

## Auto Enrolment Employee Announcement



### **1 October 2012 Pensions auto-enrolment has begun – but what does this mean?**

You may have noticed a press article, TV advert, news item or a poster giving information relating to workbased pension schemes and employers duties to auto-enrol eligible jobholders who are not already included within a company pension scheme. Legislation is changing because in the UK there is a huge shortfall in saving for retirement, as it is a low priority for most people. Faced with increased life expectancy, having to work for much longer and living with reduced income in retirement, the aim is to encourage saving by giving employees access to a workbased pension scheme, with a minimum level of pension contributions.

Every employer has been given a staging date between 1 October 2012 and February 2018, at which time they will have to comply with this legislation. A staging date is the last day that an employer has to have in place an appropriate auto-enrolment scheme for their employees. The staging date has been determined by the number of PAYE employees as at 1 April 2012 with the largest employers with 120,000 or more employees starting first. We will confirm our staging date nearer the time and will ensure to communicate with all staff so that you are aware of any changes before they are implemented. In the meantime these Q&A's explain the key points.

### **Do the auto-enrolment provisions affect employers that already provide their employees with access to a pension scheme?**

**Yes.**

1. Employers with an existing pension scheme need to consider whether or not they wish to use this for automatic enrolment and, if they do, whether it meets the qualifying scheme criteria.
2. As employers will have a duty to auto-enrol any existing eligible jobholders who are not already members of a pension scheme and any eligible jobholders who join after the staging date, procedures will need to be introduced to ensure this happens. With assistance from our pension providers and our independent advisers NW Brown Employee Benefits we are reviewing our arrangements to ensure that we offer a qualifying scheme and effective auto-enrolment procedures.

### **What if my employer doesn't offer a pension scheme?**

To comply with their duties, employers will either have to arrange a company pension scheme meeting the minimum qualifying requirements or select the National Employment Savings Trust. You can find out more at:

<http://www.nestpensions.org.uk/>

## **Which employees qualify for automatic enrolment into a pension scheme?**

The pension auto-enrolment provisions apply to workers, individuals who work under a contract of employment or a contract to perform work or services. Workers who are eligible for automatic enrolment into a qualifying pension scheme are known as “eligible jobholders”. To be an eligible jobholder, a worker must satisfy certain requirements by reference to his or her age and earnings.

He or she must be:

- aged between 22 and the state pension age;
- working or ordinarily working in the UK; and
- earning above a certain amount (currently set at £10,000 per annum).

## **How much must employers and employees contribute into their pension scheme under the pension auto-enrolment provisions?**

The contribution rate for a defined contribution pension scheme is being phased in between 1 October 2012 and 1 October 2018.

The total minimum contribution required from 1 October 2018 will be determined by the earnings definition used to calculate pension contributions;

- 8% of specified band of earnings, min 3% employer, 4% employee and 1% tax relief
- 9% of basic annual salary, min 4% employer, 4% employee and 1% tax relief
- Both the employer and employee can contribute more subject to the HMRC annual allowance

There is a transitional period for contribution rates leading up to 1 October 2018;

- Specified band of earnings definition, the minimum contribution rates are 2% (1% employer) up to 30 September 2017, and 5% (2% employer) between 1 October 2017 and 30 September 2018
- Basic annual salary definition, the minimum contribution rates are 3% (2% employer) up to 30 September 2017, and 6% (3% employer) between 1 October 2017 and 30 September 2018.

## **What does an employee have to do to auto-enrol?**

Nothing. All relevant information will be supplied to you, there will be no pension application form to complete or decisions to make unless you want to choose a different level of pension contribution or a different pension fund. Our pension provider and independent advisers NW Brown Employee Benefits will be available to explain and discuss your requirements with you.

## **What if an employee doesn't want to be in a pension scheme?**

You can choose to opt out of the company pension scheme. If you opt out within a month of being auto-enrolled, any payments already made will be refunded, as if you had never joined. If you cease contributions after this, the payments already made will not be refunded and will remain in your pension policy.

Employers have a duty to automatically enrol you back into the scheme every three years, giving you the opportunity to reconsider your decision.

### **What does Safeguarding Pension Rights mean?**

Workers will have protection from being subjected to a detriment, or dismissed, for a reason connected to the employer's auto-enrolment duties.

- Job applicants will also be protected from recruitment practices that favour candidates who agree to opt out.
- The Pensions Regulator has stated that the employers' duties in relation to employee protection and prohibited recruitment practices will apply to all employers from July 2012.

### **Required action?**

You do not have to take any immediate action but further information can be found at:

<http://www.thepensionsregulator.gov.uk/>

<http://www.dwp.gov.uk/policy/pensions-reform>

**For more information, please call us on 01223 720 209 or email [info@nwbrown.co.uk](mailto:info@nwbrown.co.uk)**