PENSIONS AUTO ENROLMENT

By now many smaller employers will have received their staging date for the **Workplace Pension Auto Enrolment** scheme but are still unclear as to where their responsibility lies.

If you are a business and have one member of staff and that employee meets the age and earnings threshold you will have to automatically enrol them into a work place pension scheme.

So in essence that is anyone who earns more than £10,000 a year and is aged between 22 and the state pension age.

Earnings & Age Thresholds

This table shows the age and earnings thresholds and whether pensions will or will not apply to the various categories.

WORK PLACE PENSIONS AUTO ENROLMENT

Monthly gross earnings	Age: from 16 - 21	Age: from 22 - SPA	Age: from SPA - 74	Weekly gross earnings
< £486	Has a right to join a pension scheme			< £112
> £486 up to £833	Has a right to opt in			> £112 up to £192
> £833	Has a right to optin	Must be enrolled	Has a right to optin	> £192

SPA = State Pension Age

Has a right to join a pension scheme - if they ask, the employer must provide a pension scheme for them but the employer doesn't have to pay contributions into the scheme.

Has the right to opt in – if an employee asks to be put onto a pension scheme, the employer must provide an automatic enrolment scheme and make appropriate contributions.

Must be enrolled – the employer must put these employees into an automatic enrolment scheme and make appropriate contributions.

A key question often asked is whether someone is an employee or not?

If you pay their wages and make their National Insurance (NI) contributions, then they are considered to be an employee and you will therefore have to put a work place pension scheme in place for them.

However, if you are a Director of a company and use freelance staff, i.e. not direct employees, then you won't have to automatically enrol.

Pensions contributions will still apply if an employee is on paid leave, for example maternity or sick leave. Also when an employee leaves the company their workplace pension still belongs to them although the employer will no longer contribute towards the pension.

Setting Up a Workplace Pension Scheme

So how do you set up a workplace pension scheme?

You need to appoint a contact person and inform the Pensions Regulator.

You need to choose a scheme either by finding one yourself, using a pensions advisor or using an existing scheme if you have one.

You can also consider using the NEST scheme which is a workplace pension scheme set up by the UK Government. You can find more information on NEST by visiting the website

nest™
NATIONAL
EMPLOYMENT
SAVINGS TRUST

www.nestpensions.org.uk

You will then need to assess the staff you want to put on to the scheme.

This falls into 2 categories :

Type 1 - those that must go on the scheme

Type 2 - those that do not need to go on scheme, which is age/salary dependent.

You need to think about contributions - the minimum a company can put in to start with is 1% and it will rise to 3%. The minimum an employee can put in is 2% and it will rise to 5%.

Administering the Scheme

Think about who is going to run a scheme. You can do this either in house or through a monthly charge to a scheme provider.

Compliance

Within 6 weeks from your staging date you must write to your staff advising that they will be enrolled onto a pension scheme.

Within 5 months of your staging date you have to complete an on line declaration to confirm that you are compliant, which is accessed through the Government Gateway portal.

Those that don't comply will be subject to a penalty notice. And just a word of caution, the CIPD are predicting that the penalty for small and micro business could amount to a total of £22 million.

If you want to talk more specifically, then please contact Add HR where we can assist you further with the next steps.

FURTHER USEFUL INFORMATION

www.thepensionsregulator.gov.uk/

www.gov.uk/workplace-pensions/what-you-your-employer-and-the-government-pay

www.workplacepensions.gov.uk/employee/employer-contribution-calculator/

Workplace Pensions –
Some of your questions answered

Q1: Is everyone being enrolled into a workplace pension?

A: By law every employer has to enrol into a workplace pension, workers who:

- are not already in a qualifying workplace pension scheme;
- are aged 22 or over;
- are under State Pension age;
- earn more than a minimum amount (£10,000 a year, £833 a month, £192 a week in 2015-16); and
- work or usually work in the UK.

Q2: I meet that criteria, when will I be enrolled?

A: If you meet the criteria above (**Q1**), the timing of when your employer will enrol you into a workplace pension depends on their size. Your employer will give you the exact date nearer the time.

Q3: What if I don't meet the criteria to be enrolled?

A: If you don't meet the criteria above when your employer starts enrolling workers, you will not be automatically enrolled into a workplace pension. However, you may be able to join the pension scheme if you want, if you're not already a member. Your employer will let you know (so long as you're 16 or over, and under 75).

