

## **WORKPLACE PENSIONS REFORM**

For the past five years or so, the Government has been actively looking at ways of increasing 'saving for retirement' across the UK. While further fine tuning is still to be done, the main part of the legislation has now received royal assent. Unlike Stakeholder Pensions, which were introduced in 2001, the new legislation has far more onerous requirements and is directly aimed at all Employers across the land. The main requirements are:

### **Registration**

All employers with at least one worker, regardless of their age or earnings, must:

- Register with the Pensions Regulator. [www.tpr.gov.uk/registration](http://www.tpr.gov.uk/registration)
- Adhere to the safeguards (see later)

### **Communication**

Employers must provide appropriate communication to their workforce depending on the category of the worker.

The categories are: Eligible jobholders, Non-eligible Jobholders and Entitled workers. For full descriptions, please refer to The Pension Regulator's 'Employer duties and defining the workforce' brochure.

### **Auto Enrolment**

'Eligible Jobholders' must be auto-enrolled into a scheme. Eligible jobholders are all employees aged between 22 and State Pension Age who earn over (currently) £7,475 per annum.

'Non Eligible Jobholders' can choose to opt in to the scheme, i.e. they are not automatically enrolled. If they choose to opt in, employer contributions must be made. Non Eligible Jobholders are all employees between age 16 and 74 who earn between (currently) £5,035 and £7,475 **or** are aged between 16 and 21, or State Pension Age and 74 and earn over (currently) £7,475.

'Entitled Workers' are entitled to join the scheme. If they choose to join, employer contributions are not required to be made. Entitled Workers are employees aged between 16 and 74 who earn under (currently) £5,035.

Having been enrolled, employees can choose to 'opt out' of the scheme. Eligible Jobholder 'Opt outs' must be re-enrolled approximately every three years.

### **Staging Dates**

This is the date from which employers must meet their obligations and is dependent on the size (known as the PAYE scheme size) of the firm. The most recently announced dates are:

**PAYE Scheme Size**

2,000 – 2,999  
1,250 – 1,999  
800 – 1,249  
500 – 799  
350 – 499  
250 – 349  
50 - 249  
30 - 49  
< 30

**Staging Date**

1<sup>st</sup> August 2013  
1<sup>st</sup> September 2013  
1<sup>st</sup> October 2013  
1<sup>st</sup> November 2013  
1<sup>st</sup> January 2014  
1<sup>st</sup> February 2014  
From 1<sup>st</sup> April 2014 to 1<sup>st</sup> April 2015  
From 1<sup>st</sup> August 2015 to 1<sup>st</sup> October 2015  
From 1<sup>st</sup> January 2016 to 1<sup>st</sup> April 2017

**Contribution levels**

From Staging Date	1% Employer + 1% Employee
From 1 <sup>st</sup> October 2017	2% Employer + 3% Employee
From 1 <sup>st</sup> October 2018	3% Employer + 5% Employee

Note:

The above contribution levels are based on employee ‘band earnings’ and this is the standard earnings definition under the new legislation. It is expected that the actual amounts payable will be based on the National Insurance ‘Lower and Upper Earnings Limits’ applicable to the tax year in which contributions are made.

Where a scheme is established or already run on ‘basic pay’ (rather than band earnings or total pay), the required level of employer contribution is 2%, 3% and 4% respectively with employee contributions being as listed above.

Where a scheme is established or already run on ‘total pay’ (rather than band earnings or basic pay), the required level of employer contribution is as listed but with the highest level (from 1<sup>st</sup> October 2018) of employee contribution reduced from 5% to 4%.

**Eligibility**

For existing worker eligibility, please refer to the attached ‘Employer duties and defining the workforce’ brochure. New employees who are ‘eligible jobholders’ must be auto-enrolled by the later of their first day of employment or within three months of joining the company (known as ‘postponement’).

**Safeguards for workers**

Comprehensive legislation has been introduced to prevent employers from:

- Inducing workers to opt out of the scheme.
- ‘Prohibited recruitment conduct’, i.e., implying that an applicant’s success will depend on whether they intend to opt out of the scheme.

- Breaching employment rights, i.e., not unfairly dismissing workers on grounds related to the new employer duties.

Penalties of up to £50,000.00 or even imprisonment of up to two years can apply where these rules are broken.

### **Keeping records**

Standard basic records must be kept to identify eligible/non eligible jobholders including, names, addresses, dates of birth, salaries, National Insurance numbers and pension contributions.

### **National Employment Savings Trust (NEST)**

The National Employment Savings Trust has been set up (but is not run) by the Government. It is a pension scheme that can be used by employers as a possible solution to meet the new requirements. It will be an arm's length scheme, impersonal and with no financial advice available.

### **HDA – A possible solution to meeting your Workplace Pension Reform obligations?**

What we can offer:

- Up-to-date knowledge of requirements.
- Assistance with categorising staff.
- Assistance with communications to staff to ensure obligations are met.
- Advice on the most 'cost effective' or 'least hassle' route.
- Recommendation of suitable scheme(s).
- Integration of pension contributions with pay reviews.
- Salary Sacrifice.
- Implementation.
- Ongoing administration assistance.
- Advice for members for both transfers-in and 'at retirement'.

To discuss any of these issues further, please contact:

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To find out more about HDA please visit our website

**[www.hda-ifa.co.uk](http://www.hda-ifa.co.uk)**