INSURANCE AND FINANCIAL SOLUTIONS SINCE 1932

AUTO-ENROLMENT GUIDE

An introduction for employers

SMARTBROKING™

BRUNSDON

Brunsdon is a long-established, totally impartial employee benefits consultancy and financial services intermediary.

We specialise in the design, procurement, implementation and administration of quality, value-added corporate benefit solutions.

As a 100% independently-owned company, we are not tied to any product providers and have no external shareholders to influence sales. We are however highly respected within the industry and have forged powerful relationships with all the major life and pension companies. We are in fact a preferred adviser to key suppliers. This gives us a platform from which we can negotiate advantageous terms for our customers.

Our high retention client base has developed mainly through recommendation and we partner all types and sizes of enterprises, from SMEs to PLCs. Our scalable infrastructure is designed to allow us to grow in line with our clients' expanding requirements.

Brunsdon's team of employee benefits consultants are amongst the most experienced and qualified in the business and are totally in-tune with our company principles of integrity, value and service. Their focus is to deliver high-end, value-for-money products and an holistic approach to assist and reinforce companies in their quest to enhance the employment experience and become employers of choice.

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1. WHY IS PENSION REFORM NEEDED?

The Government has introduced legislation which is intended to encourage people to save for retirement. The new law requires all employers to enrol staff into a qualifying workplace pension scheme if they are not already in one. Historically, many workers have failed to take up valuable pension benefits because they have not applied to join their employer's scheme. Automatic enrolment is intended to overcome this.

These measures are necessary for three main reasons:

- The Government estimates about 7 million people are not saving at all for retirement, or are not saving enough.
- Life expectancy is increasing. People will live longer in retirement and the size of their pension fund needs to be greater to fund this.
- The Government may not be able to maintain state pensions at the current level in the longer term.

The Pensions Reform programme consists of two distinct threads:

- The introduction of auto-enrolment and compulsory employer contributions.
- The introduction of the National Employment Savings Trust (NEST).

Both took effect from 1 October 2012, but there are staged implementation dates.

2. AUTO-ENROLMENT

If you are an employer operating in the UK, you will have to automatically enrol those staff into a qualifying pension scheme who:

- Are aged 22 to state pension age.
- Earn more than the minimum earnings threshold. This is set by the Government and is the same as the income tax personal threshold (£9,440 for the 2013 / 14 tax year).
- Are not already in a qualifying pension scheme.

For a scheme to be qualifying it must pay a minimum level of contributions, as detailed in section 4. The qualifying scheme could be an occupational pension scheme, a personal pension scheme or NEST.

Once you have chosen a pension arrangement, you will need to:

- Register your qualifying scheme with the Pensions Regulator.
- Inform existing pension scheme members that they are already in a qualifying scheme.
- Tell other eligible employees:
  - They will automatically be enrolled into the scheme if they don't join it before automatic enrolment starts.
  - The start date for automatic enrolment.
  - They have the right to opt out.
- Auto-enrol all eligible new employees.
- Pay the scheme's contributions (employer and employee contributions).

If you don't comply with the regulations you could be fined.

Auto-enrolment is a new process that will require you, as an employer, to do more than you did before, and against tight timescales.

An auto-enrolment scheme must:

- Pay enough contributions to meet the minimum qualifying levels set by the Government.
- Put in place all the administrative requirements to auto-enrol employees
- Have a default fund into which the contributions are automatically invested unless the employee chooses another fund or funds.

You may be able to comply by adding new processes to your existing scheme and / or changing the contribution levels to meet the minimum requirements. But it's possible you may have to set up a new scheme.
Please bear in mind that auto-enrolment is not triggered unless the employee's earnings exceed a minimum amount.

3. STAGING DATES

Each employer will be given a staging date - based mainly on the number of employees - by which they must implement auto-enrolment. The tables below show when this is likely to be:

Number of staff on payroll on 1 April 2012	Staging date
120,000 or more	1 October 2012
50,000 - 119,999	1 November 2012
30,000 - 49,999	1 January 2013
20,000 - 29,999	1 February 2013
10,000 - 19,999	1 March 2013
6,000 - 9,999	1 April 2013
4,100 - 5,999	1 May 2013
4,000 - 4,099	1 June 2013
3,000 - 3,999	1 July 2013
2,000 - 2,999	1 August 2013

Number of staff on payroll on 1 April 2012	Staging date
1,250 - 1,999	1 September 2013
800 - 1,249	1 October 2013
500 - 799	1 November 2013
350 - 499	1 January 2014
250 - 349	1 February 2014
160 - 249	1 April 2014
90 - 159	1 May 2014
62 - 89	1 July 2014
61	1 August 2014
60	1 October 2014

