UNL Chartered Accountants

ACCA

A guide to **Workplace Pensions**
Employers Guide to Auto-Enrolment

A workplace pension is a way of saving for retirement that's arranged by an employer. Other names for workplace pensions are "occupational", "works", "company" or "work-based" pensions. Most new pension schemes are now "money purchase" also known as "defined contribution" or "DC" schemes. The following information only deals with money purchase scheme. Other schemes are known as defined benefit schemes and are not dealt with here.
You need to establish which workers would fall under the following categories.

1. Eligible Jobholders

"Eligible jobholders" is a phrase used for workers who must, if they are not currently enrolled in a qualifying scheme, be automatically enrolled into a workplace pension scheme.
To be an "eligible jobholders" a worker need to be:

- Aged between 22 years old and State Pension age
- Earn more than £10,000 a year
- Work in the UK

An employer must give their eligible jobholders information about their workplace pension scheme.

2. Non-eligible Jobholders

"Non-eligible jobholders" is a phrase used for workers who are not eligible for automatic enrolment but can choose to opt in to an automatic enrolment pension scheme.
Non-eligible jobholders are either:

1.Aged between 16 and 74 years of age; and Are working or ordinarily work in the UK under their contracts; and Have qualifying earnings payable by the employer which is more than the lower earnings threshold and not more than the earnings trigger for automatic enrolment.	2.Aged between 16 and 21, or state pension age and 74 years of age; and Are working or ordinarily work in the UK under their contracts; and Have qualifying earnings payable by the employer which is more than the lower earnings threshold and not more than the earnings trigger for automatic enrolment.

For 2014/2015 the lower earnings threshold is £5,772 per annum, £481 per month, £111 per week. The earnings trigger for automatic enrolment is £10,000 per annum.
The state pension age at April 2014 is 62 for women and 65 for men.
Non-eligible jobholders do not need to be automatically enrolled into a workplace pension. However, they have the right to opt in to an automatic enrolment scheme, if they choose, so an employer still has duties in relation to them.
An employer must give their non-eligible jobholders certain information about opting in to an automatic enrolment scheme and what this means for them.
The employer must give this information to the non-eligible jobholder within six weeks of the later of:

- The employer's staging date; or
- The non-eligible jobholder's first day of employment.

If a non-eligible jobholder chooses to opt in to a pension scheme, they must do so by giving an "opt-in notice". On receipt of a valid opt-in notice, the employer must enrol the non-eligible jobholder into an automatic enrolment scheme by following the automatic enrolment process. The employer will then need to pay employer contributions to the scheme and deduct contributions from the jobholders pay and pay these to the scheme.

3. Entitled Workers

"Entitled workers" is a phrase used for workers who are not eligible for automatic enrolment but can choose to join a pension scheme.
Entitled workers are:
Aged between 16 and 74; and
Working or ordinarily work in the UK under their contract; and
Have qualifying earnings payable by the employer in the relevant pay reference period but below the lower earnings threshold.
Entitled workers do not need to be automatically enrolled into a workplace pension. However, they have the right to join a pension scheme, if they choose, so an employer still has duties in relation to them. The pension scheme the employer chooses to use can be a different scheme to the one they may be using for automatic enrolment.
An employer must give their entitled workers certain information about joining a pension scheme and what this means for them.
The employer must give this information to the entitled worker within six weeks of the later of:

- The employer's staging date; or
- The non-eligible jobholder's first day of employment.

If an entitled worker chooses to join a pension scheme, they must do so by giving the employer a "joining notice". On receipt of a joining notice, the employer must then arrange membership of a scheme for them.
The employer will then need to deduct contributions on behalf of the entitled worker and pay these into the scheme. However, the employer does not have to pay into the scheme themselves, unless they choose to do so, or have chosen a scheme that requires an employer contribution.

Money deducted from pay

A percentage of the workers pay will be deducted automatically by the employer every payday. This together with contributions from the employer and the government will be paid into the workers pension pot. The employer needs to pay the contributions to the pension scheme within a specified time limit. Contributions must be paid to the pension pot no later than 22nd day (19th if paid by cheque) of the month after the deduction from pay was made.

The money is normally invested within the pension pot by the pension scheme administrators. Sometimes employees have a say into what type of investments the pension pot holds, and sometimes the investments are decided on by the pension scheme administrator.

How much will the contributions be?

