

Pensions Reform

March 3rd, 2010 by Jon Sturrock, *The Journal*

Contrary to popular belief, ostriches do not bury their heads in sand.

It is thought that this myth originated with the musings of Roman philosopher Pliny the Elder, who wrote that ostriches 'imagine, when they have thrust their head and neck into a bush, that the whole of their body is concealed'.

The head in the sand part is understood to have evolved from the birds lowering their heads to the ground when they eat.

While I am no philosopher myself, I would suggest it is actually business owners and also some financial commentators who are metaphorically burying their heads in the sand over one of the biggest changes currently facing employers.

Pensions reform. As one commentator pointed out, it is not just big, or even really big, but "mind bogglingly big". And, more important, unless we are definitively told otherwise, it is happening!

The sheer size of what faces the near 1.3 million employers who will need to embrace pension reform can be summed up with a few facts from the Department of Work and Pensions (DWP).

Between 10 and 11 million people will find themselves automatically enrolled into pensions, according to DWP estimates which also suggest that between five and nine million will take up new or increased savings into a pension, ready for retirement.

And what of the cost to employers? The total cost to employers across the UK is anticipated to be somewhere in the region of £6 billion per annum.

The legislative process for bringing the changes into being has been convoluted, to say the least, and probably explains why many simply believe it will never come about. We have had two Pensions Acts and there is still legislation outstanding, while the upcoming General Election means that many feel that a Conservative win will simply see the whole thing thrown on the scrap pile.

The change of Government argument is something of a red herring, or simply blind hope. The Conservatives have voiced their support for automatic enrolment and mandatory employer contributions, if not wholeheartedly embraced the new National Employment Savings Trust scheme.

And despite a timetable which has shifted more than the gear stick on Jenson Button's McClaren, the chances of a Labour U-turn are pretty much zero.

As it stands, reform is set to begin in October 2012 and be phased in, with larger employers first affected. Those who employ 10,000 or more can expect things to start to take shape between that

date and March 2013.

From April 1, 2013, to November 2013, it will be those businesses with 500 to 9,999 employees and so on, with a specific timescale also set out for new companies.

After that, there are also dates set for increases in contributions. These are dates we should all be putting in our diary – admittedly in pencil, in case they shift again – and working back from to ensure our business strategies and financial planning is in place.

As with all things financial, and indeed with pensions in general, the further ahead you start planning, and the better the professional advice you seek, the less pain there is in the long run.

It's time for us all to banish our hidden ostrich and stop believing the myth that if we bury our heads in the sand – or indeed the bush, it will all just go away.

Jon Sturrock is managing director of Hartlepool-based Arlington Financial. www.arlington-financial.com, 01429 863863.