

Pensions Auto Enrolment – What your congregation needs to do

Introduction

As you are no doubt aware from recent coverage in the media, employers of all sizes are currently being required to assess 'workers' and then, where applicable, automatically enrol them in a pension scheme which meets certain minimum standards.

This paper aims to help you to decide if your congregation will be affected and, if so, to help you through the process.

By answering the following questions, you should be able to tell what action, if any, you need to take.

Question 1

Does your congregation have any workers who are not on the payroll at the Church Offices in Edinburgh? Examples would not include the minister, locum, Ministry Development Staff worker, but may include :

- Church Officer
- Organist (unless self-employed)
- Secretary/Administrator
- Youth Worker (locally employed)
- Assistant Minister (locally employed)
- Cleaner

If the answer is '**yes**', then read on. If the answer is '**no**', then please keep this paper for future reference in case your circumstances change. If you are not clear about the definition of 'workers', please see section 1 below.

Question 2

If you have workers, are any of them aged between 16 and 74?

If the answer is '**yes**', then read on. If the answer is '**no**', then please keep this paper for future reference in case your circumstances change.

UK legislation now requires every employer with "eligible workers" – no matter how small in number –automatically to enrol them into a workplace pension scheme that meets certain minimum legal requirements.

Under these new laws, if you have *eligible workers* your congregation will be required to:

- automatically enrol eligible workers into a qualifying pension scheme (unless they are already a member of such a scheme)
- pay minimum employer contributions or provide a minimum level of benefits
- provide information to workers about their new pension rights
- re-enrol eligible workers who have previously opted-out approximately every three years, and

- register with the Pensions Regulator and keep records to demonstrate compliance

Failure to comply could result in enforcement action by the Pensions Regulator who has the power to make various orders and levy civil fines.

1. Who are the Workers

A worker is either an employee or someone you have contracted with and pay to undertake work for you on a personal basis. If you are unsure as to whether a particular person who works for the congregation on a paid basis (that is who receives more than out of pocket expenses), would be classed as a worker, you should discuss this with the Church's Law Department.

2. When will the automatic enrolment requirements apply to your congregation?

Your congregation will need to comply with the automatic enrolment legal requirements from its '**staging date**' (this is the term used to describe the date from which the automatic enrolment requirements first apply to an employer). Your congregation's staging date is determined by the number of people who were in your largest PAYE payroll scheme on 1 April 2012. For organisations with less than 50 people in its largest PAYE payroll scheme on 1 April 2012 the staging date will be between June 2015 and April 2017.

You will need your PAYE reference to find out your exact staging date.

You can find your PAYE reference on a P6 / P9 coding notice or on your P30BC yellow payslip booklet. Then follow the instructions given on the Pensions Regulator's on-line calculator which can be viewed at:

<http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx?gclid=CLDW2eOWs74CFfMftAod5zkAbw>

Alternatively, you can call the Pension Regulator's automatic enrolment helpline on **0845 600 1011**.

Tip - You need to start preparing for auto-enrolment well in advance of your staging date.

3. Who do you need to put into a pension scheme?

1. You **must** automatically enrol all staff who are "workers" who are:
 - aged at least 22 and under state pension age
 - earning more than £10,000 a year
2. Some staff who don't meet the criteria above are able to **opt** in to the pension scheme you're using for automatic enrolment. You **must** put them in if they ask.

You'll have to pay at least the minimum employer contribution for all staff you put into this scheme.

3. Certain other staff can **ask** to join a pension scheme. You must put these staff in a scheme, but the rules are different and there's no requirement for you to pay an employer contribution.

It's the age and earnings of a member of staff that determines what 'type' of worker they are and therefore what duties you'll have for them.

Tip – Parish ministers, locums and any other staff who are paid via the Church offices' central payroll will have all auto enrolment requirements dealt with by staff at 121. You therefore need take no action concerning them.

