Pensions Auto-Enrolment

All you need to know?

26/2/2013
What is Auto-Enrolment?

• Government legislation intended to increase the number of people saving for their retirement
• By removing the need for people to do anything – unless they want to opt-out
• Because we are living longer
• And the state pension can no longer afford to offer more than bare subsistence
Who does it apply to?

• Every employer – a duty on the employer
• Starting with big ones now and smaller ones in coming years
• So some people will be enrolled more than once
• All ‘workers’ – broader than ‘employees’
• Includes anyone paid through our payroll
• Includes casuals, fees, examiners, etc
# Eligibility

<table>
<thead>
<tr>
<th>Pay (2013/14)</th>
<th>Age</th>
<th>16 – 21</th>
<th>22 – State Pension Age</th>
<th>State Pension Age - 74</th>
<th>Entitled Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £5,668 pa (£473 pm)</td>
<td>EW</td>
<td>EW</td>
<td>EW</td>
<td>Entitled Workers</td>
<td></td>
</tr>
<tr>
<td>£5,668 - £9,440 pa (£473 - £786 pm)</td>
<td>NEJH</td>
<td>NEJH</td>
<td>NEJH</td>
<td>Jobholders</td>
<td></td>
</tr>
<tr>
<td>£9,440 pa (£787 pm) or above</td>
<td>NEJH</td>
<td>EJH</td>
<td>NEJH</td>
<td>Jobholders</td>
<td></td>
</tr>
</tbody>
</table>
Earnings

- Applies to all earnings paid via payroll (inc Fees, etc)

- Earnings Trigger for Auto-enrolment
  - 2013/14 = £9440 pa ( £787 pm)

- Qualifying Earnings
  - Earnings between £5,668 and £41,450 pa (2013/14)
    [£473 - £3,454 pm]
  - Includes pay, overtime, sick/maternity pay, bonuses, etc
Rights/Duties

• Eligible jobholder
  – **Must** be enrolled into an automatic enrolment scheme, by the employer, if not already a member of a qualifying scheme

• Non-eligible jobholder
  – Has the **right** to opt into a qualifying scheme on request (and receive employer contributions)

• Entitled worker
  – Has the **right** to join a scheme (no right to employer contributions)
Application at NU (1)

• We already support three qualifying schemes USS, RBP and NHSPS
• USS is amending rules to become an ‘Automatic enrolment scheme’
• No change to the other two
• So no impact on staff who are members of USS, RBP, NHSPS
• Must assess those who are not members
Application at NU (2)

• National Employment Savings Trust (NEST) will be the automatic enrolment scheme for those not being auto-enrolled into USS
• Statutory contribution rates (to NEST) being phased in, reaching maximum level in October 2018.
Contribution Rates - NEST

<table>
<thead>
<tr>
<th>Dates</th>
<th>Min Employee Contribution</th>
<th>Min Employer Contribution</th>
<th>Minimum Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 30/09/2017</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>1/10/17 – 30/09/18</td>
<td>3%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>1/10/18 onwards</td>
<td>5%</td>
<td>3%</td>
<td>8%</td>
</tr>
</tbody>
</table>

- Contributions are payable on qualifying earnings, between the lower limit of £5,668pa/£473pm and the upper limit of £41,450pa/£3,454pm.
- Employee contributions are tax free
Contribution Rates – Other schemes

Contribution rates are much higher for existing schemes – and so are the benefits.

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Employee Contribution</th>
<th>Employer Contribution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBP</td>
<td>6.75%</td>
<td>13.25%</td>
<td>20%</td>
</tr>
<tr>
<td>USS Career Revalued Benefits</td>
<td>6.5%</td>
<td>16%</td>
<td>22.5%</td>
</tr>
<tr>
<td>USS Final Salary</td>
<td>7.5%</td>
<td>16%</td>
<td>23.5%</td>
</tr>
<tr>
<td>NHS Pension Scheme</td>
<td>5 – 13.3% Depending on salary</td>
<td>14%</td>
<td>19 – 27.3%</td>
</tr>
</tbody>
</table>
## Comparison NEST/RBP/USS/NHSPS

<table>
<thead>
<tr>
<th>Benefit/Term</th>
<th>USS</th>
<th>RBP</th>
<th>NHSPS</th>
<th>NEST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension linked to pay (Defined Benefit)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Pension linked to inflation</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Maybe*</td>
</tr>
<tr>
<td>Dependants’ Pension</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Maybe*</td>
</tr>
<tr>
<td>Life Assurance</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Ill-health retirement</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Employee's Contribution (Paid before tax is deducted)</td>
<td>6.5% (CRB) or 7.5% (Final Sal)</td>
<td>6.75%</td>
<td>5 – 10.9%</td>
<td>5%**</td>
</tr>
<tr>
<td>Employers Contribution (University)</td>
<td>16%</td>
<td>13.25%</td>
<td>14%</td>
<td>3%**</td>
</tr>
</tbody>
</table>

* These are added cost options that will reduce the pension that is payable to you, the member

** The contribution rates for NEST are being phased in, commencing at a lower rate until as set out in the table below.
Mapping workers onto Schemes

