

### Pensions - what's happening with pensions?

Faced with an increasingly ageing population and concerns that not enough people are saving for retirement, the Government's workplace pension reforms intend to get more people saving into a pension scheme. The intention is that by ensuring that eligible workers are automatically enrolled into a pension scheme, the default position even if they do nothing is that they will be saving. Workers do not have to join a pension scheme. They can choose to opt out.

Workplace pension reforms will affect all employers, not just those in the recruitment industry. Recruitment businesses along with thousands of other employers will need to take steps to prepare their businesses to comply with the reforms. Automatically enrolling eligible workers into a qualifying pension scheme is just one of a number of responsibilities that employers have. These responsibilities are broadly referred to as employer duties.

Many employers will be used to arranging some type of pension provision for their employees, even if only providing access to a stakeholder pension. Recruitment businesses are aware that the new employer duties apply in respect of the temporary workers they engage and supply to clients in addition to internal staff.

The new legislation applies to all employers. As a Recruitment Businesses (The Employer) our temporary workers are now automatically enrolled into a pension scheme after completing a qualifying period.

An employer is anyone who employs a 'worker'.

If you have employees (engaged under a contract of employment) the employer duties will apply to you in respect of those employees. Recruitment businesses typically engage temporary workers under a contract for services under which they provide their services personally. In most cases they are treated as workers for the purpose of the Working Time Regulations and National Minimum Wage legislation. If we have supplied temporary workers in this way then we will apply the employer duties to these workers.

The Pensions Regulator (TPR) is responsible for enforcing the employer duties.

### Pensions - when is it happening?

Employers are being brought into the pension reforms in stages starting with the largest businesses and organisations. Each employer's staging date (the date from which the employer

duties commence) is determined by the size of the PAYE scheme. The largest employers, those with more than 120,000 in the PAYE scheme, had a staging date of 1 October 2012. These are being followed by medium and small employers, staged over a five year period until the scheme is fully implemented in 2017.

The staging date will be based on the size of the PAYE scheme as of 1 April 2012. The Pensions Regulator will notify each employer 12 months prior to its staging date and again 3 months before the staging date.

Our staging date was the 1<sup>st</sup> February 2014.

### **Pensions - overview: what will I have to do?**

Employers are required to:

- Automatically enrol eligible workers into a qualifying pension scheme – Point Recruitment have opted to use NEST (the National Employment Savings Trust)
- Manage opt outs for workers who choose to opt out
- Facilitate opt in for qualifying workers
- Contribute to the scheme for eligible workers
- Provide specific information to different categories of workers

### **Pensions - what are the different categories of workers?**

**The three categories of worker are:**

1. Eligible jobholders
2. Non-eligible jobholders
3. Entitled workers

**Who is an eligible jobholder?**

- A worker aged between 22 and state pension age and
- With annual earnings over the statutory minimum

Employer duty: The employer must automatically enrol an eligible jobholder into a qualifying pension scheme and make a contribution.

### **Who is a non-eligible jobholder?**

- A worker aged either between 16 and 21 or between state pension age and 74 and
- with annual earnings over the statutory minimum

Or

- A worker aged between 16 and 74 and
- With annual earnings between the lower earnings threshold and the statutory minimum

Employer duty: The employer is not required to automatically enrol a non-eligible jobholder into a qualifying pension scheme, but must do so and make a contribution if the non-eligible jobholder chooses to opt in.

### **Who is an entitled worker?**

- A worker with annual earnings below the lower earnings threshold

Employer duty: The employer must arrange access to a pension scheme if the entitled worker asks the employer to do so. This does not have to be a qualifying scheme. The employer is not required to make contributions.

There will be a three month waiting period before workers are enrolled into their designated scheme. During this period, workers can choose to opt in to start saving straight away. The employer contributions will start after 3 months.

Workers will be able to opt-out of their employer's scheme if they choose not to participate.

### **Pensions - what contributions have to be made into the pension scheme?**

Eligible jobholders who are automatically enrolled into a qualifying pension scheme and non-eligible jobholders who ask to be enrolled into a qualifying pension scheme will need to make contributions into the scheme. The employer is responsible for making deductions from the jobholder's pay and paying this into the pension scheme. The employer will also be required to make a contribution to the pension scheme. The pension reforms are being introduced over a 5 year period and the contributions are being phased in over this timescale. By 1 October 2018 the full contribution to be made into the scheme will be 8% of earnings split between the

employer and jobholder. You can see what minimum contributions you and the jobholder will need to pay into the scheme in the table below. Note that either party can choose to contribute above this level.

	<b>Employer</b>	<b>Jobholder</b>
<b>Employer's staging date - 30 September 2017</b>	1%	1%
<b>1 October 2017-30 September 2018</b>	2%	3%
<b>1 October 2018 onwards</b>	3%	5%

For more information please contact your Consultant or go the Pension Regulator website – [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

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