

Workplace Pensions and Automatic Enrolment

(Note that all monetary figures mentioned below are subject to change, and should be checked on The Pensions Regulator website)

A major change was introduced in 2012 in employers' responsibilities to their staff in relation to workplace pensions. This briefing paper lays out the requirements to comply with changes in legislation.

Previously, there was no statutory requirement for employers to provide and contribute to pensions for their staff. Employers with 5 or more staff had to provide access to a stakeholder pension scheme if a company pension scheme was not already in place, but employees did not have to join it and employers did not have to contribute.

Successive governments have long been aware of the need to address the issue of lack of pensions savings combined with increasing life expectancy. Millions of people were not saving enough to provide an adequate income for retirement. New law on workplace pensions was enacted. Now employers are legally required to automatically enrol eligible workers into a workplace pension scheme and make contributions to it.

The requirement to comply with the new law rolled out in stages, starting with the biggest employers, and reaches all employers by early 2018. The Pensions Regulator is the body with responsibility for enforcing the new law, and it also provides lots of help and information via the helpline and website. Details are at the end of this document.

Overview

Even if you only have one paid member of staff, you will have duties, including enrolling those who are eligible into a workplace pension scheme and contributing towards it. This is called automatic enrolment.

It is called automatic enrolment because it is automatic for your staff – they don't have to do anything to be enrolled into your pension scheme. You, however, need to take steps to make sure your eligible workers are enrolled into a suitable pension scheme. Even if you already pay contributions into a pension scheme for your staff, you still need to check if it is suitable for automatic enrolment. You will also need to comply with certain other duties like nominating a contact person, giving information to workers and completing an online Declaration of Compliance with the Pensions Regulator.

Staging date and Duties start date

The date from which you must start to comply with the new law is called your staging date. All employers who had paid staff before April 2012 will by now have passed their staging date.

If you took on paid staff for the first time after April 2012, your staging date will be no later than February 2018. Any new employers from 1st October 2017 onwards will not have a staging date – their duties will start immediately from the first day that an employee starts work. This is called the ‘duties start date’.

Being prepared and finding help

A useful [Duties Checker](#) is available online. You may wish to seek advice from a pensions’ professional or independent financial adviser to help you decide on an appropriate pension scheme and help you to meet your obligations.

Assess the workforce

You will need to assess your workers to determine which of three categories they fall in to. See the table below. The category that a worker falls into is based on their age and earnings, and determines your duties towards that person.

Earnings (2017 - 18 rates)	Age (inclusive)		
	16-21	22 – SPA	SPA - 74
£5,876 or less	Entitled worker		
Over £5,876 to £10,000	Non eligible jobholder		
Over £10,000	Non eligible jobholder	Eligible jobholder (= automatic enrolment !)	Non eligible jobholder

SPA means [State Pension Age](#). This will depend on gender and date of birth, and it is gradually increasing. Note that the earnings figures in the table may change each year, and maybe different by the time you reach your staging/duties start date, so do check.

Eligible jobholders

Every worker between the age of 22 and the state pension age, who is earning over £10,000 (or the equivalent in any pay period), will need to be automatically enrolled into a qualifying workplace pension scheme unless they are already in one, and will receive employer contributions.

Non eligible jobholders

Workers earning over £5,876 to £10,000 OR who are earning over £10,000 but are aged under 21 or over SPA up to 74 will not be automatically enrolled, but may ask to opt in to the pension scheme. If they do, you must make employer contributions.

Entitled workers

Workers earning £5876 or less, regardless of age, have the least entitlements (despite the confusing name!). They will not be automatically enrolled, but they may request to join a pension scheme, and you must facilitate this if they do, deducting their contributions via payroll. You do not have to put them in to the same pension scheme as you are using for the other staff (although you can), and neither do you need to make any employer contributions (although you can choose to do so).

Important! You must assess a worker's age and earnings in every pay reference period if they are not already in a qualifying pension scheme. If, for example, they are paid weekly and their earnings ever go above £192 (the weekly equivalent of £10,000 per annum) this will trigger their automatic enrolment even if their weekly earnings are normally less than this. It is possible to postpone auto enrolment (see 'Postponement' below) in this situation, if the earnings increase is temporary.

Automatic enrolment

On your staging/duties start date, you will need to automatically enrol any eligible jobholders who are not already in a qualifying workplace pension scheme.

You need to give them information about what this means for them, the fact that they can opt out and opt in again, and where to find further information on pensions and saving for retirement. Template letters are available online or from your pension provider.

Providing information

You must provide all your paid workers with information about their pension status. This must be done within 6 weeks from your staging date / duties start date. [Template letters](#) for all categories of staff are available online.

