

## An Introduction to Workplace Pension Changes

There are new duties on employers, to help more people save for their retirement. All employers will need to act to comply with the law.



### What are the changes?

You must automatically enrol certain members of your workforce into a pension scheme and as an employer, you will need to make a contribution towards it. The law will come into force for large employers from 2012 and smaller employers will follow.

Even if you already offer pension arrangements for your workers, you will still have some new obligations to meet.

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. Eligible jobholders may choose to 'opt out' of the scheme, but only after they have been automatically enrolled by you.

You will also have a requirement to tell any other workers you may have that they can opt in to the pensions scheme, and to tell all your workers what kind of scheme you have chosen.

#### Workplace pension scheme

An arrangement you make to provide your workers with an income for when they retire.

#### Worker

A 'worker' is a wider category than just employees and can include some contractors or agency workers.

As a general rule, if you have to pay the national minimum wage to someone, or they are working under an apprenticeship, they are a worker.

#### Eligible jobholders

Workers you will need to automatically enrol are known as 'eligible jobholders'. These are workers who:

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

## Why are the changes being introduced?

People are living longer and are likely to enjoy a longer retirement. But many people are not saving for their retirement at all, and many who are saving aren't saving enough.

These changes will give many more people the chance to save for when they retire. The main benefits for your workers are that you pay a contribution and that it is an easy way for them to save.

## When do the changes come into effect?

Each employer will be given a date from which the changes will have to be in place. This is known as your staging date.

- ✓ The first staging dates will be in October 2012 and will continue through to 2016.
- ✓ Your staging date will be broadly based on the number of people you have in your PAYE scheme.
- ✓ Employers with the largest number of workers will have the earliest staging dates. Employers with fewer workers will have later staging dates.

## What will I have to do?

You will have to automatically enrol your eligible jobholders into a qualifying pension scheme and make an employer contribution towards it.

### The main things you must do are:

- ✓ provide a qualifying scheme for your workers
- ✓ automatically enrol all eligible jobholders into the scheme
- ✓ pay employer contributions for eligible jobholders to the scheme
- ✓ tell all eligible jobholders that:
  - ✓ they have been automatically enrolled
  - ✓ they have the right to opt out if they want to do so
- ✓ register with The Pension Regulator and give them details of your qualifying scheme and the number of people that you have automatically enrolled.

### You must not:

- ✗ encourage your workers to opt out of the qualifying pension scheme
- ✗ have recruitment practices that will benefit job applicants who indicate they are prepared to opt out, or
- ✗ treat a worker unfairly or put them at a disadvantage because of automatic enrolment.

## What contributions will I have to make?

You must contribute at least 3% of your worker's earnings, although you can choose to pay more if you wish. The worker will be responsible for paying the rest. They will get tax relief on their contribution and the total combined contribution will be a minimum of 8%.

There are different rules for defined benefit schemes, including final salary schemes. More details will be available on our website later in the year.

Contributions will be based on a band of gross annual earnings. When working out your contribution, you do not need to consider any amount your worker earns above the upper earnings threshold.

## 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 should you wish to discuss any changes, please contact us.

## 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.



## 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.

## What should I do next?

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.

Should you be unsure of your duties in regard to:

- ✓ whether your existing scheme will qualify
- ✓ enrolling members
- ✓ registering your scheme
- ✓ setting up a new scheme

Please do not hesitate to contact us for an initial consultation. Contact details are below.



\*Source: The Pension Regulator – An Introduction to Workplace Pension Changes

If you are serious about your financial future, we would welcome the opportunity to meet you for an exploratory meeting. Call **01737 225 665** email **advice@conceptfp.com** or visit **www.conceptfp.com**