If you meet the criteria at a later date, for example you turn 22 or you start to earn more, and you are not already a member, then your employer will automatically enrol you.

Q4: Why is this happening?

A: The aim is to help more people have another income, on top of the State Pension, when they retire.
The State Pension is a foundation for your retirement. If you want to have more, you need to save during your working life. Otherwise, you may reach retirement facing a significant fall in your standard of living. The current state pension consists of:

- basic State Pension (a maximum of £115.95 a week in 2015 - 16); and
- additional State Pension (also known as SERPS or State Second Pension, which can be worth anywhere between 1p and around £160 a week on top of your basic State Pension).

The government is getting employers to enrol their workers automatically into a pension at work so it is easier for people to start saving.

You can opt out if you want to, but if you stay in you will have your own workplace pension which you get when you retire.

Q5: Who will pay into the pension?

A: You will pay into it. Your employer will pay into it too. They have to do this if you earn more than a certain amount (£5,824 a year, £486 a month, £112 a week in 2015-16). Plus most people will get a contribution from the government in the form of tax relief. This means some of your money that would have gone to the government as tax, goes into your pension instead.

Q6: How much will I get from my workplace pension when I retire?

A: It's possible to get an idea of how much you will get from your workplace pension by getting a 'pension estimate' (also sometimes known as a 'pension projection'). You can get this from whoever runs your pension scheme.

They may also have an online calculator that can help you work out the income you may get when you retire.

Q7: Will it be enough?

A: Being in a workplace pension means you've taken an important step towards giving yourself the lifestyle you would like in later life. You may want to start thinking about

the things you will need money for in retirement such as paying bills, transport and buying food, and the things you may also want to do such as:

- run a car
- meet friends for lunch or drinks
- buy gifts for your family or friends
- go on days out/ holidays
- do sport or other leisure activities.

Once you have an estimate of how much you can expect to get from your workplace pension you can think about whether it will be enough.

If you're concerned you will not have enough, you could think about contributing more to your pension, working longer, and/or saving in other ways. You can find out more about your options at: www.gov.uk/plan-retirement-income.

Q8: What if I work for more than one employer? Will I be enrolled into each of my employer's pension schemes?

A: If you meet the eligibility criteria with each employment, you'll be automatically enrolled into a workplace pension by each of your employers. So you could end up being in two (or more) different workplace pensions, one for each employer. However, if you work for more than one employer who uses the pension provider NEST for their workplace pension scheme, you will have only one NEST pension pot. Contributions from each employer will go into the same pot for you.

If you earn less than £10,000 a year (£833 a month, £192 a week) with an employer you won't be automatically enrolled into their pension.

Q9: What if I move jobs?

A: You may be automatically enrolled into a new workplace pension. This will depend on the size of your new employer, when you move, and if you meet the criteria listed in question one. Large and medium sized businesses have already started automatically enrolling their workers and all firms will come on board by 2018. If your new employer has a workplace pension but they don't automatically enrol you, they may give you the option of joining if you want.

If your new employer doesn't automatically enrol you, this will be because of one or both of the following reasons:

- they are not yet required to do so; or
- you don't meet the criteria listed at question one.

If you start a new pension (either 'workplace' or 'personal'), you may be able to combine your old pension with your new one. Your new pension scheme provider will be able to tell you if this is possible and, if so, how to go about doing it. Or if you want to, you might be able to continue making contributions to your old pension scheme after you've left your job. You would need to contact whoever runs your pension scheme to find out if this is possible, if there will be a cost involved and if you will get tax relief.

If you can't or don't want to do either of these options, then what happens to your pension depends on the scheme rules. Check with whoever runs your pension scheme.

Nowadays lots of people move jobs several times in their working lives, so it's important to keep track of the pensions you have. Keeping your statements will help you do this. If you have lost track of a pension, the government's Pension Tracing Service could help provide you with the contact details for that pension.

Website: www.gov.uk/find-lost-pension

Q10: What if I leave my job to become self-employed or stop working?

A: You should think about what income you'll have to live on in later life. Your employer will stop paying into your workplace pension, but you might be able to continue contributing, if you want. You would need to contact whoever runs your pension scheme to find out if this is possible and if there will be a cost involved.

Alternatively, you might want to set up your own personal pension, or put other plans in place to give you an income when you retire.

Q11: What happens to my pension if I die before retiring?

