

WORKPLACE PENSIONS

QUICK GUIDE

When does the new workplace pension regime apply?

Each organisation has its own staging date which can be obtained by entering your employer PAYE reference number into the Pension Regulator on-line tool. Your employer responsibilities come into force on this date and so it is important to prepare well in advance.

Are all employees affected by the new regime?

- All employees earning above £10,000 per annum (£833 per month) and who are aged between 22 and the State Pension Age (SPA) must be automatically opted in to a workplace pension.
- Younger employees (16-21) and older employees (SPA – 74) earning above £10,000 per annum can request to be opted in.
- Employees earning less than £10,000 per annum but more than £5,772 per annum (481 per month) can also request to be opted in.
- Employees earning less than £5,772 per annum have a right to join an employee pension scheme but the scheme does not need to comply with the workplace pension legislation and there is no requirement for the employer to make contributions into the scheme.

Enrolment can be postponed for up to 3 months for some or all employees from the staging date (or from an employee's start date) where there are business reasons for doing so.

What about temporary employees?

The new regime applies equally to temporary employees. If they are paid monthly, it is their monthly salary which determines whether they must be automatically enrolled or have a right to opt in. However, enrolment can be postponed for up to 3 months and this can be usefully applied where a temporary member of staff is due to leave within 3 months.

What contributions must be paid into the pension scheme?

The minimum contribution rates are being phased in as follows:

- From staging date until 30/09/17 - **2%** of which the employer must contribute a minimum of **1%**
- From 1/10/17 to 30/09/18 - **5%** of which the employer must contribute a minimum of **2%**
- From 1/10/18 onwards - **8%** of which the employer must contribute a minimum of **3%**

The above minimum percentages apply to salary earned between the lower (£5,772) and upper (£41,865) NI threshold. However, these are minimum contributions and many schemes will base the percentage on the whole salary.

What if existing pension arrangements are already in place?

- Some employers already have defined contribution (eg group personal pension schemes) or defined benefit schemes in place. You should check with your scheme provider whether the scheme is a qualifying scheme. To be a qualifying scheme it must meet certain minimum requirements and qualifying criteria. For example, the pension contract must set out minimum contributions. If employees are already in a qualifying scheme, or are eligible to join one, they do not have to be auto-enrolled in a new workplace pension. However, if the scheme does not also meet the auto enrolment criteria (which means that all eligible employees are entitled to join on the same basis as if it were a workplace pension scheme), then the employer must also set up a new workplace pension scheme for those employees who do not qualify for the existing scheme.
- Some employers pay into their employees' own personal pensions. These arrangements will be unlikely to meet the qualifying requirements because, in these cases, the contract is between the pension provider and the employee and not the employer. Therefore a workplace pension would need to be set up. In these situations contracts of employment will need to be carefully looked at to ascertain the employers' continued obligation to pay into an employee's own scheme as well as a workplace pension.

How do you go about setting up a workplace pension scheme?

- An independent financial advisor can advise on an appropriate scheme. As auditors and accountants we are not permitted to provide financial advice of this nature.
- There is also a government established scheme – NEST. Details of this scheme are available at www.nestpensions.org.uk

What information needs to be provided to staff?

Detailed information must be provided to employees about the workplace pension scheme in place and either their automatic enrolment or their right to opt in. The information to be provided is prescribed and must be provided within certain deadlines.

What information must be provided to the Pensions Regulator?

- Employers are required to register their workplace pension scheme arrangements on-line with the Pensions Regulator and provide details about their employees.
- Within 5 weeks of the staging date, the employer must have completed the information required by the regulator and confirmed compliance.