern about the state of the economy and the related costs of auto-enrolment.

Under current legislation companies would be legally obliged to provide a pension scheme and make contributions into it for their workers. The scheme commences in 2012 on a phased basis with all employers required to comply by 2016.

Oliver Letwin and Lee Davey, respectively the Cabinet Office and Employment Ministers, commissioned Adrian Beecroft to produce a report with proposals to ease the burden of regulation on businesses. The report calls for a delay to the auto-enrolment process and suggests smaller firms should be exempted altogether.

It is thought that consumer spending could be adversely affected as up to 7 million workers currently not saving for retirement see their pay packets reduced as a percentage of their pay is directed towards their new pension. Experts estimate the scheme will take around £10 billion a year out of consumer spending and therefore could be seen as “quantitative tightening” at a time when the Bank of England is actively engaged in the opposite strategy.

As yet there has been no formal response to the document. However, it is believed that the proposals are being given serious consideration, particularly by the Department for Business and Skills which fears that the introduction of auto-enrolment would add a significant additional financial and bureaucratic burden on small businesses during a period when the economy is struggling. The Department of Work and Pensions is expected to resist these proposals.

Enrich will continue to monitor developments and provide updates in future bulletins. We are also planning more of our popular breakfast briefings at which you can discuss this and other issues relating to the pension reforms with your peers in an informal manner.

For information and advice about auto-enrolment and how it affects your company please contact Nick Oram, Head of Pensions by telephone on 020 7997 5847 or by email at nicholas.oram@enrichbenefits.com. Please also contact Nick if you would like to attend our breakfast briefings.

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