

Strathclyde Pension Fund Event

Administrators' / Admitted Bodies Forum



Workplace Pension Reform

Neil Esslemont

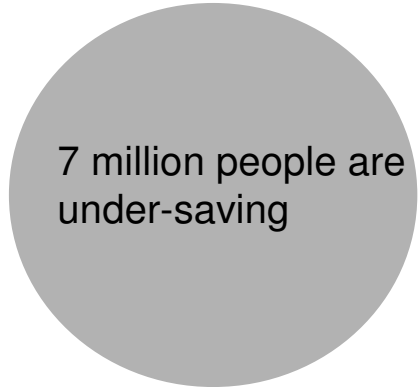
**Head of Large Employer
Communications**

30th Sept 2011

**The Pensions
Regulator**

Background to pensions reform

- As a society we are living longer, healthier lives
- Experts predict that without change, millions of people will have inadequate income in retirement
- Following the 2005 Pensions Commission a package of reforms covering state and private pensions is being introduced
- Pensions Acts passed in 2007 and 2008
- Pensions Bill 2011 & Making Automatic Enrolment Work (expected to receive royal assent in Autumn 2011)



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Workplace Pension Reform & DWP, TPR & NEST Remit

- **DWP** – Policy owner and responsible for enabling and coordinating activity for the programme - and for communications to workers.
- **The Pensions Regulator** – independent regulator responsible for delivering a proportionate compliance regime and for communicating the duties to employers, intermediaries and providers.
- **NEST** (National Employment Savings Trust) **Corporation** – is a pension provider available to all employers who want to use it.
 - NEST has been designed to complement existing provision.
 - NEST has a Public Service Obligation and operates independently of the DWP and TPR.

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Introduction

- Employers must **not**:
 - ✗ Induce their employees to opt out
 - ✗ Discriminate against employees seeking a pension
- Employers will be required to:
 - ✓ Automatically enrol eligible staff into a qualifying scheme
 - ✓ Make at least the minimum level of contributions
 - ✓ Provide information to all staff
 - ✓ Maintain records for up to 6 years
- The Pensions Regulator will:
 - ✓ have a statutory objective to maximise employer compliance with new duties
 - ✓ Communicate the requirements to employers and the wider industry
 - ✓ Develop a registration process
 - ✓ Implement a compliance model

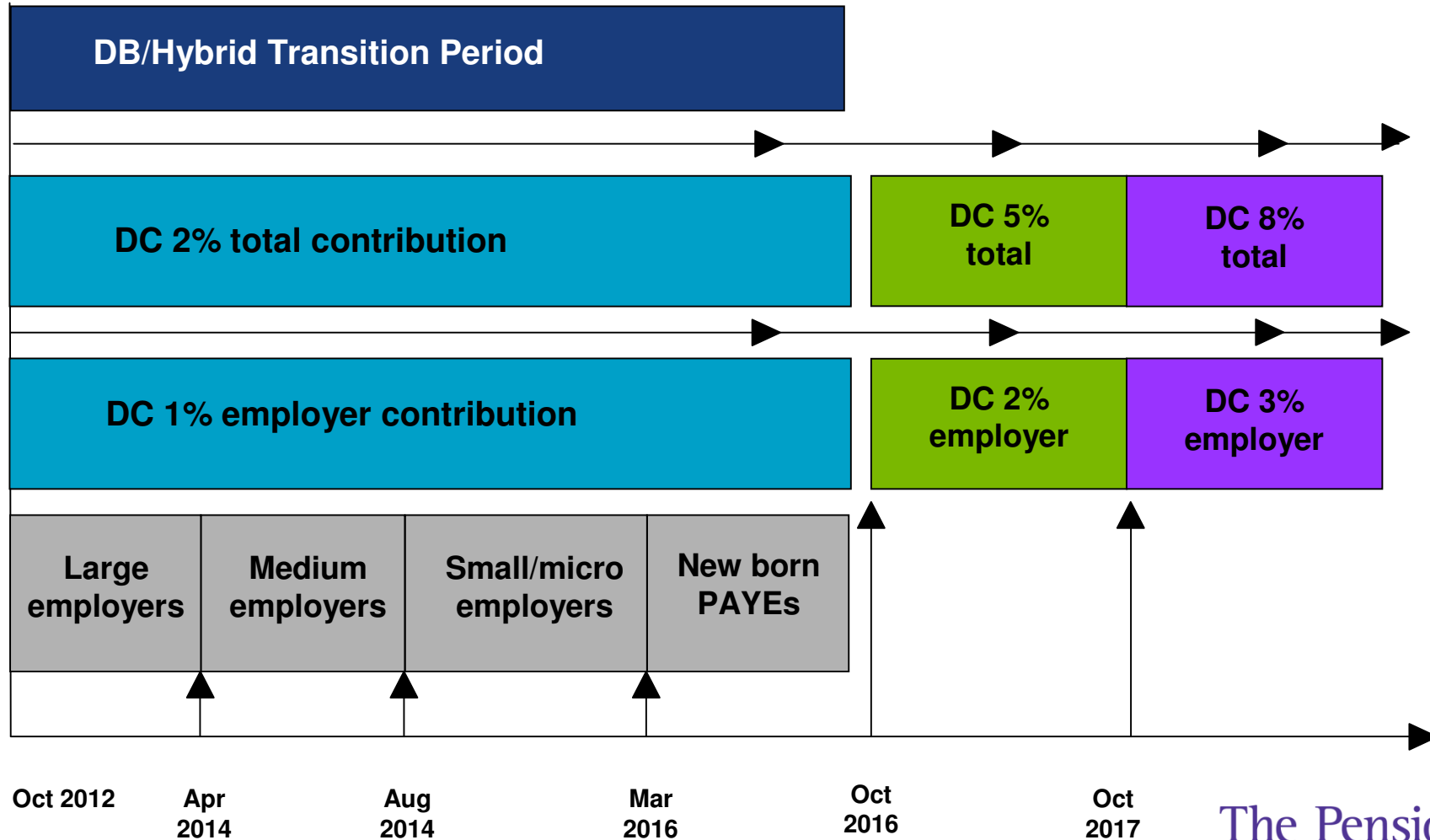
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7 Steps to Preparing for Workplace Pensions Reform

