



LUCAS FETTES
& PARTNERS

PENSION REFORM BULLETIN 1.

Workplace Pension Reforms: Workers, Jobholders and Entitled Workers

This is the first of a series of bulletins to help you understand the forthcoming changes within the UK workplace pension landscape. We will look at the various aspects of the reforms such as auto-enrolment, compulsory employer contributions, safeguarding and record keeping and how these measures will impact on virtually every employer over the coming years.

Our intention is to give you a flavour of what's ahead and as such will only be flagging the key points. I hope you find these educational and informative.

For the largest employers, the new duties will start as early as October 2012 extending to employers with just one worker by 2016. Employers will need to register with the Pensions Regulator before their 'staging date', this being the point their main duties become effective.

In this issue, we look at how the draft legislation defines a workforce and the various initial and ongoing employer duties that apply from their staging date.

When do employers need to assess the workforce?

There is no rule of thumb which sets out how early this process should start. It's likely to vary depending on the size of each employer and their views on workplace pension provision. The task is much greater for larger employers and could have a significant financial impact. It would therefore make sense to act early to factor any additional spend within budget planning.

The Pension Regulator will send employers a reminder one year and three months before their staging date. If employers choose to defer their initial assessment until shortly before their staging date, they will be leaving themselves with very little time to prepare.

In any event all employers will need systems and processes in place at their staging date to be able to provide information to workers, auto-enrol eligible jobholders and pay contributions. This includes employers who currently operate a workplace pension scheme as their arrangements will need to be reviewed.

Beyond their staging date, employers will need to be able to regularly capture, assess and report the profile of their workforce. Recruitment, pay reviews and increases in age could all trigger an event upon which the employer must act.

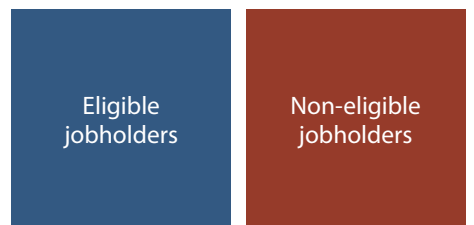
Defining the term 'worker'

Within the draft legislation, the term 'worker' is quite specific, not a generalisation for the whole working population - Therefore employers will need to know what determines whether someone is considered a 'worker' and apply this to their own workforce. For this purpose, a worker is:

1
any individual who works under a contract of employment; or

2
has a contract to perform work or services personally and is not undertaking the work as part of their own business.

This task should be straightforward enough for most employers. However, once they've identified who their workers are, they will then need to undertake an age and earnings assessment to group every worker into one of three categories defined as:



For each sub-group a different set of employer duties apply and we will look at each in turn overleaf.

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Eligible Jobholders

Eligible Jobholders encompass workers aged between 22 and state pension age with earnings above the basic personal allowance (£7,465 in 2011/12).

This group will have to be auto-enrolled into a qualifying workplace pension and the employer will have to pay into this for each worker.

Enrolment must be achieved without the worker having to take any action such as signing forms or making decisions. Before the enrolment occurs the employer must provide certain information relating to the scheme. This includes details about any contribution the worker will be required to make alongside the employer.

Non-eligible Jobholders

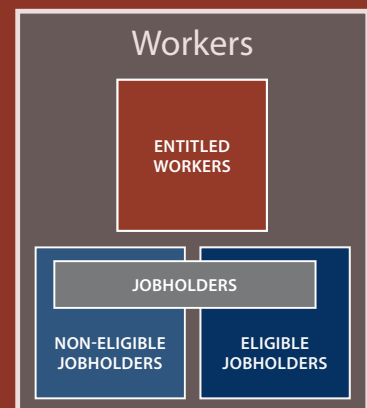
Non-eligible Jobholders capture three groups of workers who are aged between:

- 16 and 74 with earnings between the lower earnings level (£5,035 in 2006/07 terms) and the basic personal allowance;
- 16-21 with earnings over the basic personal allowance; and
- The state pension age and 74 with earnings over the basic personal allowance.

They don't need to be automatically enrolled into their employer's workplace pension, but have a right to join it. If they exercise this right, or 'opt-in' then they are treated the same as eligible jobholders.

Entitled workers

Entitled workers are workers aged between 16-74 who have earnings below the lower earnings level. They are 'entitled' to join some form of pension scheme; however the employer does not have to pay into it. As with jobholders, information about the scheme available must be provided by the employer.



Some people will fall outside the classification of 'worker' and as such, the employer duties and safeguards will not apply. These include but are not limited to:

- Self employed persons not working under a personal services contract
- Office holders, such as company secretaries, non-executive directors and trustees of pension schemes.
- Employees ordinarily employed outside the UK

There is also an exemption for one-person companies. This is where an individual is the only person in the company of which they are also the director.

For other people, in particular those employed through agencies, it may be unclear as to who the real employer is and thus who is responsible for auto-enrolment duties. In such cases, employers will need to seek legal advice.

Summary

The expectation is that millions of workers who up until now have not had access to a workplace pension will, for the first time, find themselves enrolled into a scheme and saving for their retirement. To this end, employers will have plenty to think about and decide upon in preparation.

In our next bulletin, we will look at the level of contributions employers (and jobholders) will be required to pay and the options available.

Do you need more information or guidance?

For a full review of your current arrangements or for further information on how the forthcoming changes will affect you, please email us at pensionreform@lucasfettes.co.uk or call us on 0845 357 8910.