



# CVS Rochdale Policy Briefing

## Pensions Changes: 2012 and Beyond

The Pensions Act 2008 introduced reforms designed to encourage greater private pension saving. This will have significant implications for employers.

Between October 2012 and February 2016, all employers will be required to:

- Introduce a pension scheme for workers (regardless of the number of workers)
- Make an employer contribution towards workers' pensions
- Automatically enrol workers into the pension scheme (**auto-enrolment**)

Even if an employer already provides a pension scheme, changes may need to be made to ensure that the scheme meets certain qualifying conditions.

### What is a qualifying pension scheme?

Many occupational, stakeholder and group personal pension schemes will already qualify. A qualifying workplace scheme will need to meet certain requirements depending on the type of scheme.

A defined benefit (DB) scheme that is contracted out of the State Second Pension (S2P) will meet the quality requirement. Schemes whose members are not contracted out must meet the Test Scheme Standard, including having benefits of at least 1/120ths of qualifying earnings.

A defined contribution (DC) scheme must require contributions worth at least 8% of a jobholder's qualifying earnings, of which the employer contributions must be at least 3%.

It is recommended that each employer should review existing schemes and discuss the rules and possible changes with trustees, the pension provider or possibly a professional advisor to ensure that the scheme qualifies, and make necessary changes if it doesn't.

Pension schemes will also have to be suitable for auto-enrolment. This means that workers must not be required to make any choices or provide any extra information (e.g. completing an application form) in relation to joining the scheme.

## **Who will be auto-enrolled?**

Under the new changes, employers will be required to auto-enrol workers into a qualifying workplace pension scheme.

A 'worker' can include employees as well as some contractors or agency workers. If someone is eligible to be paid the national minimum wage or they are working under an apprenticeship then they are a worker. People on rolling contracts or working on a casual or sessional basis are also workers.

- Workers should be auto-enrolled if they are aged 22 and over, but are under state pension age if they have qualifying earnings (see below)
- Workers should be enrolled and given information about the schemes within one month of the first date of their employment
- Workers can opt out and received a full refund if they do so within 30 days of receiving information about their qualifying scheme (there must be no inducement to opt out)
- If a worker opts out, the employer is no longer required to make contributions for that worker
- For those that choose to opt out, the auto-enrolment exercise is repeated every three years
- Workers aged between 16 and 22, or between state pension age and 75 may opt to join the scheme if they have qualifying earnings

## **What are qualifying earnings?**

All earnings including bonuses, overtime etc. between £5035 and £33,540 count as qualifying earnings. Therefore, if a worker earns less than £5035 per annum, they will not need to be auto-enrolled. N.B. This minimum figure will be reviewed in 2012.

## **When will these changes apply?**

The changes are being phased in over a period of several years. Each employer will be given a date from which the changes will have to be in place – this will be known as your **staging date** and will be broadly based on the number of workers in the organisation. It is anticipated that organisations with less than 50 workers will have staging dates between 1<sup>st</sup> August 2014 and 1<sup>st</sup> February 2016. The website of The Pensions Regulator ([www.tpr.gov.uk](http://www.tpr.gov.uk)) can give more information on when the staging date is likely to be.

The minimum contributions will also be phased in over time as follows:

	Employer Contribution	Total Contribution
Oct 2012-Oct 2016	<b>1%</b>	<b>2%</b>
Oct 2016-Oct 2017	<b>2%</b>	<b>5%</b>
Oct 2017 onwards	<b>3%</b>	<b>8%</b>

## **What is NEST?**

NEST (previously known as 'personal accounts') is the government's own low cost pension scheme that has been designed to meet the qualifying standards for workplace pensions from 2012 onwards. The scheme will be launched in 2011 as an easy-to-use, online scheme that is open to any employer. Employers will not be forced to adopt NEST as their pension scheme – it is intended as just one of many options that employers can choose for their qualifying pension scheme. More details can be found at the website of the Personal Account Delivery Authority ([www.padeliveryauthority.org.uk](http://www.padeliveryauthority.org.uk)).

## **For more information . . .**

Financial Services Authority: [www.moneydeclared.fsa.gov.uk](http://www.moneydeclared.fsa.gov.uk)

The Pensions Advisory Service: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

Business Link: [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

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