Staff earning £10,000 or less

Staff aged 16 to 74, earning over £5,824 up to and including £10,000 a year, have the right to **opt** in to your automatic enrolment pension scheme. This is a similar process to automatic enrolment, and you will have to contribute to their pension.

Those aged 16 to 74 who earn £5,824 a year or less have the **right to join** a pension scheme. They can only join after your "staging date". (What this will be is explained below).

Staff aged under 22 earning more than £10,000

If you have staff aged 16 to 21 who earn more than £10,000, they have a right to opt in to your automatic enrolment pension scheme. Again, you will have to contribute to their pension if they decide to opt in.

The table below shows what the rights of staff are depending on how old they are and what they earn in a year.

Annual earnings (2016-2017)	Age		
	16-21	22-state pension age	State pension age -74
£5,824 or below	Has a right to join a pension scheme	Has a right to join a pension scheme	Has a right to join a pension scheme
Over £5,824 and up to £10,000	Has a right to opt in	Has a right to opt in	Has a right to opt in
More than £10,000	Has a right to opt in	Automatically enrol	Has a right to opt in

4. **Changes in age and earnings**

You'll need to monitor any changes in age and earnings of your staff. You will need to work out a way of becoming aware of existing staff becoming eligible for automatic enrolment and also to check the position when you employ new staff.

5. What will Auto Enrolment cost?

The amount you must contribute to the pension scheme is determined by the scheme's rules. However, if you're using the scheme for automatic enrolment, there are minimum contributions you must pay.

The minimum contributions that you must pay into your staff's pension scheme are shown in the table below – they're currently a total contribution of 2% with at least 1% of that being the employer contribution.

Minimum contributions are being introduced gradually over time. You will usually pay pension scheme contributions either as a fixed amount or based on a percentage of earnings.

<u>Date</u>	<u>Employer minimum contribution</u>	<u>Total minimum contribution</u>
Employer's staging date to 30 September 2017	1%	2%
1 October 2017 to 30 September 2018	2%	5%
1 October 2018 onwards	3%	8%

6. Your minimum employer contribution

You can use the Pension Regulator's on-line tool to work out your minimum contribution for each member of staff you need to automatically enrol.

See: <http://www.thepensionsregulator.gov.uk/employers/tools/employer-contributions.aspx>

Pension contributions are usually expressed as a fixed sum or a percentage of earnings. If they're expressed as a percentage you will need to confirm salaries with your pension provider from time to time.

7. How should your congregation chose a pension provider?

A good start is to read the Pensions Regulator's guide to help which can be downloaded from:

<http://www.thepensionsregulator.gov.uk/docs/employer-select-pension-automatic-enrolment.pdf>

A private pension provider – particularly if you have a small number of fairly low paid employees – may not be keen to take your business. To ensure that all employers can access a pension scheme to enable them to comply with automatic enrolment, the government has set up a default scheme known as the National Employment Savings Trust (NEST) which has to accept all employers who wish to select it as their automatic enrolment scheme provider. NEST's website, which contains a lot of useful information about both auto enrolment and the NEST scheme is at: www.nestpensions.org.uk

Tip – it is likely that most congregations may feel that using NEST is the best option for them. The scheme’s website contains lots of helpful information including styles of letters to send to staff.

8. **Where you can get further help and advice:**

Your congregation’s accountant or payroll bureau – if you have one

The internet. There are many sites offering help and advice including:

the Auto enrolment section of the Pensions Regulator’s website at:

<http://www.thepensionsregulator.gov.uk/employers/what-is-automatic-enrolment.aspx>

the Nest Employers’ guide which contains tools and letter templates at page 19. See:

<http://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/Employers-guide-to-automatic-enrolment,PDF.pdf>

The Church’s Law Department – whether or not a staff member is a “worker”:

email: lawdept@cofscotland.org.uk

The Church’s Stewardship and Finance Department: - eligibility and earnings thresholds

email sfadmin@cofscotland.org.uk