A: The rules vary depending on the type of scheme. Find out from whoever runs your pension whether you can nominate (choose) someone to receive the money if you die and how much they would get.

If you can nominate someone, whoever runs your pension should ask you to confirm in writing who that person is when you first join the pension.

If they don’t do this, you should ask them for a nomination form. You can change your nomination at any time. It’s important to review it if your circumstances change.

Please note: although in most cases the money will go to whoever is nominated, organisations who run pension schemes are allowed to pay it to someone else if this is needed. For example, if the person nominated cannot be found or has died.

Q12: Can I take the money out?

A: Currently, most people can’t take money from any pension scheme until they are aged at least 55. The exact age you get your pension depends on the rules of the scheme. To find out, check with whoever runs your pension scheme.

Q13: I’m paying into a personal pension already, what should I do?

A: It’s possible to have both a workplace pension and your own personal pension, so you could choose to continue paying into both. Or you might choose to continue with just one of them. It depends on your circumstances - for example, what you can afford and what your personal and workplace pension schemes are offering.

With your workplace pension, you will receive a contribution from your employer that you won't get with your own personal pension. However, your own personal pension may have a guarantee about future income.

If you’re considering this question, **The Pensions Advisory Service** might be a good place to start. The Pensions Advisory Service is an independent voluntary organisation which provides free information about pensions:

Website: www.pensionsadvisoryservice.org.uk

Q14: I had a workplace pension in a previous job, what should I do about that?

A: You could leave it where it is. You will get it when you retire, so long as you were in the pension scheme long enough. The length of time needed will be in the pension scheme rules. Or you might be able to combine it with your new workplace pension. If you’re considering doing this, you need to check with your current pension provider that it’s possible and, if it is, how to go about doing it.

If you need help with your pension options, **The Pensions Advisory Service** might be a good starting point.

Website: www.pensionsadvisoryservice.org.uk

If you have lost track of a pension, the government’s Pension Tracing Service could help provide you with the contact details for that pension.

Website: www.gov.uk/find-lost-pension

Q15a: What if I’m not sure it’s for me? I can’t afford it

A: For many people, paying into a workplace pension scheme is a good idea - even if they have other financial commitments, such as a mortgage or a loan. This is because you’re not the only one putting money in. Your employer has to contribute too, provided you earn more than a certain amount (£5,824 a year, £486 a month, £112 a week in 2015-16).

Most people will also get a contribution from the government in the form of tax relief. This means some of your money that would have gone to the government as tax, goes into your pension instead.

Over time, this money adds up and can grow.

But you should make sure you can afford to meet your other commitments. If you're behind on your mortgage, rent, credit card or other debt payments then a pension might not be the right step at the moment. It's something you should come back to at a later date, once your debts are more under control.

If you start saving into a workplace pension but then a few months or years later you want to stop paying, you can do so. You might want to check with whoever runs your pension scheme what happens when you stop paying, and how to re-join.

You can start paying into your employer's scheme again at a later date, if you decide you want to. Your employer has to accept you into their pension scheme once in every twelve month period. This means if you leave, join, then leave again within twelve months your employer does not have to accept you a second time. But they can choose to do so.

If you opt out or you stop making payments, your employer will automatically enrol you back into their pension at a later date. This is usually every three years. This is because your circumstances may have changed and it may be the right time for you to

start saving. Your employer will contact you and you can choose to stay in the workplace pension or opt out.

If you're struggling with debts and would like advice on how to manage your money, you might find the **Money Advice Service** a good starting point.

Website: www.moneyadviceservice.org.uk

Q15b: What if I'm not sure it's for me? I don't need to start saving for my pension yet

A: It may seem early to start planning for later life, but remember you could have twenty years of retirement and you will need an income. A workplace pension is one way to provide that income. Usually, the younger you are when you start paying into a pension the better. The money has more time to grow.

So even if it's only a small amount, the money you put away early in life can build up over time. Remember, your boss pays in too and the Government through tax relief.

Q15c: What if I'm not sure it's for me? It's too late for me

A: Being in a workplace pension is worth considering, even if you think you're too old. Unless your retirement is just a few weeks away, there's still time to build up some money.

Unlike other ways of saving, being in a workplace pension means you're not the only one putting money in. Your employer has to contribute too, provided you earn more than a certain amount (£5,824 a year, £486 a month, £112 a week in 2015-16).

