

60 SECOND SUMMARY



PUBLIC | SECTOR

AUTO-ENROLMENT—NEARLY THERE

April 2012

The Department for Work and Pensions (DWP) has published¹ its proposals for revised automatic enrolment staging dates, following its announcement that the implementation timetable will be delayed for small businesses.

The main points of interest are that:

- the staging process has been extended for employers with fewer than 250 employees;
- full minimum money purchase (MP) contributions will not be required until 1 October 2018; and
- the transitional period for defined benefit (DB) will be extended to 1 October 2017.

The Government has also, separately, confirmed the auto-enrolment thresholds for 2012/13².

BACKGROUND

The *Pensions Act 2008* will require each employer, with effect from its 'staging date'³, to auto-enrol 'jobholders' who are between the ages of 22 and State pension age and who have annual earnings at or above the 'earnings trigger' into a 'qualifying scheme'. The benefits that must be provided are based on the jobholders' 'qualifying earnings'. (See below for the 2012/13 earnings trigger and qualifying earnings thresholds.)

REVISED STAGING DATES

In November 2011, the DWP announced⁴ that it planned to amend the timetable for the implementation of auto-enrolment so that the staging dates for businesses with fewer than 50 employees would be delayed until May 2015 at the earliest.

Further details of the revised staging dates were published in January 2012⁵.

The proposals for the revised staging dates are unchanged from those in the January 2012 announcement:

- Employers with 250 or more employees will see no change to their staging dates.
- Employers with between 50 and 249 employees will have staging dates falling between 1 April 2014 and 1 April 2015, which could be up to nine months later than previously.
- Employers with fewer than 50 employees will have their staging dates pushed back to between 1 June 2015 and 1 April 2017.
- New employers making their first payments of PAYE income between 1 April 2012 and 30 September 2017 will have staging dates between 1 May 2017 and 1 February 2018.
- The auto-enrolment requirements will apply immediately to new employers making their first PAYE income payments on or after 1 October 2017.
- The test tranche of small employers will now have staging dates in June 2015, rather than March 2014.

SMALL EMPLOYER—PART OF LARGER PAYE SCHEME

Any employer with fewer than 50 'full time equivalent workers'⁶ that is part of a PAYE scheme covering 50 or more persons (either because it is part of a multi-employer PAYE scheme or because its PAYE scheme contains non-workers, e.g. pensioners) and

¹ <www.dwp.gov.uk/docs/wpr-rev-implementation-consultation.pdf>.

² <www.dwp.gov.uk/docs/auto-enrolment-thresholds-response.pdf>.

³ An employer's staging date is the date from which the auto-enrolment duty first applies to it. It is determined by the size of the employer's PAYE scheme on 1 April 2012.

⁴ <www.dwp.gov.uk/newsroom/press-releases/2011/nov-2011/dwp135-11.shtml>.

⁵ <www.parliament.uk/documents/commons-vote-office/4.DWP-Changes-to-the-automatic-enrolment-timetable.pdf>.

⁶ Determined by the dividing the total number of hours per week that all workers are contracted to work by 37.5.

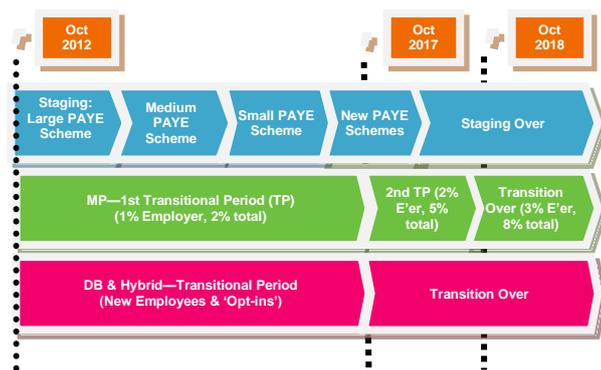
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currently has a staging date in the period up to and including 1 April 2015, will have a modified staging date falling between 1 August 2015 and 1 April 2017.

TRANSITIONAL PERIODS

The Government proposes to extend the phasing in of the minimum required contribution for MP schemes as a result of the lengthening of the staging process. The first transitional phase is now to end on 30 September 2017 and the second transitional period will end on 30 September 2018.

The transitional period for DB schemes (during which time employers with DB schemes do not need to auto-enrol any *existing* jobholders into their schemes⁷) is also being extended until 30 September 2017.



Comments about the proposals should be submitted by 4 May 2012.

⁷ However, they will be required to auto-enrol jobholders who become eligible after the employer's staging date; and existing jobholders who are not currently scheme members must be able to opt in.

AUTO-ENROLMENT THRESHOLDS

The Government is required to review the earnings trigger and qualifying earnings band in each tax year. Following consultation⁸, the Government has confirmed the thresholds for the 2012/13 tax year:

- the earnings trigger will be £8,105 (in line with the PAYE threshold);
- the lower qualifying earnings threshold will be £5,564 (in line with the lower earnings limit for National Insurance contributions); and
- the upper qualifying earnings threshold will be £42,475 (in line with the upper earnings limit for NICs).

Previous DWP announcements on the changes to the staging timetable mean that there is little in the consultation paper that will raise any eyebrows. It is reassuring, however, to receive confirmation that the DB transitional period is also to be extended, as mention of this was conspicuously absent in earlier communications.

It is unfortunate that with less than six months to go until the first staging dates changes are still being made to the auto-enrolment regime.

⁸ <www.dwp.gov.uk/docs/auto-enrolment-thresholds-consultation.pdf>.

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