There are over 40 staging dates. Visit the Pensions Regulator's website - www.thepensionsregulator.gov.uk - to find out when your staging date will be - and how long you have to plan and make the necessary changes. You can bring forward your staging date (for example to coincide with a convenient accounting period or your pension scheme renewal date), or you may postpone it.
Postponement is an added flexibility that can allow you to defer auto-enrolment for all, or a proportion of your staff, for a period of up to 3 months. Postponement must be from:

- Your staging date
- An employee's first day of employment
- The date an employee becomes eligible

Postponement creates a 'Deferral Date' which then becomes the new auto-enrolment date.

4. CONTRIBUTIONS

For a pension scheme to qualify under the new regulations, there are rules about the minimum contribution levels required. However, employers and employees can pay higher contributions to build up greater levels of pension savings. There are two qualifying bases: banded earnings and pensionable earnings.

Banded earnings basis

From October 2012, the minimum contribution is 8% of a band of earnings (£5,668 to £41,450 for the 2013 / 14 tax year), but the lower and upper levels will change from time to time, probably each year.

The employer must contribute at least 3% and can ask employees to pay the remaining amount up to the 8% total. These percentages apply to the employee's total earnings within the band, so they include overtime and bonuses, not just basic pay.

Pensionable earnings basis

Pensionable earnings are the higher of:

- The employer's definition of pensionable earnings, or
- Basic pay, i.e. those elements of pay that do not vary. Basic pay excludes variable elements of pay such as commission, bonuses and overtime.

Contributions are based on the employee's earnings from £1 upwards. This is different to the banded earnings basis, where contributions are only based on the employee's earnings within the band, as described above.

Employers using a defined contribution scheme can choose not to base contributions on banded earnings if they satisfy one of the minimum contribution requirements. This is known as certification. The certificate can cover all or part of the workforce:

	Basis 1	Basis 2	Basis 3
Total contribution	9% of pensionable earnings	8% of pensionable earnings	7% of total earnings
Including an employee contribution of up to:	5%	5%	4%
Reference to total earnings?	None	Pensionable earnings must be no less than 85% of total earnings	100% of total earnings

If you already have an existing scheme, you may find it easier to use a pensionable earnings basis, rather than change to a banded earnings basis. If you are thinking of changing the contribution basis we suggest you seek our advice.

If you certify to the Pensions Regulator that your existing scheme meets the minimum contribution levels, you can't reduce contributions to a lower level than you have indicated in the certificate. However, if you provided a new certificate, you could change to a lower qualifying basis. For example, you could change from paying 8% of pensionable earnings at the full rate to phasing in the contributions. It is important to bear in mind though that you should consult with your employees about any reduction and may need to give them at least three month's notice.

If you auto-enrol existing and new employees into a new auto-enrolment scheme, then depending on your staging date, you can choose for contributions to be phased in.

Phased contributions for all banded earnings schemes have to meet these minimum levels, including tax relief:

	Up to October 2017	Up to October 2018	From October 2018
Employer	1%	2%	3%
Employee	1%	3%	5%

Phased contributions for all pensionable earnings schemes have to meet these minimum levels, including tax relief:

Basis		Up to October 2017	Up to October 2018	From October 2018
9% of pensionable earnings	Employer	At least 2%	At least 3%	At least 4%
	Employee	Up to 1%	Up to 3%	Up to 5%
8% of pensionable earnings	Employer	At least 1%	At least 2%	At least 3%
	Employee	Up to 1%	Up to 3%	Up to 5%
7% of total earnings	Employer	At least 1%	At least 2%	At least 3%
	Employee	Up to 1%	Up to 3%	Up to 4%

5. NEST

NEST - The National Employment Savings Trust - is a new, low-cost, easy-to-use, Government-backed pension scheme, launched on 1 October 2012, that's available for any employer to meet their new duties. But it is only one of the solutions available to employers for auto-enroling employees.
Possible uses for NEST are:

- As a starter scheme (e.g. where new employees might go into NEST for a year before moving into the main scheme).
- For specific categories of employees only.
- As a scheme for employees who would receive a lower employer contribution than those in the main scheme.
- As the only scheme.