Most people will also get a contribution from the government in the form of tax relief. This means some of your money that would have gone to the government as tax, goes into your pension instead.

If, when you retire, your pension savings are not more than a certain amount, you might be able to take it as a cash lump sum (instead of a regular income). To find out if this is possible, and if so, the amount and other rules, check with whoever runs your pension scheme.

Q16: Are pensions safe?

A: No savings, including pensions, are ever entirely risk-free. However, the government has put an increasing number of controls in place designed to minimise the risks. This means your money is better protected than in the past.

- The Pensions Regulator regulates workplace pensions
www.thepensionsregulator.gov.uk

- The Financial Conduct Authority (FCA) regulates the providers of personal pensions
www.fca.org.uk

There's no perfect answer for where to put your money for later life. Each type of saving and investment works differently and has its own pros and cons. But for most people it's better to do something, such as pay into a workplace pension scheme, than do nothing.

Q17a: I want to know more about workplace pensions. How is the money invested?

A: With a **Defined Contribution** workplace pension the contributions you and your employer pay in, plus the contribution from the government in the form of tax relief*, go into your pension pot.

Your pension pot is put into various types of investment, such as shares (shares are a stake in a company). It is expected to grow over time.

Your pension pot is invested in this way because in the long run it usually gives a better return than a savings account.

*Tax relief means some of your money that would have gone to the government as tax, now goes into your pension pot instead.

With some workplace pension schemes, you may be able to make decisions about how your money is invested. But you don't have to – all pension providers have to offer a fund that meets the needs of most people and this is where your money will be automatically invested. Whoever runs your pension scheme will have more information on this.

The earlier you start putting money into your workplace pension, and the more you and your employer put in, the more money you're likely to have at the end.

A: With a **Defined Benefit** workplace pension the amount you get at retirement is based on various factors. These could include your earnings and how long you have been a member of the pension scheme. How exactly it is worked out varies from scheme to scheme – whoever runs your pension will have information on this.

Q17b: I want to know more about workplace pensions. Can the value go down as well as up?

A: With **Defined Contribution** workplace pensions your pension pot is put into various types of investment, such as shares (shares are a stake in a company).

Your pension pot is invested in this way because in the long run it usually gives a better return than a savings account. Over the years, the value of investments can go up and down. But even if the value goes down in the short term, it is likely to recover in the long term.

As you approach retirement, you may be asked if you want your pension pot moving into investments less likely to reduce in value in the short-term. (This is called lifestyling). Some pension schemes do this automatically. You can check with whoever runs your pension if this applies to your scheme.

A: With **Defined Benefit** workplace pension schemes the amount you get at retirement is based on various factors. These could include your earnings and how long you have been a member of the pension. How exactly it is worked out varies from scheme to scheme and could change over time.

Q17c: I want to know more about workplace pensions. Could I lose my pension if my employer goes bust?

A: If you have a **Defined Contribution** workplace pension your pension pot is looked after by whoever runs your pension scheme. This is usually a pension provider, so if your employer goes bust you won't lose your pension pot. If a pension provider cannot pay, there are a number of organisations who might be able to help. For example, if the provider was authorised by the Financial Conduct Authority, the Financial Services Compensation Scheme (FSCS) can provide compensation. This will generally be because the provider has stopped trading and/or is unable to pay its debts. For more information visit: www.fscs.org.uk

If your pension scheme is run by your employer (on a 'trust' basis)* and they go bust, your pension pot might be smaller than it would have been. This is because, if your employer has been paying the pension scheme administration costs, they will no longer be doing so. These costs would now come from the scheme members' pension pots.

This is known as a 'Trust-based' Defined Contribution workplace pension scheme. The other type (run by a pension provider) is known as a 'Contract-based' Defined Contribution workplace pension scheme. If you want to know which type of Defined Contribution pension scheme you are in, check with whoever runs your pension scheme.

A: If you have a **Defined Benefit** workplace pension your employer is required to make sure their scheme has enough money to pay workers' pensions.

The Pension Protection Fund was set up in April 2005 to protect you if your employer goes bust and the pension scheme does not have enough money to pay your promised pension.
For people who have reached their scheme's pension age the Pension Protection Fund will generally pay 100 per cent compensation. For most people below the pension age, the Pension Protection Fund will generally pay 90 per cent compensation.

For more details on compensation visit: www.pensionprotectionfund.org.uk

(All information was correct at time of publishing. August 2016)