Pension contributions

A defined contributions occupational or personal pension scheme will eventually require a minimum contribution of 8% of qualifying earnings (QE). Qualifying earnings are any earnings that fall between £5,876 and £45,000. In other words, no pension contribution needs to be paid on the

first £5,876 of earnings. (Note that these figures may be different by your staging/duties start date – do check)

Contributions are being phased in as follows

	Employer minimum contribution	Total minimum contribution
Staging date to 05.04.18	1%	2% (1% from staff)
06.04.18 to 05.04.19	2%	5% (3% from staff)
6 th April 2019 onwards	3%	8% (5% from staff)

So from April 2019 the employer will be required to contribute 3% of QE. The worker will need to pay the remaining 5%, but will get tax relief on their contribution.

Employers can decide on a different calculation of contributions, but it must be no less than the minimum contributions required using QE. For example, the employer may contribute 6%, which will mean that the employee must contribute at least 2% by April 2019.

Alternatively, the employer may decide on a different definition of pensionable pay, and make contributions based, for example, on the full basic salary, rather than just qualifying earnings.

Postponement

Although you cannot postpone your staging/duties start date, it is possible to postpone automatically enrolling a worker for up to 3 months. You must issue the worker with notice that you are doing this, and tell them that they can opt in during this period if they wish. At the end of the postponement period you must enrol them if they are still eligible. You cannot issue another consecutive postponement. Postponement can be useful for various situations including:

- Variable-hours workers who have an unusual spike in earnings, but who would normally be below the auto enrolment threshold
- Probation periods
- Aligning auto enrolment with payroll process (to avoid calculating contributions on part-period earnings)

Opting out and re-enrolment

Although the government is keen that workers get into and stay in pension schemes, there may be reasons why someone does not want to be in your pension scheme. If you have automatically enrolled a worker, they have the right to **opt out**. Note that they cannot opt out in advance. Even if you know they do not want to be in the pension scheme, you must automatically enrol them before they can opt out. If they do this within a month of being enrolled, they (and you) get the contributions refunded. They can end their contributions any time after this, but may not be

refunded. Even if a worker has opted out, you must automatically re-enrol them every three years if eligible. They can opt out again if they still want to at that time.

Pension schemes

You must choose a pension scheme that meets certain quality standards, known as a qualifying workplace pension scheme (QWPS). The Pensions Regulator website has information on this. The [NEST](#) scheme was set up by the UK government to provide any employer, large or small, with a legally compliant scheme. You may, however, wish to take professional advice from a financial or pensions' adviser on what scheme may be best for your organisation and staff. There will be a charge for this.

Complying with the law

Within 5 months from your staging/duties start date, you must complete a [Declaration of Compliance](#) with the Pensions Regulator, to show how you have met your duties. This is done online. You can download the Checklist to help you prepare for completing it.

All employers need to do this, even if they do not have to automatically enrol anyone. The Pensions Regulator can issue compliance notices and fines to employers who do not meet their duties. Note that you will also need to submit an updated Declaration of Compliance every 3 years.

If you already provide a pension scheme

If you (the employer) already have a workplace pension scheme in place, you will need to check that this counts as a qualifying scheme for automatic enrolment (QWPS). If you have no workplace pension scheme in place, but workers are in a personal pension scheme to which you make contributions, you will need to check that this is compliant for automatic enrolment purposes. You will, in any case, need to put a default workplace pension scheme in place, into which you can enrol or re-enrol workers.

Contractual enrolment

Some employers put all staff into a workplace pension scheme as part of their terms and conditions of employment. This is called 'contractual enrolment'. Some employers choose to do this as they are committed to pensions for all, and /or they feel it easier to just get everyone into the pension scheme instead of having to monitor whether or not they reach the trigger for being automatically enrolled and then taking action. However, you should be aware of the differences between automatic and contractual enrolment, and note that even if using contractual enrolment, employers will still have duties from their staging/duties start date, such as providing information to employees, and making a Declaration of Compliance to the Pensions Regulator.

Although you may choose to do contractual enrolment for new employees, be aware that any changes to the terms of an employment contract for existing employees can only be made with the permission of the affected employee. Advance planning is important as you will need to consult on any changes.

What to do now...

Make a plan. You can use the interactive Duties Checker shown in the link below.

Help, Information and other Resources

The Pensions Regulator (TPR)

www.thepensionsregulator.gov.uk Helpline: 0845 600 1011

- General and detailed information and guidance
- Staging date checking facility
- Webinars
- [Duties checker](#)

Details of Independent Financial Advisers and Pensions Advisers in your area can be found in telephone directories and online.

- [GCVS Employers' Advice Service](#) produced this briefing paper for us. They offer advice, support and training on all aspects of being an employer. Contact: Linden Stables, EAS Manager, on 0141 354 6515 or email linden.stables@gcvs.org.uk
- The Church of Scotland Law Department can offer a [wide range of support](#) to **Go For It** Funded projects and potential applicants.
Contact: Jennifer Campbell - jcampbell@churchofscotland.org.uk