Pension Quality Mark

Auto Enrolment Summary...

...understanding your options

NOW: Pensions

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NOW: Pensions can help you comply with auto-enrolment, so you can focus on your business and employees

Automatic Enrolment Summary

The government is introducing requirements for employers to automatically enrol workers into a qualifying pension scheme without employees having to do anything. The staging dates for automatic enrolment are approaching fast and with them comes a vast amount of information that employers need to process in order to comply with their new obligations. This guide has been designed by NOW: Pensions to help explain in simple terms the complex rules and regulations around auto-enrolment so you can spend more time running your business.

Glossary:

- **PAYE:** Pay as you earn is a system whereby employers deduct income tax and national insurance contributions each time an employee is paid. Therefore tax is paid over the whole year and employers are responsible for submitting tax statements to HM Revenue & Customs.
- **State Pension Age:** defined from time to time by the Government as being the date State Pensions start to be paid under normal circumstances.
- **DC:** Defined contribution is a type of retirement plan that specifies the amount employers will contribute each year for employees' benefits.
- **Qualifying earnings:** the band of earnings that require employers to automatically enrol their employees into an automatic enrolment scheme.
- **Qualifying pension scheme:** a pension scheme selected by the employer that meets certain quality criteria.
- **Statutory minimum contributions:** once auto-enrolment begins there will be a legal requirement for employers to contribute a fixed amount of workers' qualifying earnings – more can be contributed if employers wish to do so.
- **Annual investment charge:** this is a fee taken directly from employees' savings for managing their investments – NOW: Pensions has a simple investment charge that is 0.3% of assets and there are no hidden fees levied on your employees' savings.
- **Administration charge:** At NOW: Pensions this is up to £1.50* per month for each member. This charge can be paid by the employer or taken directly from employees' savings depending on the employer's wishes.

NOW: Pensions brings you
45 years of experience

ATP (NOW: Pensions' investment manager) has delivered on average +10.3%pa over the past 10 years

NOW: Pensions Annual Management Charge
0.3% + £1.50
per member per month administration charge*

*Monthly member administration charge, which ranges from £0.30 to £1.50, depending on salary level. This can be paid by the employer or deducted directly from the employee's pension pot. A waiting period will be subject to our lowest charge.

NOW: Pensions charging structure

	2012	October 2017	October 2018
Statutory minimum contributions	2%	5%	8%
Member charge: Low earner (<£18,000 p.a.)	£0.30 administration charge per month plus 0.3% annual management charge	£1.00 administration charge per month plus 0.3% annual management charge	£1.50 administration charge per month plus 0.3% annual management charge
Member charge: Standard	£1.50 administration charge per month plus 0.3% annual management charge		
Member charge: Deferred	The lower of 0.5% annual management charge or £1.50 per month + 0.3% annual management		

Staging Dates for auto-enrolment

Staging Dates	Oct 2012*	Nov 2012* – Mar 2013	Apr 2013 – Sep 2013	Oct 2013 – Feb 2014	Apr 2014 – Apr 2015	Aug 2015 – Oct 2015	Jun 2015 – Apr 2017	May 2017 – Feb 2018
No of employees	120,000+ Employers with PAYE schemes for over 120,000 employees	10,000 – 119,999 Employers with large PAYE schemes for 10,000 – 119,999 employees	1,250 – 9,999 Employers with PAYE schemes for 1,250 – 9,999 employees	250 – 1,249 Employers with PAYE schemes for 250 – 1,249 employees	50 – 249 Employers with PAYE schemes for 50 – 249 employees	30 – 49 Employers with PAYE schemes for 30 – 49 employees	Under 30 Employers with PAYE schemes – less than 30 employees	Employers setup with new PAYE schemes between 1st April 2012 and 30th September 2017

* Employers with October and November 2012 staging dates can bring theirs forward to as early as July 2012 if they wish. Other employers with later staging dates can choose one from October 2012.

Who is eligible for automatic enrolment?

Category of Worker	Description of worker	Ability to Join	When opt-out rights apply
Eligible Jobholder	Aged between 22 and State Pension Age Has qualifying earnings above the earnings trigger for automatic enrolment (over £8,105pa)	Employers will have to auto-enrol eligible job holders into a qualifying pension scheme	Eligible jobholders may choose to opt out after they have been automatically enrolled
Non-eligible Jobholder	Aged between 16 and 21 or State Pension Age and 74 Has qualifying earnings above the earnings trigger for automatic enrolment (over £8,105pa) or Aged between 16 and 74 Has qualifying earnings below the earnings trigger for automatic enrolment (earnings between £5,564 - £8,105pa)	A non-eligible jobholder has the option to opt into a qualifying pension scheme if you wish	Non-eligible jobholders who have opted in may choose to opt out, after they have been enrolled
Entitled worker	Aged between 16 and 74 (Earnings below £5,564pa)	Entitled workers will have the right to join a pension scheme, although the employer does not have to make any contributions	Entitled workers do not have opt-out rights; instead they can cease active membership under scheme rules

