



Automatic enrolment into a workplace pension

Key facts



automatic
enrolment



Department
for Work &
Pensions

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> Introduction

Starting from October 2012, up to 11 million workers will be automatically enrolled into a workplace pension. Larger employers will go first, with small and medium sized employers following over the next six years.

A workplace pension is a way of saving for retirement arranged by an individual's employer. It is sometimes called a 'company pension', an 'occupational pension' or a 'works pension'.

In this booklet you will find key facts about automatic enrolment into a workplace pension for individuals and employers.

It will also help stakeholders and employers to plan their own communications to workers about automatic enrolment.

This booklet is a basic guide and does not cover every circumstance. The information it contains is correct as of September 2012. Some of the information may become inaccurate over time, for example because of changes to the law. For the latest information visit:

- Information for stakeholders
www.dwp.gov.uk/workplacepension
- Information for employers
www.tpr.gov.uk/actnow
- Information for individuals
www.direct.gov.uk/workplacepensions



When you contribute so will your employer and the government through tax relief.

Who will be enrolled into a workplace pension?

Employers will automatically enrol workers into a workplace pension who:

- are not already in a qualifying pension scheme
- are aged 22 or over
- are under State Pension age
- earn more than £8,105 a year (this figure is reviewed every year), and work or usually work in the UK.

Automatic enrolment into a workplace pension is a hassle free way for workers to save for their retirement whilst they earn.

Workers can find more information on workplace pensions on the Directgov website.

 www.direct.gov.uk/workplacepensions

Why is this happening?

Millions of people are not saving enough to have the income they are likely to want in retirement. Life expectancy in the UK is increasing and at the same time people are saving less into pensions.

In 1901 there were 10 people working for every pensioner in the UK. In 2010 there were 3 people working for every pensioner. By 2050 it is expected that this will change to just 2 workers.



> Employers

What help is available for employers?

For the first time employers are required by law to automatically enrol all eligible workers into a workplace pension and make a contribution to it.

The Pensions Regulator are responsible for ensuring employers comply with the new law and have produced guidance to help employers to do this.

They will write to each employer before the date they are required to start enrolling workers into a workplace pension, and depending on employer size, on at least one other occasion. As well as using social media and trade press advertising to raise awareness of employers' duties they have produced detailed guides and interactive tools on their website to take employers through the process step by step.

 www.thepensionsregulator.gov.uk/employers/detailed-guidance.aspx

 www.thepensionsregulator.gov.uk/employers/beginners-guide-to-auto-enrolment.aspx

One of the employer duties relating to automatic enrolment is that employers are required by law to provide the right information in writing, to the right individual at the right time, so that people know how automatic enrolment will affect them.

To help employers to do this, there are tools on The Pensions Regulator website. These include several letter templates depending on workers' circumstances and information on key topics workers are likely to ask about.

More information can be found at "Preparing for automatic enrolment: A quick guide"

 www.thepensionsregulator.gov.uk/employers/7-steps.aspx



Employers will have to enrol all eligible workers into a qualifying workplace pension scheme, if they're not already in one.

When do employers have to start enrolling their workers?

The date workers are enrolled depends on the size of the company they work for and is being rolled out over the next six years (this is called a staging date).

- Large employers (with 250 or more workers), will have to start automatically enrolling their workers from October 2012 to February 2014 (some employers may choose to start earlier)
- Medium employers (50 – 249 workers) will have to start automatically enrolling their workers from April 2014 to April 2015
- Small employers (49 workers or less) will have to start automatically enrolling their workers from June 2015 to April 2017
- New employers (established after April 2012) will have to start automatically enrolling their workers from May 2017 to February 2018
- Employers who chose to use Defined Benefit or Hybrid Schemes can delay their staging date until 30 September 2017

Once The Pensions Regulator has notified employers of their date to enrol eligible workers into a workplace pension, employers can choose to postpone automatic enrolment for up to three months from that date. If they choose to postpone, employers must inform those workers in writing.

Employers can also use the ‘postponement period’ for any newly eligible workers.

A full list of dates when employers have to automatically enrol their workers can be found on The Pensions Regulator website:



www.thepensionsregulator.gov.uk/employers/tools/staging-date



Safeguards

Safeguards have been put in place to protect individuals.

Employers can't:

- offer incentives to workers to opt out of their workplace pension
- offer incentives to workers during recruitment or imply that a worker can only be employed if they opt out of their workplace pension
- unfairly dismiss a worker because they stay in their workplace pension.

