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Human Resources & Health and Safety

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HR Update

Pensions auto-enrolment;

In our last e-newsletter, at the beginning of this month, we provided you with an employment law update which included notification on the beginning of 'pensions auto-enrolment'.

In this month's HR Update we would like to provide you with additional information on what this means for employers and will provide further updates thereafter, over the forthcoming months on the practical steps of preparing for and complying with auto-enrolment.

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.

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 – see below for further information.

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 1st October 2018 will commence with a contribution rate of 1% up to 30th September 2017 and 2% between 1st October 2017 and 30th September 2018.

The Pension Regulator is recommending 7 steps to auto-enrolment as follows;

- **Step One** Know your staging date
- **Step Two** Assess your workforce
- **Step Three** Review your pension arrangements
- **Step Four** Communicate the changes to all your workers
- **Step Five** Automatically enroll your 'eligible job holders'
- **Step Six** Register with the Pensions Regulator and keep records
- **Step Seven** Contribute to your workers pensions

The Pensions Regulator will write to employers to notify them of when their staging date is, but employers can also check their staging date on the Pensions Regulator website at www.thepensionsregulator.gov.uk or refer to our Employment Law Update issued on 1 October 2012.

Assessing your workforce will involve identifying what types of 'workers' you have. An employer will have duties in respect of the following types of worker – respective duties are listed below;

Entitled Workers;

will be aged between 16 and 74 years, will work in theUKand will have earnings below £5,564. They are termed as 'entitled workers' because they will be entitled to join the pension scheme.

Employer duties will include a written explanation of their right to join the pension scheme within one month of the employers staging date and employee deductions only (no employer contributions required)

Eligible Job Holders;

will be aged between 22 years and the state pension age (SPA) will work in theUKand have earnings over £8,105. They are termed as 'eligible job holders' because they will be automatically enrolled in to the pension scheme.

Employer duties will include automatic enrolment, written confirmation that this has taken place including an explanation of the workers right to opt out and back in again, provision of information about the eligible job holder to the pension scheme and employee deductions and employer contributions to the pension scheme.

Non-Eligible Job Holders;

will be aged between 16 and 21 years or the SPA and 74 years, will work in the UK and have earnings above £5,564 but below £8,105. They are termed as 'non-eligible job holders' because they will not be automatically enrolled but will have the right to opt in.

Employer duties will include a written explanation of their right to opt in to the pension scheme within one month of the employers staging date and employee deductions and employer contributions, if the worker chooses to opt in.

In our November Employment Law Update we will include details about 'Step Three – Reviewing Your Pension Arrangements' which will include details about the practical steps of using the governments national employment savings trust (NEST).

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

Further Advice

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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