



Teachers Financial Planning

Employers' pension responsibilities

An overview of the recent changes to workplace pensions, the pension options available and ongoing responsibilities for businesses



Business UPDATE

The corporate pension landscape has changed considerably over the last few years. Many employers have changed the pensions they offer to employees, moving away from defined benefit pension schemes towards defined contributions.

The most notable change - automatic enrolment - was launched in October 2012. Since its launch, around 4.5 million workers have been automatically enrolled into a workplace pension scheme and almost 28,000 businesses have complied with their duties.

Even if you offered a pension scheme to your workforce before the introduction of automatic enrolment, you will still need to comply with the new rules.

Changes to workplace pension duties

Automatic enrolment means that you have a legal requirement to automatically enrol eligible workers into a qualifying pension scheme and contribute a certain percentage of each worker's earnings into the scheme.

There are also other obligations related to the information you must give to employees and around allowing them to join and leave the scheme.

Large companies with more than 250 employees in their largest PAYE scheme were expected to comply between October 2012 and February 2014. Those with 50-250 people in their largest PAYE scheme are being staged between April this year and April 2015.

Smaller businesses, with less than 50 members in their largest PAYE scheme will start complying between June 2015 and April 2017, while all new employers set up since April 2012 will be expected to comply by February 2018.

Your staging date is based on information held by HMRC on 1 April 2012, not your current staff headcount. If you are unsure when your staging date is, you can find out using The Pensions Regulator's website.

Changing your staging date

If you feel that your staging date isn't suitable or you want to meet your new

duties ahead of the legal deadline you can bring your staging date forward. You will need to choose a new staging date and let The Pensions Regulator know. Your pension scheme provider will also need to agree to the change.

In certain circumstances, you can also postpone the automatic enrolment of staff for up to 3 months from certain dates. Contact us to find out more about this.

Choosing a pension scheme

If you already have a pension scheme you will need to check with The Pensions Regulator that it meets the qualifying criteria to be eligible for automatic enrolment. Those required to set up a new pension scheme will also need to satisfy this criteria.

For UK based pensions, a qualifying scheme must:

- be either an occupational or personal pension scheme
- be tax registered
- meet certain other requirements, which differ depending on the scheme.



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A scheme also needs to meet specific automatic enrolment criteria, including that it must not:

- contain any provisions that prevent you from auto enrolling, opting in or re-enrolling
- require the job holder to express a choice in relation to any matter or to provide any information in order to remain an active member of the scheme.

If the scheme is a money purchase - or defined contribution - scheme it must also not contain any provisions that allow an amount to be deducted from a jobholder's pension pot or contributions, or the value of the pension rights to be reduced by any amount if that amount is to be paid to a third party.

There are additional criteria for non-UK pension schemes but it is important to seek professional advice.

Other elements to consider

Scheme simplicity

Members of your pension scheme will need the opportunity to understand the setup and structure of the scheme. They may not have a high level of financial knowledge, so the scheme needs to be simple enough for your employees to understand it, where their money is invested and the risks involved.

Investment options

The scheme you choose must have a default investment strategy, which means that members don't have to make an active choice about what to invest in. This strategy must be appropriate for

your members. However, some members may want to choose their own investment options, so this must also be an option. Too much choice can be confusing though, so your pension provider should be able to justify the options on offer and how they are appropriate for your members.

Value for money

The costs associated with your pension scheme should be competitive. It is important that you understand the value that your workers are getting for the costs involved and that these can be clearly explained to them.

NEST

NEST (National Employment Savings Trust) is one of the pension schemes that can be used to meet your new duties. It has been set up by law as part of the workplace pension reforms and is specifically designed for automatic enrolment.

Features of NEST include:

- it must accept all employers who apply to join
- it has been established by the government to ensure that employers with employees on low to medium incomes can comply with their automatic enrolment duties
- there are no charges for employers
- default investment strategies relating to retirement date
- other investment fund choices
- NEST can be used alongside existing pension schemes.

You don't have to use NEST and there are many other pension schemes

available that comply with the criteria for automatic enrolment. Please contact us to discuss your options.

Do businesses need to comply with auto enrolment?

Yes, complying with automatic enrolment rules is a legal requirement. The Pensions Regulator will be investigating breaches of the law and could conduct investigations, which could lead to statutory notices and penalties. Penalties for failing to comply with statutory notices start at £400 but could escalate to as much as £50,000.

Your ongoing responsibilities

Once your automatic enrolment pension offering is up and running you will have ongoing responsibilities. These include:

- paying regular contributions into workers' pensions
- monitoring the age and earnings of all staff to ensure they are automatically enrolled when appropriate
- process opt-in and opt-out requests
- keep and update records
- re-enrol eligible staff who have opted out every 3 years.

How we can help

We can help you to set up and maintain an appropriate pension scheme for automatic enrolment. Please contact us to find out more.

Important Notice

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any decisions based upon its content.

This information is based upon our understanding of current requirements, which may change in the future.

Whilst considerable care has been taken to ensure that the information contained

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