More information can be found at:



www.thepensionsregulator.gov.uk/docs/pensions-reform-safeguarding-individuals-v4.pdf

NEST

NEST is a trust-based, defined contribution pension scheme. It was specifically established to support automatic enrolment and make sure all UK employers have access to a suitable pension scheme for their employer duties. The scheme is not-for-profit and the Trustee has a legal duty to act in its members' best interests. It is designed to be straightforward and easy for employers to use.

NEST offers a low-cost way for people to put money away for their retirement. NEST members have one retirement pot for life that they can keep paying into if they stop working for a period or become self-employed.

You can find out about NEST's key features on their website at:



www.nestpensions.org.uk/whatisNEST

How much will pension contributions cost workers and employers?

Most people will be automatically enrolled into a Defined Contribution scheme or money purchase scheme. This means that all the contributions paid into your pension are invested until you retire.

The amount of money you have when you retire depends on how much has been paid in and how well investments have performed. In most schemes when you retire you can take some of your pension as a tax free lump sum and take the rest as a regular income.

The government has set a minimum amount of money that has to be put into a Defined Contribution scheme by employers and workers, this starts low and increases gradually over a number of years (this is sometimes called phasing).



Check The Pensions Regulator website to confirm your staging date.

Automatic enrolment into a workplace pension

Any worker earning over £8,105 a year (this figure will be reviewed every year) will be automatically enrolled into a workplace pension by their employer. The minimum percentage contribution will be made on anything the worker earns over £5,564 up to a maximum limit of £42,475 (both these figures may change).

The table below gives details of the set minimum percentage that has to be contributed in total to Defined Contribution schemes. This means the worker's contribution, the employer's contribution and tax relief added together.

Timing	Minimum total percentage that has to be contributed
1 Oct 2012 to 30 Sept 2017	2%
1 Oct 2017 to 30 Sept 2018	5%
1 Oct 2018 onwards	8%

The minimum contribution level is just that, a minimum. Employers will be able to contribute more than the minimum if they wish, and many already do. Individuals can also contribute more than the minimum if they want to.

Some people may be automatically enrolled into a Defined Benefit or Hybrid pension scheme. These schemes may also be known as a 'final salary' or 'career average' scheme. If you are enrolled into one of these schemes the amount you get when you retire is based on a number of things which may include the number of years you've been a member of the pension scheme and your earnings. In most schemes you can take some of your pension as a tax free lump sum, and the rest as a regular income.

Alternative arrangements apply for Defined Benefit and Hybrid pension schemes because employers and workers cannot increase the contributions they pay in to this type of scheme. This means employers who chose these schemes do not have to automatically enrol their workers until 30 September 2017.

If employers or individuals do not know what type of scheme they are using for automatic enrolment, their pension provider will be able to tell them.



If you earn more than £156 a week or £676 a month (2012/13) and meet the other criteria you will be automatically enrolled.



> Individuals

Benefits of a workplace pension

Automatic enrolment into a workplace pension is an easy, hassle free way for workers to save for their retirement while they are earning.

Saving into a workplace pension can also help individuals to build up pension savings more quickly as they are not saving on their own. Their employer and the government (in the form of tax relief) also pay into the workplace pension and once the new employer duty is fully rolled out, an individual's contributions are effectively doubled by the employer contribution and tax relief.

Workers can opt out of a workplace pension at any time, but if they do, they will lose out on the employer contribution and tax relief from the government.

Opting out of a workplace pension

If a worker opts out within one month from the day they officially become a member of the scheme, it will be as if they were never a member of the pension scheme and any payments made by them to their pension will be refunded. If they choose to opt out after this period, depending on the scheme, the payments already made may not be refunded and will remain in their pension scheme until they retire.

Deciding to re-join a workplace pension

If a worker opts out or stops saving into their employer's pension scheme but later decides they want to join again, they can do so. The employer has to accept them back in, once in every twelve month period. If the worker still meets certain requirements then their employer will contribute too. If the worker stops paying a second time and then requests to join again within twelve months, the employer does not have to accept them the second time. But they can do so if they want.



Being automatically enrolled back into a workplace pension

If a worker opts out or stops paying into the workplace pension their employer has a duty to automatically enrol them back into their pension scheme at regular intervals, usually every three years. This is to give those workers who have stopped saving into a workplace pension the opportunity to reconsider their finances and pension saving options. They can choose to stay in this time or opt out again.

