



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. This booklet provides an introduction to the new employer duties.



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This publication is based on our understanding of the law at the date of publication. This firm cannot accept any responsibility for any action taken or refrained from as a result of the contents. Every situation is different and you need to take professional advice about your specific circumstances.

The information on pages 4 to 9 has been taken from An Introduction to Workplace Pension Changes and is a very much simplified version of the obligations/requirements under the Pensions Act 2008 and reliance should not be placed on it to the exclusion of other guidance, advice and/or the law itself. © The Pensions Regulator November 2011



Square One Corporate Services would be pleased to guide you through these mandatory changes. Our workplace pension advisers can help employers who:

- ◆ do not currently have a workplace pension
- ◆ have an existing scheme in place but need to make sure it complies with the new rules
- ◆ want to know whether to use the government's default scheme, NEST, a private sector equivalent or a bespoke scheme

We can advise you on how set up a workplace pension which:

- ◆ complies with the requirements for auto-enrolment ensuring you avoid any penalties
- ◆ meets the minimum initial employer commitment of 1% (rising to 3%)
- ◆ will provide excellent value for your business and your employees
- ◆ will be easily understood by your employees
- ◆ is tax efficient for you

For more information and advice on workplace pensions, or any other pension advice, contact us today on 01273 921990.



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.

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 pension 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; and
- ◆ 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 were in October 2012.
- ◆ Your staging date will be broadly based on the number of people you have in your PAYE scheme. The staging dates have now been set in HMRC records on the PAYE scheme size held by The Pensions Regulator as at 1 April 2012.
- ◆ Employers with the largest number of workers will have the earliest staging dates.
- ◆ The Pensions Regulator will contact you 6 to 12 months before your staging date.

You can find out when your staging date is by visiting The Pensions Regulator's website at: www.tpr.gov.uk/staging

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 and
 - they have the right to opt out if they want to do so
- ◆ register with us and give us 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 The Pensions Regulator's website.

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 discuss the rules and any possible changes with your trustees or pension provider.

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.

You should speak to one of our advisers about whether your scheme will qualify. You can find out more about what a qualifying scheme is on The Pensions Regulator's website at: www.tpr.gov.uk/qualifyingscheme

You can also sign up to The Pensions Regulator's news-by-email service for regular updates at: www.tpr.gov.uk/news

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.

The Pensions Regulator will be updating their website with more information about workplace pension schemes in the coming months. In the meantime, you and your workers can find general information about pensions on the following websites:

Financial Services Authority:
www.moneyadvice.service.org.uk

The Pensions Advisory Service:
www.pensionsadvisoryservice.org.uk

Business Link:
www.businesslink.gov.uk



What should I do next ?

You can find out when your staging date is by visiting The Pension Regulators's website at: www.tpr.gov.uk/staging

Later this year The Pension Regulator will publish more information and help on their website, telling you what you need to do and when you need to do it. Also, look out for letters and emails from them about the changes and your staging date. To keep updated on all developments as they happen, sign up to their 'news-by-email' service at www.tpr.gov.uk/news



Where can I find more information ?

More information on pensions reform is available at:

Department for Work and Pensions (DWP):
www.dwp.gov.uk/policy/pensions-reform

What are the penalties ?

The new employer duties are not optional. The Pensions Regulator will be responsible for ensuring that you comply with your employer duties. Their approach will be to educate and encourage compliance however, you would face substantial fines and even imprisonment if you fail to comply.

There are three stages TPR will follow if employers fail to comply with their duties:

- 1** If you are found to be in breach of any aspect of the automatic enrolment regulations, the first stage will be a compliance/unpaid contributions notice where you'll be given a specific time to put things right. You may also need to make backdated contributions with interest added.
- 2** If you don't rectify the breach, TPR can issue a fixed penalty of £400. You'll be given at least four weeks from the date of the fixed penalty notice to put things right. The penalty will be applied if the breach is not corrected by the specified date.



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If you still fail to comply and/or persistently do so, TPR can issue an escalating penalty notice which increases daily and will only stop increasing when the breach is resolved to TPR's satisfaction. The penalties will be scaled based on an estimate of the amount of jobholders affected by the breach. Where any breach is in respect of unpaid contributions, the actual amount of jobholders will be taken into account, where available, and the penalty scaled accordingly. In addition to any penalties, TPR have the power to demand that the unpaid contributions due, plus interest, must be paid by you.

The daily rate is generally determined by the number of people in the employers' PAYE scheme or the number of people affected by unpaid contributions.

You'll face daily escalating penalties in addition to any fixed penalty if you fail to comply with the notices issued in stages 1 and 2.

Escalating penalty notice

Number of people	Daily rate
1 - 4	£50
5 - 49	£500
50 - 249	£2,500
250 - 499	£5,000
500 or more	£10,000

TPR can impose three other types of penalties:

- ◆ wilful failure to comply
- ◆ inducement and
- ◆ prohibited recruitment conduct

Firstly, if you wilfully fail to comply with your employer duties, you face fines and/or up to two years' imprisonment.

Secondly, if you induce workers not to join or to opt out of a pension scheme, you'll be subject to the three stage compliance process.

Finally, you must not participate in 'prohibited recruitment conduct'. For example, where an individual is employed on the basis that they will opt out of the pension scheme. Separate penalties will apply if you use prohibited recruitment conduct.

What other corporate services do we provide ?

- ◆ Cross option arrangements
- ◆ Keyman cover
- ◆ Group personal pensions
- ◆ SIPPs and SSASs
- ◆ Business investments
- ◆ Death in service schemes
- ◆ Group medical schemes



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