

Pension Automatic Enrolment for Employers in the Baptist Pension Scheme

These notes are for guidance only and are primarily for the attention of the person responsible for employment and similar matters, at employers who use the Baptist Pension Scheme (BPS). They have been prepared to help employers in the BPS to meet their Workplace Pensions responsibilities under UK law (known as pensions automatic enrolment).

The BPS accepts no liability to any organisation for any actions taken (or not taken) as a result of these notes. It is each organisation's responsibility to ensure that it complies with the law, taking professional advice as necessary. The Pensions Regulator has produced a full step-by-step auto-enrolment guide for employers at:

<http://www.thepensionsregulator.gov.uk/employers/your-step-by-step-guide-to-automatic-enrolment.aspx>

The financial thresholds noted in this document change from year to year. Each of the thresholds quoted in this document represent the figures for the 2018/19 tax year. The legislation in this area also changes relatively frequently – this document was last reviewed in June 2018.

Baptist Pension Scheme PSR Number

If you decide to use the Baptist Pension Scheme as your auto enrolment scheme, you will need to include the Pension Scheme Reference Number (PSR) which is **PSR 10139575**

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1. Background

Significant changes to UK private-sector pension provision were introduced from October 2012, requiring every employer in the UK, irrespective of size, to help their employees save for retirement.

Under the automatic enrolment legislation, employers must automatically enrol certain employees into a pension scheme that meets minimum quality requirements (that is, an “automatic enrolment scheme”) and make contributions towards it, unless the employee is already a member of a scheme that meets those same quality requirements (a “qualifying scheme”).

More information on which employees must be auto enrolled and the position of Baptist Ministers can be found in section 4.

2. Which churches/other employers are covered by the auto enrolment rules?

All employers in the UK. Even if, following analysis of your workforce, you do not need to automatically enrol any employees, you will need to offer access to a pension plan for those who voluntarily opt in and keep records to show that you have checked that no-one needs to be automatically enrolled.

3. When do the rules apply from?

Given the sheer number of employers who are covered (there are over 1.3 million in the UK), the requirement to automatically enrol was “staged”, or introduced in tranches, over the period from October 2012 to April 2017, starting with very large employers and ending with the smallest employers.

You will have been notified by the Pensions Regulator six months before your staging date, but if you want to re-check when auto-enrolment applied for you then you can do so by entering your Employer’s PAYE Reference into the Pension Regulator’s website at <http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx>.

Although eligible employees have an immediate right to join your automatic enrolment pension scheme, subject to a number of restrictions and administrative requirements, employers can postpone actual membership for a maximum of three months. This is known as “postponement”.

If membership is postponed then you must write to your employees to inform them that postponement applies, and also to notify them that they have a right to opt-in to the Scheme if they wish before the end of the postponement period.

Employees are able to opt-out of the pension scheme once they have been auto-enrolled if they wish. If they opt-out then they must be re-assessed under the auto-enrolment rules at the re-enrolment date (see below for more information on re-enrolment).

4. How do I know who should be automatically enrolled?

You will need to assess all of your employees for automatic enrolment, based on their age and how much they earn, regardless of how many hours they work for you. You must automatically enrol each “*eligible jobholder*” into an automatic enrolment scheme.

The requirements cover not only new employees, but also existing employees (subject to meeting the “eligible jobholder conditions”) who have either decided not to join their employer’s pension scheme or who have not been eligible to join a pension scheme in the past.

Subject to the idea of postponement mentioned in Section 3 above, **eligible jobholders must be enrolled from their automatic enrolment date (either your staging date or, if they join employment after that date, their first day of employment).**

An **eligible jobholder** is an employee:

- working or ordinarily working in the UK under a contract of employment;
- aged between 22 and State Pension Age; and
- who earns at least £10,000 pa (2018/19).

Please note that:

- This £10,000 pa limit is calculated pro-rata for each pay period (eg weekly or monthly); and
- All earnings, including overtime and other variable earnings count towards this limit.

So an employee with total earnings of over £833 per month or £192 per week must be auto-enrolled.