• See the spreadsheet for detail
• Basically Grades F – I and equivalent Clinical grades are enrolled into USS
• Grades A – E and equivalent grades are offered RBP but auto-enrolled into NEST
• Others including Fees and Casuals etc are auto-enrolled into NEST
USS

• Is amending its rules to become an automatic enrolment scheme
• We have a contractual obligation to enrol staff into USS (must be in Conditions of Service)
• Distinct from statutory – interesting interplay!
• Exception is USS pensioners – into NEST
• Variable Time Employees (VTEs) also get enrolled into USS – mainly Hourly Paid Teaching Assistants
RBP

• No change
• Will continue to be offered to regular staff on Grades A – E and equivalent
• Defined by contract/Conditions of Service
• Membership will require opt-in
• Employee has to confirm on Payroll Starters Form
NHSPS/NEST

• Clinical appointments who are already in NHSPS have the option of continuing in membership
• If not, they are enrolled into USS

• Everyone else goes into NEST! Including Casuals, Fees, USS pensioners, Examiners, etc
Staging Date 1 May 2013

• Statutory duties apply from this date -
• If not a member of an existing scheme: assess workers to determine whether
  • Eligible jobholder (EJH)
  • Non-eligible jobholder (NEJH)
  • Entitled worker (EW)
• And communicate to workers!
• Employee sub-group (ESG) is key!
Staging Date (2)

• Enrolment of USS-eligible staff takes place in May, except for VTEs whose enrolment is postponed to August
• Assessment of RBP-eligible staff will be 1st May, with enrolment that month into NEST
• Casuals, fees etc will be assessed in May but enrolment will be postponed for 3 months when they will be re-assessed
• Where enrolment is postponed, there must be a re-assessment in that pay reference period
Joining Window for RBP

• C.700 staff eligible for RBP – many will be assessed as EJHs
• Briefings arranged to make them aware of what is coming
• ....and to offer them a one month window (25/3 – 19/4) to join RBP with no questions asked
• (Amnesty arranged with life assurer)
New Hires

- Follow mapping in Spreadsheet
- USS eligible hires are contractually enrolled from start date (requires manual selection of USS section by Payroll)
- RBP eligible hires have option of opting into RBP. Auto-enrolment assessment applied after 3 months with enrolment into NEST
- Everyone else assessed in month 1 but enrolment into NEST postponed for 3 months
Assessments

• Must be undertaken on the worker’s
  – Staging date for existing workers
  – First day of employment
  – 22nd birthday
  – 16th birthday
  – Receipt of opt in or joining notice
  – Deferral date (where postponement applied)
  – First day of each pay ref period for NEJHs or EWs
Communications (1)

• There are strict time limits for both actions and communications

• The start point for these time limits is the contract start date – so it is important that SAP records are created on or before the start date

• Communications will be electronic wherever possible – so it is important that there is an email address on the SAP record. We will be collecting personal email addresses for casuals etc.
Communications (2)

• The outcome of the assessment has to be communicated to all workers – but only once for each different status
• We only have 'no duties' for those who do not meet the 'entitled worker' criteria
• We even have to communicate to those in USS/RBP/NHSPS
• SAP will carry out the assessment, based on ESG and earnings after payroll calc, and generate the communication!
Automatic Enrolment

• There is a joining window of one month commencing on the automatic enrolment date, within which we must:
  • Notify the pension scheme
  • Provide information to the EJH
  • Make arrangements to achieve active membership for them in their scheme

• The automatic enrolment date is normally the assessment date/contract start date, unless postponement is used (not available for USS eligible staff)
Opt-outs (1)

• Workers cannot opt out before they are in!
• But they have one month to opt out after they have been enrolled (3 months in USS)
• Opt out process unwinds everything – including those who have taken fixed protection – but only 1 month for them!!
• Opt out forms only available from the scheme;
• USS members access opt-out form on USS website and submit to Payroll
• NEST members contact NEST by phone or online and return to NEST
• Employer must not encourage opt outs!!
• Not re-assessed until March 2016
Opt outs (2)

• Statutory opt out window is **one month** from the later of
  – The automatic enrolment date
  – Or the date the written enrolment information is provided
  – USS allows 3 months as a contractual withdrawal period
  – Once opted out, no requirement to assess again for auto-enrolment until 1/3/2016
SAP

• A new infotype
• Being tested
• Into production mid-April
• Will carry out assessment and record keeping
• And generate communications
• All based on accurate and timely input!!
Issues (1)

• Timeliness of data entry – start date is the target
• Accuracy in contract docs (Conditions of Service) and SAP record (Employee sub-group etc) which will determine auto-enrolment rules and communications
• Accuracy on status, inc ‘not ordinarily working in UK’
• Record keeping! – on SAP largely, so accuracy is vital
• Ensure managers do nothing that might induce workers to opt-out – unlawful!
Issues (2)

• Additional tasks to be performed each month
• Important that new hires on SAP on or before start date
• HR & Payroll reviewing starters process; SAP record also drives ISS network access and Smart Cards
• Simplifying deadlines for submission of SAP input for the month to 12th (or last working day before)