Information available for individuals


For the first time many more workers will have access to a workplace pension, to help them save for their later years. The State Pension will be a foundation, but many may want more money on top.

People can feel confused about pension saving. Individuals and workers can find out more about how automatic enrolment into a workplace pension might affect them by visiting the Directgov website:

 www.direct.gov.uk/workplacepensions

The primary source of information for individuals is online, there is also a DWP Workplace Pension Information line, for those without internet access or who need further clarification.

The telephone lines are open Monday to Friday, 8.00am to 6.00pm.

 **Contact details:**
English: 0845 600 1268
Welsh speakers: 0845 600 8187
Textphone: 0845 850 0363

The Money Advice Service have developed an online calculator to help workers find out how much they, their employer and the government could pay into a workplace pension.

 www.moneyadviceservice.org.uk/en/tools/workplace-pension-contribution-calculator

Special circumstances and automatic enrolment

A worker's enrolment into a workplace pension may vary depending on their employment circumstances e.g.

- agency workers
- maternity leave
- sick leave
- part time workers
- temporary / short term contract workers
- carers.

There is guidance on The Pensions Regulator website to help employers decide who should be automatically enrolled.



The sooner you start the more money you could have to enjoy your retirement.

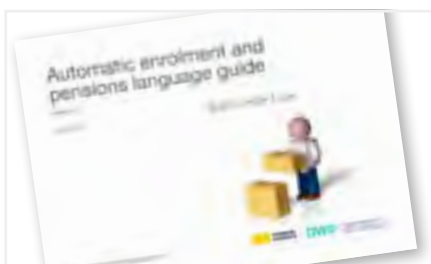
Understanding pensions language and communicating with people

The language we use to describe automatic enrolment and workplace pensions is important so people are not put off by complex language.

We have produced an “Automatic enrolment and pensions language guide” with a range of partners including the pensions industry.



www.dwp.gov.uk/docs/auto-enrol-language-guide.pdf



Automatic enrolment and pensions language guide.

NEST have eight golden rules which they use when communicating with members.



www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/golden-rules-of-communication,PDF.pdf

Raising awareness of automatic enrolment – Visual Identity

A visual identity ‘stamp’ has been developed to be used on communications relating to automatic enrolment. We want organisations to use the stamp on all relevant automatic enrolment communications to distinguish these from communications on other forms of pensions or savings.

The visual identity stamp has been created to:

- encapsulate automatic enrolment into a workplace pension in a simple way
- act as a helpful identifying mark when discussing automatic enrolment within the context of workplace pension reforms over the next few years
- aid overall understanding and recognition of automatic enrolment within workplace pension reforms across multiple UK audiences.

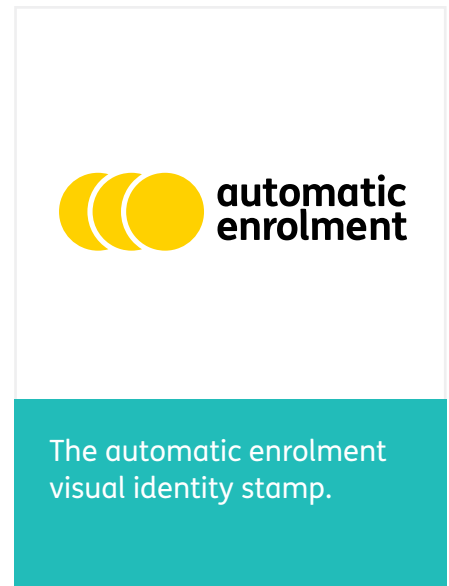
The intention is that the automatic enrolment visual identity will gain high levels of recognition over time and become a well-known and understood visual short-cut to signal ‘automatic enrolment workplace pensions’.

You can obtain a high resolution copy of the visual identity by following the steps below:

- 1 New users will need to go to:
<https://communicationcentre.dwp.gov.uk>
- 2 Select the dropdown box which says ‘I work with DWP... and want the Pension auto enrolment assets’, and complete the registration form.
- 3 No DWP sponsor is required.
- 4 Once new users receive their email username and password they can use the pensions automatic enrolment area only. It can take up to two days for this to arrive but we hope this will be less in practice.

