

An introduction to work-based pension changes

Work-based pensions are being reformed to encourage more people to save for their retirement. As an employer, you are likely to be affected by the reforms. To find out more, read this leaflet.



What are the changes?

You must provide a **pension scheme** for certain members of your workforce from 2012 and as an employer, you will need to make a contribution towards it. Even if you already offer pension arrangements for your workers, you will still have some new obligations to meet.

The pension scheme that you provide must meet a number of conditions based on the level of contributions paid or the benefits received.

Membership of the scheme must be automatic for certain workers, known as 'eligible jobholders'. Because these people will not have to do anything to join the scheme, the process is known as 'automatic enrolment'. Most of your workers are likely to be included in the automatic enrolment process. They can choose not to be in the scheme if they want to, by actively 'opting out'.

If you already have a pension scheme, you may be able to use it if it meets certain qualifying conditions.

Work-based pension scheme

An arrangement you make to provide your workers with an income for when they retire.

Worker

A 'worker' is a wider category than just employees and can include some contractors or agency workers.

As a general rule, if you have to pay the national minimum wage to someone, or they are working under an apprenticeship, they are a worker.

Eligible jobholders

Workers you will need to automatically enrol are known as 'eligible jobholders'. These are workers who:

- earn more than the minimum earnings threshold
- are aged between 22 and state pension age; and
- work in the UK.

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Why are the changes being introduced?

People are living longer and are likely to enjoy a longer **retirement**. But many people are not saving for their retirement at all, and many who are saving aren't saving enough.

These changes will give many more people the chance to save for when they retire. The main benefits for your workers are that you pay a contribution and that it is an easy way for them to save.

Changes are needed to encourage more people to save for their retirement.

When do the changes come into effect?

Each employer will be given a date from which the changes will have to be in place. This is known as your **staging date**.

- The first staging dates will be in October 2012 and will continue through to 2016.
- Your staging date will be broadly based on the number of people you have in your PAYE scheme.
- Employers with the largest number of workers will have the earliest staging dates. The smallest employers will have later staging dates from 2014.
- We will contact you 6 to 12 months before your staging date.

You can find out what your staging date is likely to be by visiting our website at www.tpr.gov.uk/staging

You can, of course, set up pension arrangements for your workers at any time. You don't have to wait until automatic enrolment is introduced in 2012.

What will I have to do?

You will have to automatically enrol your eligible jobholders into a qualifying pension scheme and make an employer contribution towards it.

The main things you must do are:

- provide a qualifying scheme for your workers
- automatically enrol all eligible jobholders into the scheme
- pay employer contributions for eligible jobholders to the scheme
- tell all eligible jobholders that:
 - they have been automatically enrolled and
 - they have the right to opt out if they want
- register with us and give us details of your qualifying scheme and the number of people that you have automatically enrolled.

You must not:

- encourage your workers to opt out of the qualifying pension scheme
- have recruitment practices that will benefit job applicants who indicate they are prepared to opt out or
- treat a worker unfairly or put them at a disadvantage because of automatic enrolment.



What contributions will I have to make?

You must contribute at least 3 per cent of your worker's earnings, although you can choose to pay more if you wish. The worker will be responsible for paying the rest. They will get tax relief on their contribution and the total combined contribution will be a minimum of 8 per cent.

There are different rules for defined benefit schemes, including final salary schemes. More details will be available on our website later in the year.

Contributions will be based on a band of gross annual earnings. When working out your contribution, you do not need to consider any amount your worker earns above the upper earnings threshold.

What if I have an existing pension scheme?

Even if you already provide a pension scheme for your workers, you will need to check if it is a **qualifying scheme**.

It will need to meet certain requirements depending on the type of scheme you have. It must also be appropriate for automatic enrolment. You can find out more by visiting our website at www.tpr.gov.uk and following the links to 'pensions reform'.

You should review your existing scheme and discuss the rules and possible changes with your trustees or pension provider.

How will I know if my scheme is a qualifying scheme?

Many occupational and group personal pension schemes will qualify. To be a qualifying scheme, it needs to meet **certain requirements**.

To be a qualifying scheme, minimum contributions must be made or it must provide a minimum rate at which benefits will build up. Even if it doesn't qualify at the moment, you may be able to change the scheme rules or amend the terms of the policy so that you will be able to use it by the time your staging date comes around.

You may want to speak to a professional adviser about whether your scheme will qualify. We will be providing more information later in the year on our website at www.tpr.gov.uk

You can also sign up to our news-by-email service for regular updates at www.tpr.gov.uk/news



What if I do not have an existing pension scheme?

If you do not have an **existing pension scheme**, you may wish to take advice on how to find a suitable **pension provider**.

We will be updating our website with more information about work-based pension schemes in the coming months. In the meantime, you and your workers can find general information about pensions on the following websites:

Financial Services Authority
www.moneymadeclear.fsa.gov.uk

The Pensions Advisory Service
www.pensionsadvisoryservice.org.uk

Business Link
www.businesslink.gov.uk

To find a financial adviser or financial planner, you can contact:

IFA Promotion
www.unbiased.co.uk

What should I do next?

You can find out when your staging date is likely to be by visiting our website at www.tpr.gov.uk/staging

All you will need to know is the number of workers you have and your PAYE reference.

Later this year we will publish more information and help on our website, telling you what you need to do and when you need to do it. Also, look out for letters and emails from us about the changes and your staging date.

To keep updated on all developments as they happen, sign up to our 'news-by-email' service. Visit www.tpr.gov.uk/news

Where can I find more information?

More information on pensions reform is available at:

Department for Work and Pensions (DWP)
www.dwp.gov.uk/policy/pensions-reform



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