

## Trustee governance



### **Q** Auto-enrolment is a company issue, so why should trustees worry about it?

**F**rom October next year all eligible employees, which will include part-timers and contract workers, must be auto-enrolled into a QWPS, a qualifying workplace pension scheme – the acronyms get ever more tortuous. But that is only 15 months away; if large employers, who must act first, have not got their preparations well in hand, they are going to be in serious difficulties. Employers with more than 120,000 members must auto-enrol their employees by next October, more than 50,000 by November, and so on down to employers with less than 50 employees, who are scheduled to comply alphabetically between 2014 and 2016.

Interesting though this may be, it is basically a company issue. Though many trustee boards are being asked to assist in the process, either because existing or new trust-based schemes will be used, or because the employer is using the expertise of its trustee board as its internal pensions knowledge base. I am involved with a number of such schemes, and the planning process is well under way for the large ones.

It needs to be; insurance companies and other platform providers are very conscious of the imperative to deliver to those employers already signed up with them. Late-comers may find some providers decline to tender for the business. It is hardly surprising, as the numbers are huge; just taking on

two very large employers might mean loading up 250,000 members for a simultaneous start date less than 15 months away.

Auto-enrolment means just that, employers may be able to opt out, but employers can't. They must deliver a qualifying scheme on time. A recent survey suggests that more than three-quarters of finance directors are unaware fines will be levied

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for failure to deliver on time. The fines – up to £5,000 a day for companies with more than 250 employees – could become very large given the timeframe needed to enrol considerable numbers of members.

There is an alternative: Nest. The National Employment Savings Trust was originally to be called personal accounts pensions, but on launch changed to Nest. It shied away from the word pensions altogether, as it was deemed to put people off.

Nest is, in its own words, “a straightforward workplace pension scheme for employers to use for their UK-based

workers”. It is intended to be used as a standalone defined contribution scheme for all employees, or to sit alongside existing schemes when pension provision needs to be extended to all workers. Comparing Nest's fees with alternatives is complicated. Most managers charge a straightforward percentage fee on assets managed; Nest does that at 0.3%, but also charges 1.8% on contributions. This contribution fee is intended to fund the fixed costs of establishing the national scheme and will be payable until those costs are recovered – expected to be more than 20 years.

This means for large employers Nest may not be competitive, though as it states on its website: “We are confident Nest is low-cost compared with the sorts of fees our target market would have to pay to other pension providers.”

I have been around long enough not to be surprised at the level of public ignorance and apathy on pension issues, but apart from articles in the specialist pensions press there has been scant publicity. Government cutbacks that have axed prospective publicity for auto-enrolment and Nest won't help either.

So it may be a company issue, but trustees should offer to assist where they can – employers will need all the help they can get.

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