Current figures, UK based pay periods

Jobholders opting-out of automatic enrolment

- Employers cannot avoid their obligation to automatically enrol eligible jobholders into a qualifying scheme. Opting out refers to a jobholder's right to opt out of scheme membership after being enrolled.
- There can be an optional waiting period of up to three months before an eligible jobholder needs to be automatically enrolled into a qualifying pension scheme. Workers can, however, opt in during the waiting period.
- Employers should also put procedures in place to recognise auto-enrolment triggers for existing employees and new joiners (e.g. when turning 22 years old, or reaching the minimum level of earnings).
- Employers will be required to give notice to workers about their rights and status.
- Employers are not allowed to encourage or induce workers to opt out.

Process of an employee choosing to opt-out of the automatic enrolment	
Conditions	• When an employer receives a valid opt-out notice they must refund any contributions deducted from pay to the jobholder, within specific timescales. Equally, any money paid over to the pension scheme must be refunded to the employer.
When can a jobholder opt-out?	• Before a jobholder (eligible and non-eligible workers) can choose to opt-out they must: – have become an active member of the pension scheme. – have received the enrolment information from their employer.
How does a jobholder opt out?	• If a jobholder wishes to opt-out they must do so by giving an 'opt-out notice' to the employer. • On receipt of the opt-out notice, the employer must unravel the jobholder's membership – this includes giving refunds of any contributions that have been deducted from pay.
The opt-out period	• A jobholder who becomes an active member of a pension scheme under auto enrolment has a period of time during which they can opt-out. • For occupational pension schemes, the opt-out period starts from the later of the date the jobholder: – becomes an active member with effect from the automatic enrolment date (i.e. the date that the administrative steps for achieving active membership are completed), or – is provided with written enrolment information. • If a jobholder wants to opt out, they have one month, from and including the first day of the opt-out period, to complete a valid opt-out notice and submit it to the employer.
The opt-out notice	• If a jobholder submits a valid opt-out notice, the employer must stop deducting contributions. Any contributions deducted from qualifying earnings must be refunded to the jobholder. • Employers must not accept an invalid opt-out notice – if the employer receives an invalid notice they must allow the jobholder a further two weeks, over and above the usual one month opt-out period, to return a valid notice.
Refunds	• When an employer receives a valid opt-out notice, they must refund to the jobholder any contributions that have been deducted from pay (less any tax due) by the refund date, which is either: – within one month of receiving the valid opt-out notice, or – if the payroll arrangements closed before they received the notice, by the last day of the second applicable pay reference period following the date on which the valid opt-out notice was received. • When an employer tells a pension scheme that they have received a valid opt-out notice the pension scheme must refund any employer contributions.

Re-enrolment

- An employer must keep records of any opt outs because they will be required to re-enrol employees on the three-yearly re-enrolment date.
- Every three years the re-enrolment date will be a date within one month, chosen at the employer's discretion, following the original staging date (or previous re-enrolment date).
- A jobholder is excluded from automatic re-enrolment where, within 12 months before the re-enrolment date, the jobholder had opted out.

Quality Tests

- Current legislation sets out quality tests for Defined Contribution schemes that use a concept of qualifying earnings to calculate employer and member contributions.
- The upper and lower limits of qualifying earnings have been set by the DWP at £5,564 to £42,475 (for tax year 2012 to 2013). However, earnings need to be at or above £8,105 before auto-enrolment triggers.
- Member contributions will be based on gross earnings, including overtime, bonuses and commission within the qualifying earnings band.

NOW: Pensions offers a tried and tested administration solution

Self-certification

- Most schemes will use a definition of pensionable pay that is different to qualifying earnings.
- To help employers fulfil their duties using an existing scheme there will be a 3-tier alternative quality test for Defined Contribution schemes enabling employers to self-certify that their scheme requires an appropriate level of contributions.
- Alternative tests require that based on the previous year's earnings data, and in relation to the workers covered by the certificate – scheme rules require a contribution of one of the following:

Total Contribution	Employer Contribution	Pensionable Pay
9% of pensionable pay	4%	No quality test required
8% of pensionable pay	3%	Pensionable pay is at least 85% of the total pay bill for the workers covered by the self-certification.
7% of pay	3%	All pay is pensionable

- To use one or more of the alternative tests, pensionable pay must be at least equal to basic pay (i.e. earnings minus commission, bonuses and overtime etc).
- Quality requirements will not apply immediately – employers will be given time to adjust to increased payroll costs, contribution levels will be phased over 6 years.

Date	Total Contribution	Minimum Employer Contribution
Until Oct 2017	2%	1%
Oct 2017 – Oct 2018	5%	2%
Oct 2018	8%	3%

For further details:

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Membership is only available through employer.

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