

Construction Industry Joint Council (CIJC)

June 2011

Workplace Pension Reforms

Introduction

This briefing gives information about the workplace pension reforms which come into effect from October 2011.

Background

The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 were approved by Parliament last year. This draft legislation, and more, will mean that employers will soon have a duty to automatically enrol their eligible staff into a qualifying workplace pension scheme, and pay minimum contributions on their behalf. These duties will be staged over four years from October 2012 to 2016, starting with the largest to medium-sized employers, followed by small and micro employers. The size of an employer will be based on PAYE data (see the attached sheet). The minimum contribution will be built up over three phases, with the final phase starting in 2018 (see below for more information).

CIJC View

The Construction Industry Joint Council (CIJC) fully supports collaboration of employer and employee representatives in the construction industry to help improve retirement outcomes of construction workers. Since 2001, at the time of the introduction of stakeholder pensions, the CIJC have made gradual improvements to the contribution pension levels and basis. The minimum contributions currently stand at £5 per week up to a maximum of £10 a week on an employer and employee matching basis. These amounts would be sufficient to meet the proposed 1% and 2% levels up to a salary of £32,000 (on banded earnings - £5,715 and £38,185). Therefore to a large extent the industry has a head start on the proposals.

Unique Challenges

Nonetheless, the reforms will place administrative burdens and extra contribution costs on employers as take up rates from employees under auto-enrolment will be significantly higher, around 50%-70% compared to the current 15%-20%. In addition, the construction industry faces some unique challenges in the auto-enrolment process because the patterns of employment lead to a highly transient workforce. It is common for a site worker to change jobs frequently and would need to be enrolled by each employer they have. After forty years of work they could easily end up with over 40 small pension pots. Clearly this is not desirable and as such the CIJC continue to support the use of the current industry wide scheme; EasyBuild.

EasyBuild from B&CE

Launched in 2001, EasyBuild is provided by B&CE Benefit Schemes and has been designed for the construction industry. It already has over 5,000 participating construction firms and more than 500,000 members, this makes it a fully portable solution for all workers within the construction industry and will avoid the problem of multiple pots being set up. In addition, as a not-for-profit provider, B&CE doesn't have any shareholders and puts the needs of its customers at the forefront of its activities, ploughing any surpluses back to the industry. B&CE does not apply any upfront or initial charges and to encourage employee participation they are introducing a 0% Annual Management Charge for the first year of auto-enrolment with charges being no higher than 0.5% after that for those actively employed. With EasyBuild employers get access to a cost effective and easily-

administered plan that fulfils all the administrative obligations employers will face when workplace pensions change in 2012.

NEST

National Employment Savings Trust (NEST) is a pension savings vehicle being introduced by the Government. It is important to realise that NEST is just another pension scheme and should not be confused with the automatic enrolment obligations. NEST has a public service obligation to ensure that employers that haven't already got access to a good existing pension scheme, such as EasyBuild, can obtain one if they need to. NEST has a limited scope in that it cannot accept transfers in or out until 2017 and contributions are restricted to £4,200 a year. There is also an initial service charge of 1.8% on all contributions paid in until NEST repays the Government its set up loan - this is expected to take 20 to 30 years.

More about the changes to workplace pensions

Starting from October 2012, every employee will be automatically enrolled by their employer into a qualifying pension scheme, such as EasyBuild, provided they are:

- Aged 22 and under State Pension Age
- Earn more than £7,475 a year (based on 2011/12 figures)

Employees under 22 who are earning more than £7,475 will be able to opt-in and will get employer contributions if they do.

Employees may choose to opt-out of the pension, if they wish, but cannot be induced to do so.

As long as the employee contributes at least the minimum, the employer will have to make at least a minimum contribution to the scheme. They will also get a top up on their contribution from the Government.

The changes will be introduced gradually, starting from October 2012 with large employers. A full list of the staging dates is shown on the reverse of this sheet.

To help employers and employees adjust gradually, the plan is to phase in the minimum contribution levels. The minimum levels of contributions under the proposals will be 2% (1% employer) up to September 2016, 5% (2% employer) up to Sept 2017 and then 8% (3% employer).

