

Pension changes and protections

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We are all familiar with the Maxwell scandal which led to the implementation of The Pensions Act 1995 following the disappearance of Robert Maxwell along with £450m worth of assets from his company's pension funds. More recent examples have contributed to the Government proposing to introduce two new criminal offences to prevent and penalise mismanagement of pension schemes.

The first offence would be targeted at individuals who 'wilfully or recklessly mishandle pension schemes, endangering workers' pensions, by such things as chronic mismanagement of a business; or allowing huge unsustainable deficits to build up; or taking huge investment risks; or a combination thereof.' The maximum sentence would be up to 7 years imprisonment and an unlimited fine.

The second offence would target individuals who fail to adhere to Contribution Notices which are issued by The Pensions Regulator and require a specific amount of money to be paid into a pension scheme by an individual. In addition the Government also proposes to introduce a new civil penalty of up to £1m for this offence.

In other pension news, with effect from 6th April 2019 the minimum contribution both employees and employer's make into automatic enrolment workplace pensions will increase.

The increases are as follows:

Employer Minimum Contribution Rate is currently is 2% and Employee Contribution Rate is 3% (total 5% contribution)

From 6th April 2019 these will rise to Employer Minimum Contribution Rate 3% and Employee Contribution Rate will be 5% (total 8% contribution)

By law there must be a total minimum amount of contributions paid into the scheme, with the employer making at least the minimum employer contribution and the employee making up the rest.

The amount employers and employees pay into a pension scheme will vary depending on the type of scheme they have chosen and the rules of that scheme. Most employers use pension schemes which from April 2019 will require a total minimum of 8% contribution to be paid.

Employers already paying above the increased minimum amounts and employers who use a defined benefits pension scheme do not have to take any action.

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