- 1) Know your staging date – when to act
- 2) Assess your workforce
- 3) Choose a pension scheme for automatic enrolment
- 4) Communicate the changes to all your eligible workers
- 5) Automatically enrol your eligible workers
- 6) Register with the Pensions Regulator
- 7) Contribute to your workers' pensions

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Staging / DC Phasing / DB Transition Period



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1. Know Your Date - Staging Dates for Large Employers

No. Staff in Largest PAYE	Staging Date
120,000 or more	01-Oct-12
50,000-119,999	01-Nov-12
30,000-49,999	01-Jan-13
20,000-29,999	01-Feb-13
10,000-19,999	01-Mar-13
6,000-9,999	01-Apr-13
4,100-5,999	01-May-13
4,000-4,099	01-Jun-13
3,000-3,999	01-Jul-13
2,000-2,999	01-Aug-13
1,250-1,999	01-Sep-13
800-1,249	01-Oct-13
500-799	01-Nov-13
350-499	01-Jan-14
250-349	01-Feb-14

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PAYE Schemes & Employer Structure

- Size of PAYE scheme determines STAGING date.
- Indicative until April 2012 – firm date set by HMRC data on 1st April 2012.
- Where multiple PAYE schemes used by an employer, staging determined by the *largest* PAYE reference in use by employer (do *not* add them).
- Employers may make Staging Date earlier (with some restrictions), but *not* later.
- Total number of people in PAYE counted for Staging Date purposes (even people being paid a pension, although a PAYE scheme containing *only* pensions payments can be excluded).

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2. Assess your Workforce

Earnings†	Age (inclusive) →	16-21	22-SPA*	SPA*-74
Under lower earnings threshold (£5,035)		Entitled worker		
Between £5,035 and £7,475		Non-eligible jobholder		
Over earnings trigger for automatic enrolment (£7,475)		Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

† Based on “Qualifying Earnings”

* SPA = State Pension Age

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“Qualifying Earnings”

‘Qualifying earnings’ is a reference to earnings of between £5,035 and £33,540[†] made up of any of the following components of pay that is due to be paid to the worker:

- salary
- wages
- commission
- bonuses
- overtime
- statutory sick pay
- statutory maternity pay
- ordinary or additional statutory paternity pay
- statutory adoption pay.

[†] These figures are for the year 2006-2007. The Pensions Bill 2011 proposes a power for the Secretary of State to review this amount each tax year. The review is expected to change this figure in January 2012.