If you are unable to access the visual identity please contact:

 pensions.planning@dwp.gsi.gov.uk



> Useful contacts

The Pensions Regulator is responsible for ensuring employers comply with the new law to automatically enrol all eligible workers into a workplace pension. The Pensions Regulator have employer staging information, detailed guidance, interactive tools and letter templates to help employers inform their workers about automatic enrolment. For more information visit The Pensions Regulator website:

 www.tpr.gov.uk/actnow

NEST Corporation is a pension provider open to all employers who want to use it. NEST has been designed to complement existing provision. For more information visit the NEST website:

 www.nestpensions.org.uk

Individuals and workers can find out more about how automatic enrolment into a workplace pension might affect them by visiting the Directgov website:

 www.direct.gov.uk/workplacepensions

The Department for Work and Pensions is responsible for the policy, legislation and communications to individuals relating to the changes in law. If you want more detail on the policy and background behind the changes you will find more information on the DWP website:

 www.dwp.gov.uk/workplacepension

The Pensions Advisory Service is an independent, non-profit making organisation which provides free advice about pensions. For more information visit the Pensions Advisory Service website:

 www.pensionsadvisoryservice.org.uk

The Money Advice Service is an independent organisation which provides free and unbiased money advice, including how to manage debt. For more information visit the Money Advice Service website:

 www.moneyadviceservice.org.uk

The Pension Tracing Service can help individuals keep track of their workplace pensions. Lots of people move jobs several times in their working lives, so it's important to keep track of their pensions. The Pension Tracing Service could help provide them with contact details of a pension. For more information visit:

 www.direct.gov.uk/pensiontracing



If you opt out you won't benefit from the extra money from your employer and the government.

> Examples of who will and won't be enrolled into a workplace pension starting from October 2012 (fictional studies)



Fiona will be automatically enrolled into a workplace pension by her employer

Fiona is aged 27 and earns £37,000 a year working for a recruitment consultancy company. She is not already a member of her employer's workplace pension.

As Fiona earns more than £8,105 a year and is over 22, this means her employer has to automatically enrol her into the pension and pay into it. She will also get a contribution from the government in the form of tax relief.



Leon will not be automatically enrolled into a workplace pension by his employer

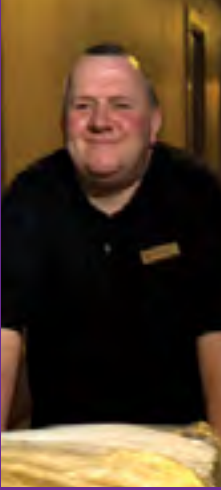
Leon is aged 20, earns £17,000 a year working for a building contractor and is not already a member of his employer's workplace pension. As Leon is under 22, his employer does not have to automatically enrol him into the workplace pension. However, Leon can ask to join the pension. If he does, his employer has to enrol him and pay into it. He would also get a contribution from the government in the form of tax relief.



Julie is already a member of her employer's workplace pension

Julie is aged 59 and earns £45,000 a year working for a publishing house. Julie is a member of her employer's pension. Her employer pays into it, the government pays into it through tax relief and the pension meets the government's new standards.

As she is already in the workplace pension, Julie will not be automatically enrolled.



Peter will not be automatically enrolled into a workplace pension by his employer

Peter is aged 42 and earns £4,500 a year working as a cleaner for a small charity. He is not a member of the charity's pension. Because Peter earns less than £8,105 a year, his employer does not have to automatically enrol him. However, Peter can ask his employer to put him into a pension, and his employer has to do it.

As Peter earns less than £5,564 a year, his employer does not have to pay into it, but can choose to do so. He might also get a contribution from the government in the form of tax relief – he would need to check with whoever runs his pension scheme.



Lily enrolls back into workplace pension saving

Lily is 26, works full time, earns £28,000 per year and has just moved into a new flat. Lily meets the eligibility criteria and her employer will automatically enrol her into a qualifying pension scheme. If pension saving is not right financially for Lily at this time she can opt out of workplace pension saving. She will receive a refund on any contributions she has made if she opts out in the first month of being automatically enrolled by her employer.

If she does opt out, Lily's employer has to automatically enrol her again (if she still meets the eligibility criteria) approximately every three years from the original enrolment date. This gives Lily the opportunity to re-assess her finances and pension saving opportunities once her financial obligations have become more settled. She can choose to stay in the workplace pension or opt out again.



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