

Triratna Charities and Pension Advice: October 2015

This is the latest advice for Triratna Charities and Centres on automatic enrolment pension provision for people supported or employed by the Centre or Charity. Once again I am indebted and grateful to Jnanadeva, at the LBC, who has done all the research and hard thinking.

Mandatory Automatic Pension Enrolment

Automatic enrolment of employees in a pension scheme will be mandatory for large companies / organisations from October 2012, medium companies / organisations for April 2014 and smaller companies / organisations from June 2015. Almost all Triratna organisations will be considered smaller companies and the staging date is likely to be February 2017 (this may vary according to the PAYE reference number of each Centre), although they could look to implement pension provision earlier. It is likely that Triratna organisations will already have been asked to register with the Pensions Regulator.

What does it mean?

Auto-enrolment means exactly that; employers have to automatically enrol (some) employees into a pension scheme. If they don't want one, the employee can opt out. But then the employers have to auto-enrol them again after three years. At which point they can, again, opt out. So the onus is on the employer.

Who?

- Anyone earning up to £5,772 pa can request to join a scheme. This applies even to part-timers who are on the payroll.
- Anyone earning between £5,772 and £10,000 pa can opt in to an automatic enrolment pension scheme.
- Anyone earning over £10,000 has to be automatically enrolled.

How much?

- Initially, the minimum contributions are 1% employee, 1% employer (total 2%).
- From October 2017 it rises to 3% employee, 2% employer (total 5%).
- From October 2018 it rises to 5% employee, 3% employer (total 8%).
- The 1, 3, 5% employee contribution is actually 0.8, 2.4, 4% with government tax relief rising 0.2, 0.6, 1%.

Threshold

Contributions must be made on earnings above the threshold of £5,772 pa. However employers can opt to offer contributions on all earnings.

Question to consider in establishing pension provision

- Is it reasonable feasible to expect 'employees' to contribute from their support? Would they need more support to be able to do so? Triratna organisations could consider covering the full cost of contributions which would be somewhat easier.

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- Contributions on earnings over the threshold is not going to amount to very much especially at the minimum level of contributions and on low levels of support. Triratna organisations could consider making contributions on full earnings.
- Minimum contributions will rise to 8% in total within a year or two. However if pension contributions and taking care of employees is considered to be a good thing Triratna organisations could consider starting at 8% from day one. Furthermore they may wish to instigate the scheme before the required staging date.
- Clearly this will cost with liability rising to (or even starting at) 8% of the payroll pa (if the organisation goes for the most generous option for their employees). So there is likely to be a tension between the benefit to employees and the cost to the organisation

Pension providers

Given their size most Triratna organisations will have to default to NEST([NEST link](#)) as a provider, supposedly an autonomous not-for-profit trust set up by the government. NEST is an on-line service - there is nobody to call or meet (no helpline) which keeps the fees down. It is possible to change employers while staying with NEST but funds are locked it until retirement (presumably not an issue for most people). NEST also offers an ethical pensions fund.

Jnanadeva has contacted a number of pension brokers and they are not interested in organisations with small numbers of employees and on the level of earnings / support common in Triratna. He has also made enquiries about a movement-wide scheme and again brokers are not interested.

Value of pensions

It is impossible to forecast what a pension will be worth to someone when they come to retire as there are so many unknown factors. The value of a pension increases exponentially over time, so for the first few years it's not worth very much; this is an issue for people coming in to a pension scheme relatively late in their life. Also given the level of support the benefit is going to be modest.

NEST and Payroll systems

At the moment we cannot offer advice on the use of NEST and payroll systems. Finance officers / bookkeepers will just need to work it out. As Triratna organisations start to set up schemes we may be able to provide more detailed guidance.

Links

[Pensions Regulator Home Page](#)

[Nest Home Page](#)

If you have any questions, or useful guidance or experience, please do not hesitate to contact me.

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