Your choice of whether to use NEST, or another pension provider, or to use a combination, will depend on your requirements. Further information about NEST can be found at: www.nestpensions.org.uk

6. SUMMARY CHECKLIST

Requirement	Action needed
Step 1 - Check your staging date Auto-enrolment was phased in from 1 October 2012, with the bigger companies affected first. Your staging date is the latest date by which you have to have an auto-enrolment or qualifying scheme in place for your employees.	Determine when your staging date will be so that you leave yourself sufficient time to prepare. The Pensions Trust (www.tptae.org.uk) estimate some employers will need more than a year to get ready. Find your staging date at: www.thepensionsregulator.gov.uk
Step 2 - Assess the financial impact of auto-enrolment on your business If you already have an established pension scheme, you need to consider: - What percentage of the workforce are already in it. - The cost implication if all your staff became members following auto-enrolment. As an employer, you'll have to contribute. And you may have to increase your contributions to the regulatory auto-enrolment minimum. If you haven't a scheme in place already, you'll need to consider the financial impact of auto-enrolment on your company and your employees.	If you have a current scheme you should seek our advice to confirm that it meets the minimum standards for auto-enrolment. You'll need to determine the contribution levels, including phasing in contributions for possible new schemes and new entrants. Consideration should be given to staff morale and retention when making these decisions. It is important to seek our professional, unbiased financial advice at this stage, especially if you are considering changing scheme rules of an existing scheme.
Step 3 - Decide what scheme / schemes you want An auto-enrolment scheme must: - Pay enough contributions to meet the minimum regulatory levels. - Include all the administrative requirements to be able to auto-enrol employees. - Have a default fund into which the contributions are automatically invested, unless the employee chooses another fund, or funds. Qualifying schemes have to be registered with the Pensions Regulator.	You may choose an occupational scheme, a personal pension scheme or NEST as your auto-enrolment option. Or you could make the necessary changes to an existing scheme to bring it into line with auto-enrolment. You may wish to choose more than one option. For example, depending on the size of your work-force, you might choose a private pension for some employees, but NEST for others. Your decision could depend on the type of default fund you want. It's important to plan well in advance so that senior management have enough time to seek financial advice, consider the options and plan ahead.

<table>
<tr><th>Requirement</th><th>Action needed</th></tr>
<tr><td>Step 4 - Talk to your payroll provider

As an employer you will have a number of duties under the new rules. For example, you'll have to:

- Auto-enrol or re-enrol all qualifying staff.
- Monitor all earnings to make sure your scheme meets the minimum contribution levels.
- Collect contributions and then forward them and any necessary supporting information to your pension scheme provider.
- Keep records.

You have to make sure you're making contributions at the right level - for the right employees.</td><td>Work closely, and discuss your requirements, with your payroll provider, well before your auto-enrolment date.

You'll have to stay on top of changes in circumstances, such as remembering to enrol eligible employees when they reach the age of 22.</td></tr>
<tr><td>Step 5 - Communicate with staff

Staff need to be kept fully informed about the changes and there are rules about how information about auto-enrolment is conveyed to members. Information has to be given to all eligible workers in writing, either as a printed document or by e-mail. Posters or a page on an intranet site are not suitable.</td><td>Decide the most appropriate way to inform staff and design your communications around this. You'll have to brief them about the scheme, about how much you will contribute and how much you expect them to contribute. This information should be conveyed well before your staging date.</td></tr>
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Notes

7. BRUNSDON SERVICES

Brunsdon specialises in employee benefits solutions, including the implementation, communication and management of group pension schemes. We can help you plan and manage your duties and responsibilities, providing expertise, guidance and technology to assist you in complying with the auto-enrolment regulations.

If you have an existing workplace pension scheme, it will need to be assessed. If you don't currently have a scheme, we can help you implement a strategy to ensure regulatory compliance by your staging date, to include a comprehensive programme of employee communication.

Our invaluable service proposition can also include:

- Comprehensive individual pension forecasting and consolidation of legacy pensions.
- Specialist advice for individuals and directors at all levels.
- Brunsdon Portfolio Management - the complete financial planning service.
- Personal investor access to dynamic institutional investment techniques.
- On-going financial advice.

For further information, or to arrange a no-obligation, initial meeting, please contact:

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WHAT OUR CLIENTS SAY

"Brunsdon has been providing employee benefits solutions to Tribal Group plc for well over 6 years. In that time, Brunsdon has invested considerable time and resource in getting to know our business story and people strategy.

I am always struck by the unrelenting focus on customer quality and delivery from the senior Brunsdon personnel who travel the breadth of the UK to meet Tribal staff. This individual service is unmatched by any other financial services firm I have encountered."

Keith Evans
CEO
Tribal Group plc

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