3. Choose a Pensions Scheme

- Pensions schemes can be a “qualifying automatic enrolment scheme” (if workers are to be automatically enrolled into the scheme)
- or just a “qualifying scheme”.
- Each existing scheme must be made at least a “qualifying scheme”
- or eligible jobholders must be automatically enrolled into a different scheme (even existing scheme members).
- DC Schemes can be Self Certified (based on contribution levels).
- DB Schemes are “qualifying” if Contracted Out (or meet other criteria, if not).
- A “qualifying automatic enrolment scheme” must have no barrier to enrolment (e.g. scheme would need a default fund / contribution rate).

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4. Communicate Changes

Need to communicate to **all** workers, even those in qualifying scheme:

- Direct (e.g. letter, e-mail, payslip, HR web-portal);
- Must be personal (e.g. Dear Mr Smith) for workers *not* already in a qualifying pension scheme;
- Can be non-personal (Dear Member) for staff already in qualifying scheme;
- Deadline 1 month after Staging (2 months for scheme members)

5. Automatic Enrolment

- Auto-enrolment of Eligible Jobholders into Qualifying Scheme.
- Non-eligible Jobholders have right to Opt In to Qualifying Scheme.
- May use up to 3 month Postponement / Waiting Period.
- Need to continuously monitor age and earnings post-Staging.

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Opting-out

- Employer MUST give staff information on how to Opt-out
- Employer MUST NOT send out Opt-out Forms
 - Opt-out form from Pension Scheme Admin
- 1 Month Opt-out window
 - Early Opt-outs are invalid
 - although 2 weeks added to Opt-out window
 - Late Opt-outs – normal scheme rules apply

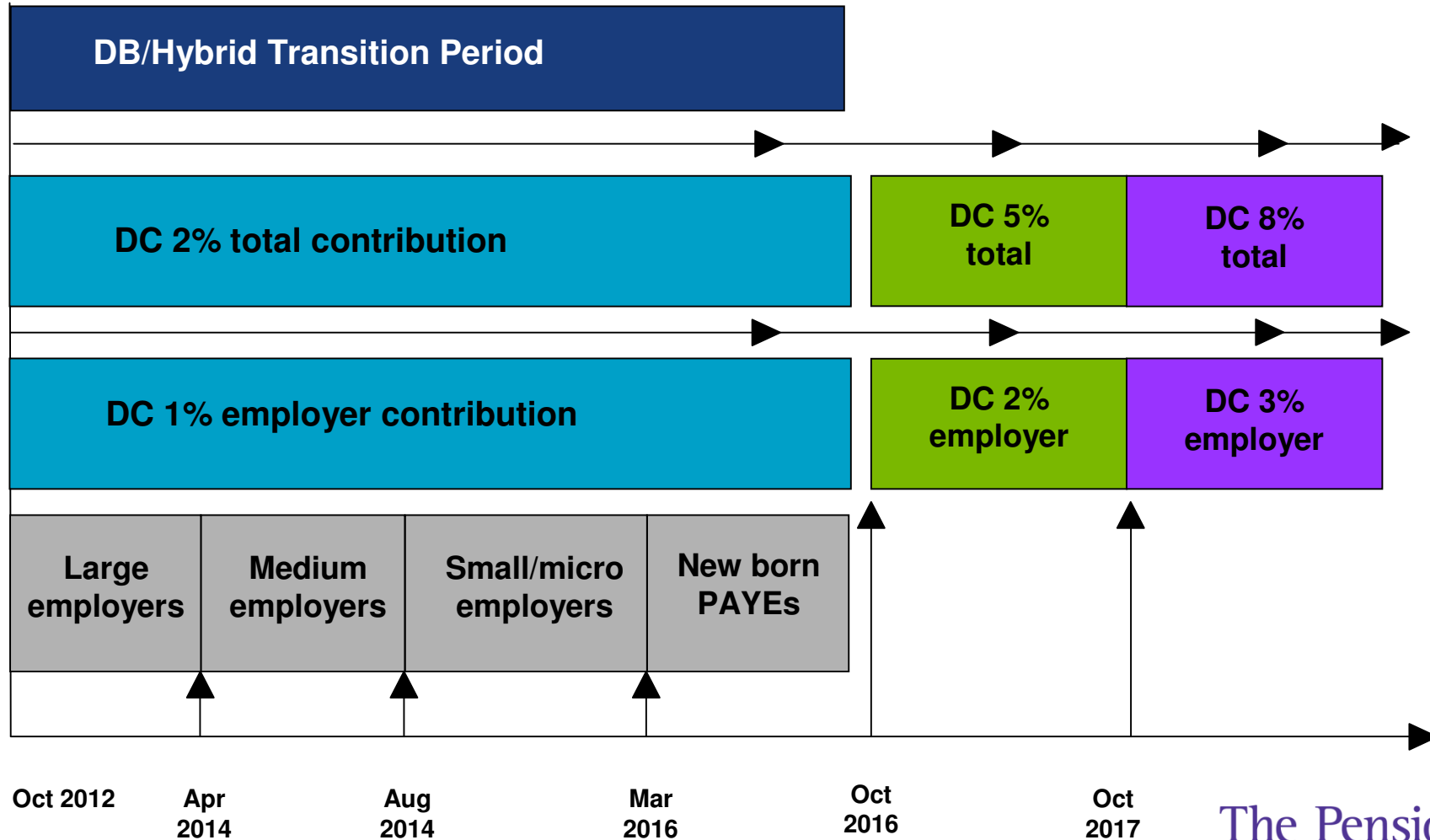
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6. Register with TPR

