



Employers' guide to 2012 pensions reform

This year will see the introduction of radical pensions reform as the Government attempts to bridge the gap between pension savings and years in retirement with the introduction of auto-enrolment.

Pension fact: Just 33 per cent of public sector employees were a member of a workplace pension in 2011 according to the Office for National Statistics.



What are the changes?

As an employer you will be legally obliged to automatically enrol certain members of your staff into a qualifying pension scheme and to make a contribution towards it.

What will I have to do?

In order to comply with the law, as an employer you will have to:

- Provide a qualifying pension scheme;
- Automatically enrol eligible jobholders;
- Pay employer contributions;
- Tell all eligible jobholders that they have been automatically enrolled and that they have the right to opt out;
- Register with the Pensions Regulator and provide details of your pension scheme and the number of people you have enrolled.

When are the changes coming in?

The reforms are being rolled out from 1 October 2012, starting with the largest companies first. The Government has now confirmed the starting dates as follows:

Employer size	Automatic enrolment duty date	
	From	To
250 or more members	1 October 2012	1 February 2014
50 to 249 members	1 April 2014	1 April 2015
Test tranche for less than 30 members	1 June 2015	30 June 2015
30 to 49 members	1 August 2015	1 October 2015
Less than 30 members	1 January 2016	1 April 2017
Employers without PAYE schemes	1 April 2017	

Who needs to be enrolled?

Workers known as 'eligible jobholders' will need to be enrolled. These are defined as:

- Those that work or ordinarily work in the UK;
- Aged between 22 and state pension age;
- Earning more than the minimum earnings threshold (£8,105 proposed for 2012/13). Those earning more than (a proposed) £5,564 will also be eligible, but you will not be obliged to contribute on their behalf.

Your guide to 2012 pensions reform

What classes as a qualifying pension scheme?

The Government has created the National Employment Savings Trust (NEST), for those employers that don't already have a pension scheme that is suitable for auto-enrolment. NEST ticks all the auto-enrolment boxes, however, you do not have to use NEST.

You may be able to use your existing pension scheme, provided it meets certain criteria.

Guidance is available from The Pensions Regulator, but the criteria depends on a number of factors, including whether the scheme is defined contribution (DC) or defined benefit (DB)

How much will I have to contribute?

As an employer you will be expected to contribute a minimum amount into the qualifying pension scheme of eligible jobholders. These are expressed as a percentage of qualifying earnings - between the upper and lower threshold – proposed as £5,564 and £39,853 for 2012/13.

Contribution levels are being phased in. The proposed duration periods for defined contribution (DC), personal pension and hybrid pension schemes are as follows (subject to change):

Transitional period	Duration	Employer minimum contribution	Total minimum contribution
1	Staging date to 30 September 2017	1%	2%
2	1 October 2017 to 30 September 2018	2%	5%
1 October 2018 onwards		3%	8%

The contribution rates for schemes using certification are also being phased in – details are available from The Pensions Regulator.

What should I do next?

There are a number of steps you should be considering now in preparation for your staging date. Please contact us to find out how we can help you with this, but here are some points to consider:

1. Find out when your staging date is so that you know how long you have to prepare;
2. Assess your workforce using The Pension Regulator's criteria to work out who you need to automatically enrol;
3. Review your pension provisions – you may have an existing scheme that will qualify, or you may need to make a few amendments or start from scratch;
4. Communicate what is happening and when to your employees;

It is important to note that employees are entitled to voluntarily opt out of auto-enrolment, but that there are a number of safeguards in place to prevent this being recommended by the employer.

We can help you to budget for the impact of auto-enrolment, and prepare for your staging date. Please contact us to find out more.

