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HR Update

Pensions auto-enrolment - Step 4 - Communicating the Changes to your Workers;

In this month's HR Update we continue with our series on how to prepare for 'Pensions Auto-enrolment' by focusing on Step 4 of The Pension Regulator's '7 steps to auto-enrolment'. Please refer to previous newsletters, available at www.hasslefreehr.co.uk, for advice on Step 1; Knowing your staging date, Step 2; Assessing your workforce and Step 3; Pension Arrangements.

As a reminder, the government has introduced 'pensions auto-enrolment' to encourage workers to save for their old age. Employers will be required to auto-enroll specified workers in to a qualifying pension scheme and make employer contributions on their specified staging date.

Auto-enrolment is different from the stake holder pension regime as that required workers to opt in to saving whereas auto-enrolment reverses this. Qualifying workers are enrolled automatically by their employers i.e. without their consent, and if a worker decides that he or she does not want to be a member of the employer's pension scheme, the worker will need to take the active step of opting out.

Auto-enrolment will be an additional expense for many employers and with this in mind safe guards have been put in place to prevent employers from discouraging employees from opting in, or remaining opted in. The Pension Regulator has the power to impose hefty fines on employers who breach these safe guards.

Auto-enrolment will apply to only those workers who are termed as ‘eligible job holders’ which are those aged at least 22 but below the state pension age who earn qualifying earnings of more than £8,105 for the 2012-2013 tax year. Employers will have one month to complete auto-enrolment for eligible job holders. Employers will have duties towards other workers too.

The contribution rate will be phased in between 1 October 2012 and 1 October 2018 however by 1 October 2018 this will be 8% of a specified band of earnings which comprises of an employer contribution of 3%, a worker contribution of 4% and tax relief of 1%.

The transition period for contribution rates leading up to the 1 October 2018 will commence with a contribution rate of 1% up to 30 September 2017 and 2% between 1 October 2017 and 30 September 2018.

Step Four - Communicate the changes to all your Workers

With pensions auto-enrolment, you will have a duty, as an employer, to provide the right information, to the right worker, at the right time. Irrespective of the ‘category of worker’, i.e. if they are categorised as an ‘eligible worker’, a ‘non-eligible worker’ or an ‘entitled worker’, you will have an obligation to give specified information within prescribed time limits. The only exceptions are those workers aged under 16, or 75 and over.

What information do you have to provide to each category of worker?

The information you are required to provide will vary as follows;

Eligible jobholders;

- If the eligible jobholder is being automatically enrolled then they must be provided with information about their automatic enrolment, what it means for them and their right to opt out.
- If they are already a member of a qualifying pension scheme then they must be provided with information about the scheme.
- If they are subject to the transitional period for defined benefit (DB) and hybrid schemes then they must be provided with information about the deferral of automatic enrolment.

Non-eligible jobholders;

- Must be provided with information telling them about their right to opt in to an automatic enrolment scheme.
- If they are being enrolled after opting in then they must be provided with information about enrolment, what it means for them, and about their right to opt out.
- If they are already members of a qualifying pension scheme with their employer then they must be provided with information about their active membership.

Entitled workers;

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Must be provided with information telling them about their right to join a pension scheme.

In addition, if you are using 'postponement' to postpone the assessment of all your workers at your staging date, you will have to give notice to all your workers.

How do you provide the information?

You need to provide the information in writing, which can include email, but you need to send it to each individual, therefore it is not acceptable to post it to an intranet site or to display a poster.

Someone acting on your behalf, such as an Independent Financial Adviser (IFA) / Pensions Expert can send the information, but it remains your responsibility to make sure it is given, on time, and is correct and complete.

Available Resources

To help you fulfil your duty to communicate to your workers, The Pension Regulator has provided an 'employer letter template tool' which consists of a raft of templates, to suit every scenario. These can be downloaded from <http://www.thepensionsregulator.gov.uk/employers/writing-to-workers-about-automatic-enrolment.aspx>

We hope you have found this newsletter informative. Our sources have included XpertHR Professional and The Pensions Regulator.

Further Advice

There may be circumstances that are not covered in the 'employer letter tool' and if this is the case for you then you may choose to seek additional guidance from an Independent Financial Advisor (IFA) / Pensions Expert to ensure you meet your legal obligations.

If you have any employee related problem which you would like to discuss in confidence then please don't hesitate to contact us; ehedley@hasslefreehr.co.uk for further advice and information.

For clarification of any of the above updates or for advice and guidance on any HR and/or Health and Safety Concerns contact us by emailing ehedley@hasslefreehr.co.uk or by calling 02476 664092.

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