The Pensions Regulator website provides a useful summary table at:

<http://www.thepensionsregulator.gov.uk/docs/dg-3-appendix-b.pdf>

From 1 April 2015, amended regulations, intended to reduce the administration overhead for small employers, introduced four new “permissive” (ie not mandatory) exceptions from the auto enrolment duties. The new regulations also cover worker information requirements, and DB scheme quality requirements.

The new worker exceptions mean the employer may choose not to auto-enroll staff:

- who are in a notice period;
- who have ceased active membership of a qualifying pension scheme in the previous 12 months prior to the auto enrolment date;
- with HMRC tax protected status for their pension savings; and
- who have received a winding-up lump sum payment.

Full details can be found at: <http://www.thepensionsregulator.gov.uk/doc-library/automatic-enrolment-detailed-guidance.aspx>

Baptist Ministers

Most Baptist ministers are already provided with pension arrangements by their church and their position was not altered by the introduction of auto-enrolment, provided those pension arrangements count as a “qualifying scheme”. **All sections of the Baptist Pension Scheme satisfy these requirements.**

However, if a church does not currently provide its minister with a pension, it will need to decide (once auto-enrolment applies to the church) whether:

- To provide the minister with access to a qualifying scheme; or
- To seek advice on whether auto-enrolment applies to its minister.

BUGB has been advised that, as ministers are normally office-holders, rather than employees in the conventional sense, it is not currently possible to make a general statement about whether auto-enrolment applies to them. Since each church has its own individual relationship with its minister, the applicability of the auto enrolment regulations has to be considered on a case by case basis. Factors which need to be taken into account include the manner in which the minister is engaged, the provisions governing their service and the overall nature of the relationship with the church. The church is likely to need specialist advice if it wishes to establish that auto-enrolment does not apply to its minister.

Please note that, even if it is established that auto-enrolment does not apply to the minister, it will still apply to any other employees of the church.

5. What if my employees do not want to be automatically enrolled?

Eligible jobholders must be auto-enrolled (subject to the postponement period discussed in section 3). They cannot decline membership in advance of being auto-enrolled. However, once they have been auto-enrolled they can:

- Opt out within one month of being auto-enrolled – in which case they will be given a refund of contributions and treated as if they had never been a member; or
- Cease membership at any point following the one month opt out period, in which case their contributions (and those of the employer) must remain invested.

6. How often do I need to assess my employees under auto-enrolment?

Any eligible employees who opt out or cease membership must be automatically re-enrolled on your re-enrolment date. This is generally on the third anniversary of the employer's staging date, but can be 3 months either side of that date if you wish.

On your re-enrolment date you must once again re-assess all your employees, unless any of them have opted-out or ceased membership within the previous 12-months.

Following the re-assessment your employees will fit one of the following definitions:

- Opt-out or ceased membership in the last 12 months. These can be ignored and do not have to be re-enrolled.
- Employees on a notice period or who are about to retire can be ignored and do not have to be re-enrolled.
- Already in an auto-enrolment scheme. Again, these can be ignored and will remain a member of the employers chosen pension scheme.
- Not currently a member of an auto-enrolment scheme. This gives rise to three different categories of employee:
 - Meet the eligible jobholder criteria – these must be auto-enrolled from your re-enrolment date; or
 - Do not meet the eligibility criteria – see section 7 below.

Further details on the re-enrolment process can be found at

<http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-11.pdf>

7. What about employees who do not have to be auto-enrolled?

Employees who are not **eligible jobholders** do not have to be automatically enrolled, although you can decide to enrol such employees in a pension scheme if you wish.

However, such employees **must be allowed to opt-in to pension scheme membership** and the provisions for this are as follows:

- If the employee earns less than £10,000 pa but more than £6,032 pa (or, in both cases, a pro-rata amount for each pay reference period); or
- If the employee is aged under 22 or over State Pension Age (and subject to the employee earning more than £10,000 pa or a pro-rata amount for each pay reference period),

then the employee must be given the right to opt-in to an **automatic enrolment scheme**. The employer must then contribute to the scheme in respect of any employees who opt-in.

