



## An Introduction To Workplace Pension Changes

Both direct employers and recruitment agencies have new duties to supply their workers with an automatic work place pension scheme, to help more people save for their retirement. All employers will need to act to comply with the law. This FAQ Guide will assist you with your new employer duties.

### What are the changes?

You must automatically enrol qualified members of your workforce into a pension scheme and there is a minimum contribution required from the employer. The law will come into force for large employers from October 2012 and there will be a staging process up to 2015, based on the size of your workforce. Workers known as 'eligible jobholders' will need to be automatically enrolled into a pension scheme that meets a number of conditions based on the level of contributions paid or the benefits that they receive.

### When are the Staging Dates?

Depending on the number of PAYE employees you have, you will have a different date to comply. The Government has released the staging process as follows:

No of PAYE	Staging Date	No. of PAYE	Staging Date
1. 120,000 or more	1 October 2012	13. 500-799	1 November 2013
2. 50,000-119,999	1 November 2012	14. 350-499	1 January 2014
3. 30,000-49,999	1 January 2013	15. 250-349	1 February 2014
4. 20,000-29,999	1 February 2013	16. 160-249	1 April 2014
5. 10,000-19,999	1 March 2013	17. 90-159	1 May 2014
6. 6,000-9,999	1 April 2013	18. 62-89	1 July 2014
7. 4,100-5,999	1 May 2013	19. 61	1 August 2014
8. 4,000-4,099	1 June 2013	20. 60	1 October 2014
9. 3,000-3,999	1 July 2013	21. 59	1 November 2014
10. 2,000-2,999	1 August 2013	22. 58	1 January 2015
11. 1,250-1,999	1 September 2013	23. 54-57	1 March 2015
12. 800-1,249	1 October 2013	24. 50-53	1 April 2015

### **What if I have less than 50 staff?**

There are further staging dates 1<sup>st</sup> November 2015 and 1<sup>st</sup> April 2017, depending on the PAYE number. If you had fewer than 50 workers on 1 April 2012 but you had or were part of a PAYE scheme that has more than 50 people in it, you are a 'small employer'. This may cause issues if you were part of a larger scheme or there have been some company changes. You can, if affected, move your staging date to a later prescribed date.

Have a look at the following link for further information:

<http://www.thepensionsregulator.gov.uk/employers/staging-date-timeline.aspx#s4566>

### **Who qualifies?**

Eligible jobholders will be classified as:

- earn more than the minimum earnings threshold;
- are aged between 22 and state pension age; and
- work in the UK.

### **Can Employees 'opt-out'?**

Your workers may choose to 'opt out' of the scheme, but only after they have been automatically enrolled. Therefore, you must have a compliant and active scheme, not just an opt-out procedure.

### **What about workers who don't qualify?**

You will have a requirement to tell any other workers that they can opt in to the pension scheme, and to provide information on the benefits and process.

### **What will I have to do?**

The Pensions Regulatory Organisation should contact you 6 to 12 months before your staging date to offer further advice and check your plans.

The main things you must do are:

- provide a qualifying scheme for your workers
- ensure all eligible jobholders are automatically enrolled into the scheme
- make readily available information for all employees regarding how the scheme works
- Write to the employees in advance to advise the start of the scheme and what relevant deductions and contributions you will make
- pay employer contributions for eligible jobholders to the scheme
- tell employees they have the right to opt out
- register with The Pensions Regulator in order to provide details of your qualifying scheme and the number of people that you have automatically enrolled.

### **What could be determined an non compliant action?**

- You cannot encourage your employees to opt out of the qualifying pension scheme, you may only advise them they have the right to do so
- You cannot have recruitment practices that favour job applicants who either don't qualify or are prepared to opt out
- You cannot treat a worker unfairly or put them at a disadvantage because of automatic enrolment.

### **What contributions will I have to make?**

Contributions will be based on gross annual earnings. You must contribute at least 3% of your worker's earnings, although you can choose to pay more. The worker will be responsible for paying the rest. The total combined contribution will be a minimum of 8%.

### **Will workers pay tax on their contribution?**

No – workers will get tax relief on their contribution

### **What if I have an existing pension scheme?**

Even if you already provide a pension scheme for your workers, you will need to check if it is a qualifying scheme. The requirements a qualifying scheme needs to meet depend on the type of scheme you have. You should review your existing scheme and discuss the rules and any possible changes with your trustees or pension provider.

### **How will I know if my scheme is a qualifying scheme?**

Many occupational and group personal pension schemes will qualify. To be a qualifying scheme, minimum contributions must be made, or it must provide a minimum rate at which benefits will build up. Even if it doesn't qualify at the moment, you may be able to change the scheme rules or amend the terms of the policy so that you will be able to use it by the time your staging date comes around.

You can find out more about what a qualifying scheme at: [www.tpr.gov.uk/qualifyingscheme](http://www.tpr.gov.uk/qualifyingscheme)

### **What if I do not have an existing pension scheme?**

If you don't have an existing pension scheme, you may wish to take advice on how to find a suitable pension provider.

#### **Useful Information**

**Financial Services Authority** [www.money.made.clear.fsa.gov.uk](http://www.money.made.clear.fsa.gov.uk)

**The Pensions Advisory Service** [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

**Business Link** [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

**IFA Promotion** [www.unbiased.co.uk](http://www.unbiased.co.uk)

**Staging Process** [www.tpr.gov.uk/staging](http://www.tpr.gov.uk/staging)

**Department for Work and Pensions (DWP)** [www.dwp.gov.uk/policy/pensions-reform](http://www.dwp.gov.uk/policy/pensions-reform)