- Employers MUST register with TPR to confirm they have complied
- Deadline is 4 months after Staging / Re-enrolment date
- Employers will provide key information including:
 - Pensions scheme details
 - Number of workers automatically enrolled

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7. Contributions & DC Phasing / DB Transition Period



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Re-Enrolment

- Automatic Re-enrolment on 3 yearly Anniversary of employer's STAGING
 - Except any jobholders who have Opted-out in 12 months prior to 3 year anniversary.
- Option to move re-enrolment date up to 3 months before, or after, the third anniversary of the staging date.
- In addition, the requirement to communicate with members in a qualifying scheme **only** applies at the staging date (so when automatic enrolment is repeated 3 years later, no further action need be taken for workers who will not be affected by automatic enrolment).

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Detailed Guides: www.tpr.gov.uk/pensions-reform/detailed-guidance.aspx

www.tpr.gov.uk/pensions-reform/software-developers.aspx

DWP Consultation: www.dwp.gov.uk/docs/workplace-pension-reform-consult.pdf

The screenshot shows the homepage of The Pensions Regulator. At the top, there is a navigation bar with links: Home | Glossary | Exchange login | Contact us | About us | How we regulate and enforce | Press room. The main header features the logo 'The Pensions Regulator' and the tagline 'Committed to increasing confidence and participation in work-based pensions'. Below this is a secondary navigation bar with buttons for 'FOR PROFESSIONALS', 'FOR EMPLOYERS', 'FOR TRUSTEES', 'FOR INDIVIDUALS', and 'DOC LIBRARY'. The main content area is titled 'PENSIONS REFORM' and includes a paragraph explaining the government's aim to encourage more people to ensure adequate and well-protected pension savings. A central image of a clock is present. To the right is a search box with a 'GO' button. Below the search box are three boxes: 'Know what you're looking for?' with links to 'Regulatory guidance', 'Codes of practice', and 'Consultations'; 'Keep up to date' with links to 'Subscribe to news-by-email', 'Subscribe to news feeds', and 'Share this page'; and 'Useful websites' listing 'The Department for Work and Pensions', 'Personal Accounts Delivery Authority', 'The Pensions Advisory Service', and 'Business Link'. At the bottom of the main content area are four boxes: 'The changes', 'Learn the terms', 'Automatic enrolment explained', and 'Staging and phasing', each with a 'More about...' link. A 'FAQs' link is also visible at the bottom left of the main content area.

