

A Change to Pensions Legislation

Why?

Several years ago the government recognised that most people are not saving enough for retirement and, as a result may not be able to afford to live comfortably in their retirement on just the State Pension. As people are also living longer, there is increasing strain on the State benefits system, so private pension provision is becoming increasingly important.

To encourage workers to start building up retirement benefits, the Government introduced pension reforms through the Pensions Act 2008 that requires all employers to offer workplace pension schemes and, subject to certain criteria being met, enrol workers into their schemes. These reforms have become known as Auto-enrolment (Ae) and came into effect from October 2012 when the largest employers were required to comply.

What do you have to do?

Since 2012 a timetable for medium and small employers has applied and many of the smallest will need to comply from 2016 onwards. The following link will take you to a page which will enable you to ascertain your (the employer's) staging date based on your PAYE reference:

<http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx>

Employees are defined within the legislation as 'workers', and split into two categories: job holders and entitled workers. Job holders are split further between eligible job holders and non eligible job holders. A full definition of the categories is shown overleaf. The category into which a worker falls is determined by their age and whether they have qualifying earnings.

All employers (for this purpose defined by their PAYE Reference) are required to assess, and depending on the category of worker, automatically enrol them into a Qualifying Workplace Pension Scheme (QWPS). Ae legislation applies to all workers aged between 16 and 74, irrespective of the level of earnings. All churches should consider the status of everyone they pay to do something; do not assume that the law doesn't apply.

Once a worker's category has been identified there are steps to be taken, within strict timeframes, to ensure they are appropriately informed of the action you as employer are going to take, what they need to do and what their options are. All this information and the required steps are helpfully set out on the Pensions Regulator's website at the following link;

<http://www.thepensionsregulator.gov.uk/automatic-enrolment.aspx?campaign=087DWPemployers2014>

How long does it take to be ready to comply?

As a medium sized employer it took the United Reformed Church around 18 months to prepare for Ae. As a small employer we suggest that you commence preparations at the earliest opportunity and where possible, not later than 12 months before your staging date.

Which scheme should you use?

The most important point here is that you have to use a Qualifying Workplace Pension Scheme, a scheme which complies with the legislation; this is unlikely to be the case for a personal pension arrangement or some stakeholder arrangements.

When you have ascertained exactly what level or type of pension you wish to provide for your workers it is then down to you to decide which QWPS you wish to use.

The United Reformed Church is not able to advise on who churches should use to provide workplace pensions. For information, the government set up the National Employment Savings Trust (NEST) in order to ensure that all employers, regardless of size, could comply with the legislation; the NEST Pensions website can be accessed via the following link;

<http://www.nestpensions.org.uk/schemeweb/NestWeb/public/home/contents/homepage.html>

Other providers who serve this market include;

- The People's Pension (<http://thepeoplespension.co.uk>)
- NOW Pensions (<http://www.nowpensions.com>)

If you use a payroll service, you will need to liaise with them about the practicalities of setting up a workplace arrangement.

Summary of different categories of workers

Category of worker	Description of worker
Worker	<ul style="list-style-type: none">• An employee or• someone who has a contract to perform work or services personally, that is not undertaking the work as part of their own business.
Jobholder	A worker who: <ul style="list-style-type: none">• is aged between 16 and 74• is working or ordinarily works in the UK under their contract• has qualifying earnings (see below)
Eligible jobholder (EJ)	A jobholder who: <ul style="list-style-type: none">• is aged between 22 and state pension age• has qualifying earnings above the earnings trigger (£10,000 pa, £833 pm, 2014/15) for auto-enrolment
Non-eligible Jobholder (NEJ)	A jobholder who: <ul style="list-style-type: none">• is aged between 16 and 21 or state pension age and 74• has qualifying earnings above the earnings trigger for auto-enrolment (£10,000) or• is aged between 16 and 74• has qualifying earnings below the earnings trigger for auto-enrolment (£10,000) but above £5,772 pa.
Entitled worker (EW)	A worker who: <ul style="list-style-type: none">• is aged between 16 and 74• is working or ordinarily works in the UK under their contract• does not have qualifying earnings (i.e. below £5,772 pa, £481 pm)

It should be noted that the specific requirement is that EJs are automatically enrolled (and have the right to opt out) while NEJs and EWs are not automatically enrolled but have to be advised of the availability of the scheme and have the right to opt in.

Further questions?

If you have questions about Auto-enrolment, please contact The Pensions Regulator on;

Telephone: 0845 600 0707 (Option 1) Email: customersupport@autoenrol.tpr.gov.uk

Or write to: The Pensions Regulator, PO Box 16314, Birmingham B23 3JP