

IN 44ORM

Auto Enrolment Obstacle Removed

The government has announced the introduction of a universal flat rate state pension of £144 per week from April 2017. This removes a major obstacle to auto enrolment.

At present the basic state pension is topped up with the state second pension and a means tested pension credit. The pension credit is part of the Minimum Income Guarantee where the state ensures that those who qualify are guaranteed a minimum weekly pension of £142.70 for a single pension and £217.90 for married couples. People with no pension savings have no incentive to start saving for a private pension as all they will achieve is a corresponding reduction in their means tested pensions credit.

All employees who are auto enrolled will start building up pension savings. Many lower paid

employees would not be better off with these new pensions savings as it might mean the loss of their pensions credit. If an employee thought that he would lose pension credit he or she may well have thought it would be an advantage to opt out of pension savings. This is the opposite of what auto enrolment is designed to achieve.

This dilemma has been resolved with the abolition of the means tested pension credit. The government has, at last, created the position where any new pension savings made under auto enrolment will provide benefits in addition to state benefits.



44 BENEFIT SOLUTIONS