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Additional Slides



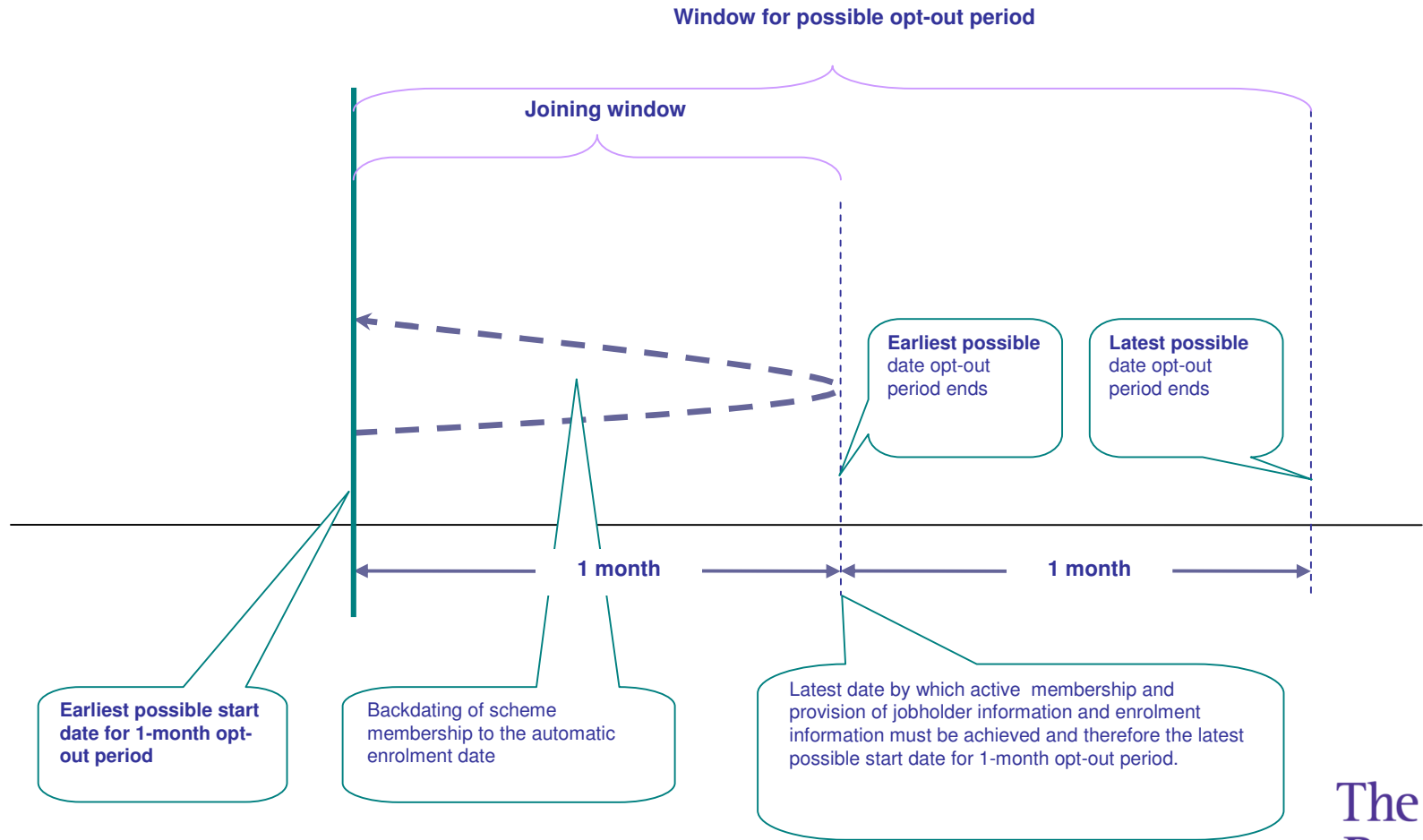
Thank you

neil.esslemont@tpr.gov.uk

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Automatic Enrolment

Timescales surrounding automatic enrolment and opting out



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DC Self Certification

The MAEW review recommendation was that the minimum requirements can be met by DC pension schemes if, under the scheme rules (or agreements, in the case of a personal pension scheme):

1. the total minimum contribution must be at least **9%** of the scheme's definition of pensionable pay (at least **4%** of which must be the employer's contribution), or
2. the total minimum contribution must be at least **8%** of the scheme's definition of pensionable pay (at least **3%** of which must be the employer's contribution) provided that pensionable pay constitutes at least **85% of total** pay (the ratio of pensionable pay to total pay can be calculated as an average at scheme level); or
3. the total minimum contribution must be at least **7%** of the pension scheme's definition of pensionable pay (at least **3%** of which must be the employer's contribution), provided that **total** pay is pensionable.

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DC Self Certification & Phasing Period†

	Up to 1 st Oct 2016	1 st Oct 2016 to 30 th Sept 2017	From 1 st Oct 2017	Pensionable Salary (Basis of % Contributions)
Tier 1	2% Employer / 3% Total	3% Employer / 6% Total	4% Employer / 9% Total	Scheme Definition
Tier 2	1% Employer / 2% Total	2% Employer / 5% Total	3% Employer / 8% Total	≥85% of Total Pay (scheme average)
Tier 3	1% Employer / 2% Total	2% Employer / 5% Total	3% Employer / 7% Total	100% of Total Pay

† As proposed by DWP in their July 2011 Public Consultation document

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