

## TECHNICAL BRIEFING NOTE

### Workplace pension reform – an overview

*This information is intended for HR professionals, pension trustees and individuals responsible for decision making on corporate pension schemes and should only be used as a guide.*

#### **What are the government's plans for workplace pension reform?**

Beginning in 2012, the government will be implementing workplace pension reforms that impose new duties on employers to make mandatory pension provision for their employees (known as workers).

At the core of these reforms is a new requirement for employers to include certain employees (known as eligible jobholders) in a pension scheme automatically (known as auto-enrolment) within a strict timescale.

The employer's chosen pension scheme(s) must pass a quality test, based on a minimum level of contributions or defined benefits, to be a qualifying pension scheme for this purpose.

#### **Why is the government making pension reforms?**

The government's package of reforms for both workplace and State pensions are a response to the widely reported 'pension crisis'. They are intended to address the impact of changing demographics and provide a sustainable long-term pension framework in the UK.

The key driver behind these reforms is a concern that, particularly as average life expectancy increases; many individuals are not saving enough to provide adequately for themselves in old age. Without these reforms, there is a danger that the burden on the State could become unsustainable over time.

#### **When will workplace pension reform happen?**

The new employer duties under the government's workplace pension reforms will be introduced over a four year period from 1 October 2012. This staggered introduction of these duties is known as **staging**.

Broadly speaking, the new duties will apply to the largest employers first with some of the smallest employers not being affected until 2016. Each employer's **staging date** for the new duties will be based on PAYE records as set out in the table below. Where employers have more than one PAYE scheme, their staging date will be set by the largest scheme.

Regardless of size, employers who start trading after October 2012 but before April 2016 will be in one of the last staging groups.

The Pensions Regulator will write to each employer approximately 12 months and 3 months in advance of their staging date to tell them about their duties.

#### **LARGE & MEDIUM EMPLOYERS** (more than 50 workers)

<b>Employer (number of PAYE employees)</b>	<b>Staging Date</b>
120,000 or more	1 October 2012
50,000 to 119,999	1 November 2012
30,000 to 49,999	1 January 2013
20,000 to 29,999	1 February 2013
10,000 to 19,999	1 March 2013
6,000 to 9,999	1 April 2013
4,100 to 5,999	1 May 2013
4,000 to 4,099	1 June 2013
3,000 to 3,999	1 July 2013
2,000 to 2,999	1 August 2013
1,250 to 1,999	1 September 2013
800 to 1,249	1 October 2013
500 to 799	1 November 2013
350 to 499	1 January 2014
250 to 349	1 February 2014
240 to 249	1 April 2014
150 to 239	1 May 2014
90 to 149	1 June 2014
50 to 89	1 July 2014

#### **SMALL EMPLOYERS** (less than 50 workers)

<b>Employer description: Last 2 characters in PAYE reference</b>	<b>Staging Date</b>
92, A1-A9, AA-AZ, B1-B9, BA-BY, M1-M9, MA-MZ, Z1-Z9 or ZA-ZZ	1 March 2014
BZ	1 August 2014
00-01	1 September 2014
02-04	1 October 2014
05-07, 0A-0Z, C1-C9, CA-CZ, D1-D9 or DA-DZ	1 November 2014

08-11, 1A-1Z, E1-E9 or EA-EZ	1 January 2015
12-15, 2A-2Z, F1-F9, FA-FZ, G1-G9 or GA-GZ	1 February 2015
16-20, 3A-3Z, H1-H9 or HA-HZ	1 March 2015
I1-I9, I-IZ	1 April 2015
21-25, 4A-4Z, J1-J9 or JA-JZ	1 May 2015
26-31, 5A-5Z, K1-K9 or KA-KZ	1 June 2015
32-38, 6A-6Z, L1-L9 or LA-LZ	1 July 2015
N1-N9 or NA-NZ	1 August 2015
39-47, 7A-7Z, O1-O9, OA-OZ, P1-P9 or PA-PZ	1 September 2015
48-57, 8A-8Z, Q1-Q9, QA-QZ, R1-R9, RA-RZ, S1-S9, SA-SZ, T1-T9 or TA-TZ	1 October 2015
58-69, 9A-9Z, U1-U9, UA-UZ, V1-V9, VA-VZ, W1-W9 or WA-WZ	1 November 2015
70-83, X1-X9, XA-XZ, Y1-Y9 or YA-YZ	1 January 2016
84-91 or 93-99	1 February 2016
Not described above, or with no PAYE scheme	1 February 2016

#### **NEW EMPLOYERS** (set up after March 2012)

<b>Employer description</b>	<b>Staging Date</b>
PAYE income first payable between 1/4/12 and 31/3/13	1 March 2016
PAYE income first payable between 1/4/13 and 31/12/13	1 May 2016
PAYE income first payable between 1/1/14 and 30/9/14	1 June 2016
PAYE income first payable between 1/10/14 and 30/6/15	1 August 2016
PAYE income first payable between 1/7/15 and 31/3/16	1 September 2016

Employers who start trading after 31 March 2016 will have to comply with the employer duties from the date PAYE income first becomes payable for an eligible jobholder.

#### **Starting late**

Employers offering eligible jobholders membership of a defined benefit (or hybrid) pension scheme will be able to defer taking on the new employer duties, for employees eligible to join the scheme before the staging date, until 1 October 2016.

If the defined benefit (or hybrid) pension scheme is closed before October 2016 the employer will have to auto-enrol eligible jobholders into an alternative qualifying pension scheme with effect from their original staging date (or the employee's auto-enrolment date, if later). If that replacement scheme is a money purchase pension scheme the employer will have to pay any missed employer contributions back to their original staging date. Employees can also back-pay contributions, if they want to.

#### **Starting early**

An employer can decide to voluntarily take on the new employer duties earlier than their scheduled staging date by giving at least one month's written notice to the Pensions Regulator.

Employers with a staging date of 1 October 2012 or 1 November 2012 will be able to start from as early as 1 July 2012.

All other employers can start early at any time from 1 October 2012 on:

- any of the prescribed staging dates before their scheduled staging date, or
- 1 December 2012.

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