The minimum the employer pays into the workers'pension pot is 1% of their "qualifying earnings" which will rise to 3% by 2018. The minimum amount that will be deducted from your pay and paid into your pension pot will be 0.8% of your "qualifying earnings" which will rise to 4% by 2018. The government pays into your pension pot 0.2% of your "qualifying earnings which will rise to 1% by 2018.

The minimum contributions are set out in the following table:

	Employer	Employee	Government	Total
Start date to 30 Sept 2017	1%	0.8%	0.2%	2%
1 Oct 2017 to 30 Sep 2018	2%	2.4%	0.6%	5%
1 October 2018 onwards	3%	4.0%	1.0%	8%

"Qualifying earnings" are either:

- The amount earned before tax between £5,772 and £41,865 a year
- The entire salary or wages before tax

The employer chooses how to work out the workers earnings.

The employer can put the worker in a scheme where the worker and/or the employer have to pay more than the legal minimum. In other cases the worker and the employer have the option to pay in more than the legal minimum. The worker can pay in less – as long as the employer puts in enough to meet the legal minimum.

The employer decides the minimum and maximum amounts the worker and the employer can pay in.

Effect on tax credits, income-related benefits or student loan repayments

Joining a workplace pension scheme means the workers take-home pay will be reduced which may:

- Mean they are entitled to tax credits or increase the amount of tax credits they get
- Mean they are entitled to an income-related benefit or increase the amount of benefit they get
- Reduce the amount of student loan repayments they need to make.

Withdrawing money from the pension pot
The worker can't usually take the money out before they are 55 years old unless they are seriously ill. There is restriction regarding 'tax' free withdrawals.
The worker managing their pension
The pension provider will usually send the worker a statement each year to tell them how much is in their pension pot.
The worker may be able to nominate (choose) someone to get their pension if they die. This can usually be done at any time and the nomination can be changed at any time.

Changing jobs and taking leave
If the worker changes jobs their workplace pension still belongs to them. The money will still be invested and they will be able to withdraw it as explained above.
If they get another job they will be able to join the workplace pension arranged by their new employer. Depending on the schemes rules they may be able to:

- Carry on making contributions to their old pension
- Transfer the pension pot built up with the old employer to the new pension scheme

During paid leave, the worker and the employer carry on making pension contributions. The amount the worker contributes is based on their actual pay during this time, but the employer pays contributions based on the salary the worker would have received if they weren't on leave.

During unpaid leave, the employer doesn't have to make pension contributions unless the contract with the worker says otherwise. The worker may be able to make contributions if they want to but they should check with the employer or pension scheme provider.

If the worker want to leave your workplace pension scheme
If the worker wasn't automatically enrolled then they will need to check with the employer as to what they need to do.
If they were automatically enrolled then they can leave (called opting out) if they want to.
If they opt out within a month of the employer adding them to the pension scheme, they'll get back the money they've already paid in.
The rules of the pension scheme may allow them to reduce their contributions to the workplace pension for a short time. They should check with both their employer and the pension scheme provider to see if they can do this.
The worker will be able to opt back in to the workplace pension scheme at any time by writing to your employer. You have to be accepted back into their workplace scheme once in every 12 months and then you and your employer will make contributions into the scheme again although if the worker is an "entitled worker" the employer is not obliged to make contributions.
If the worker opts out of their workplace pension scheme the employer should automatically enrol them back into that scheme after 3 years, as long as that worker still qualifies as an "eligible jobholder". The employer should write to that "eligible jobholder" when they do this although at that time the "eligible jobholder" can again opt out.

Further advice

For questions about the specific terms of your workplace pension scheme you should ask your pension scheme provider.

For free impartial information about workplace pension options contact:

The Money Advice Service

https://www.moneyadviceservice.org.uk/en/categories/pensions-and-retirement

The Pensions Advisory Service

http://www.pensionsadvisoryservice.org.uk/

An independent financial adviser would be able to provide impartial advice although you will usually have to pay for this.

http://www.unbiased.co.uk/

If the worker is concerned about the way the employer is dealing with their automatic enrolment into a workplace pension The Pensions Regulator can investigate these.

http://www.thepensionsregulator.gov.uk/individuals/reporting-a-concern.aspx

Also The Pensions Advisory Service may be able to help with these concerns

http://www.pensionsadvisoryservice.org.uk/contact-us.aspx

The workplace pensions enrolment tool may also be helpful to find out how the workers should be affected by auto-enrolment

https://www.gov.uk/auto-enrolled-into-workplace-pension