You can also visit www.easybuildpension.co.uk for detailed guides and the latest information on the reforms. If you prefer to talk to someone then please call B&CE on 01293 586666, who would be happy to help.

Next Steps and CIJC Activity

The CIJC have established a Pensions Working party to consider the current draft auto-enrolment regulations and how they should be implemented into the CIJC agreement. There are a number of key issues to consider such as commencement dates, enrolment periods and contribution pay basis.

As the regulations will not be finalised by the Government until July, we will write to you again in a few months to inform you in more detail of these and how we are progressing with our recommendations.

Employer staging date (by PAYE scheme membership size as at April 2012)	Staging date
120,000 or more	1 October 2012
50,000-119,999	1 November 2012
30,000-49,999	1 January 2013
20,000-29,999	1 February 2013
10,000-19,999	1 March 2013
6,000-9,999	1 April 2013
4,100-5,999	1 May 2013
4,000-4,099	1 June 2013
3,000-3,999	1 July 2013
2,000-2,999	1 August 2013
1,250-1,999	1 September 2013
800-1,249	1 October 2013
500-799	1 November 2013
350-499	1 January 2014
250-349	1 February 2014
Less than 50 with PAYE reference numbers ending 92, A1-A9, AA-AZ, B1-B9, BA-BY, M1-M9, MA-MZ, Z1-Z9 or ZA-ZZ	1 March 2014
240-249	1 April 2014
150-239	1 May 2014
90-149	1 June 2014
50-89	1 July 2014
Less than 50 with PAYE reference numbers ending BZ	1 August 2014
Less than 50 with PAYE reference numbers ending 00-01	1 September 2014
Less than 50 with PAYE reference numbers ending 02-04	1 October 2014
Less than 50 with PAYE reference numbers ending 05-07, 0A-0Z, C1-C9, CA-CZ, D1-D9 or DA-DZ	1 November 2014
Less than 50 with PAYE reference numbers ending 08-11, 1A-1Z, E1-E9 or EA-EZ	1 January 2015
Less than 50 with PAYE reference numbers ending 12-15, 2A-2Z, F1-F9, FA-FZ, G1-G9 or GA-GZ	1 February 2015
Less than 50 with PAYE reference numbers ending 16-20, 3A-3Z, H1-H9 or HA-HZ	1 March 2015
Less than 50 with PAYE reference numbers ending I1-I9, IA-IZ	1 April 2015
Less than 50 with PAYE reference numbers ending 21-25, 4A-4Z, J1-J9 or JA-JZ	1 May 2015
Less than 50 with PAYE reference numbers ending 26-31, 5A-5Z, K1-K9 or KA-KZ	1 June 2015
Less than 50 with PAYE reference numbers ending 32-38, 6A-6Z, L1-L9 or LA-LZ	1 July 2015
Less than 50 with PAYE reference numbers ending N1-N9 or NA-NZ	1 August 2015
Less than 50 with PAYE reference numbers ending 39-47, 7A-7Z, O1-O9, OA-OZ, P1-P9 or PA-PZ	1 September 2015
Less than 50 with PAYE reference numbers ending 48-57, 8A-8Z, Q1-Q9, QA-QZ, R1-R9, RA-RZ, S1-S9, SA-SZ, T1-T9 or TA-TZ	1 October 2015
Less than 50 with PAYE reference numbers ending 58-69, 9A-9Z, U1-U9, UA-UZ, V1-V9, VA-VZ, W1-W9, WA-WZ	1 November 2015
Less than 50 with PAYE reference numbers ending 70-83, X1-X9, XA-XZ, Y1-Y9 or YA-YZ	1 January 2016
Less than 50 with PAYE reference numbers ending 84-91 or 93-99	1 February 2016
(a) Less than 50 unless otherwise described or (b) no PAYE scheme	1 February 2016
New employer (PAYE income first payable between 1 April 2012 and 31 March 2013)	1 March 2016
New employer (PAYE income first payable between 1 April 2013 and 31 December 2013)	1 May 2016
New employer (PAYE income first payable between 1 January 2014 and 30th September 2014)	1 June 2016
New employer (PAYE income first payable between 1 October 2014 and 30th June 2015)	1 August 2016
New employer (PAYE income first payable between 1 July 2015 and 31 March 2016)	1 September 2016