If the employee is ineligible because they earn less than £6,032 pa, they must be given the right to opt-in to a pension scheme. The scheme can be any pension scheme registered under the Finance Act 2004 where employee contributions are deducted directly from pay (the scheme does not have to be a **qualifying scheme** or an **automatic enrolment scheme**). The employer is **not** required to contribute to the scheme in respect of such employees who opt-in, but it can do so if it so wishes.

8. How much are the pension contributions?

The contribution percentage rate

There are two broad types of pension scheme:

- Trust-based schemes, run by trustees, such as the BPS; and
- Personal pension schemes, run by insurance companies. These include group personal pension plans or stakeholder schemes.

The **quality requirements** summarised below apply to both trust-based schemes and personal pension schemes. In addition, for a personal pension scheme to meet the requirements, employee contributions must be deducted directly from pay.

The core **quality requirements** are that contributions to the scheme for each **pay reference period from 1 April 2019 onwards** must equal or exceed the following rates:

- a total contribution (employer plus employee) of 8% of **qualifying earnings (defined below)**; and
- a minimum employer contribution of 3% of **qualifying earnings**.

The employer can, if it wishes, pay more than 3% of **qualifying earnings**, with the employee paying less than 5% of **qualifying earnings**, provided the total contribution is at least 8% of **qualifying earnings**. See below for more information about minimum contributions prior to October 2018.

What the contribution rate must be applied to

Qualifying earnings include all earnings (including, for example, basic salary, overtime, allowances, commission and bonuses) between £6,032 pa and £45,000 pa. Please note the upper limit of £46,350 is a limit up to which contributions must be paid. However, the BPS (and most other pension schemes) make contributions in respect of earnings above this level where appropriate.

Alternative options

To assist employers who do not count all earnings as pensionable, the Government has introduced an easement by which a scheme can meet the quality requirements provided that contributions to the scheme equal or exceed those under one of the following alternative contribution structures:

Alternative structure	Minimum contributions (applying from 1 April 2019)
"Tier 1"	A total contribution of 9% of basic pay, with a minimum employer contribution of 4% of basic pay
"Tier 2"	A total contribution of 8% of pensionable pay, with a minimum employer contribution of 3% of pensionable pay, subject to pensionable pay being at least 85% of the employer's total pay bill
"Tier 3"	A total contribution of 7% of pensionable pay, with a minimum employer contribution of 3% of pensionable pay, subject to 100% of earnings being pensionable

For this purpose, "basic pay" is deemed to include all elements of pay that do not vary (so potentially not just basic salary). Under all three alternative contribution structures, earnings from "pound one" (that is, without offsetting the first £6,032 pa of earnings) must be included within pensionable pay when testing whether the **quality requirements** are met.

Pensionable pay under the Tier 1 and Tier 2 alternative structures can potentially exclude non-basic pay.

Phasing

The long-term minimum total contribution rate of 8% of **qualifying earnings** (with a minimum of 3% from the employer) only applies from 1 April 2019. This is to ease the financial burden on employers (and employees). Employers can, if they wish, pay higher contributions than the prescribed minimum during the **phasing** period to 1 April 2019 (and subsequently).

The phasing-in of the core minimum rates of contribution that must be paid to a defined contribution pension scheme to meet the minimum **quality requirements** is as follows:

	Minimum employer contribution	Minimum total contribution
From each employee's automatic enrolment date to 31 March 2018	1% of qualifying earnings	2% of qualifying earnings
1 April 2018 to 31 March 2019	2% of qualifying earnings	5% of qualifying earnings
From 1 April 2019 onwards	3% of qualifying earnings	8% of qualifying earnings

Phasing also applies to the alternative defined contribution scheme structures which are based on a definition of earnings other than **qualifying earnings**, and which are also deemed to meet the quality requirements.

9. What administration requirements will we need to fulfil?

Administration requirements, such as documentation and the format of contribution data you must provide each pay period, will depend on which pension scheme(s) you use as your auto-enrolment scheme. The provider(s) will be able to give you details, which are usually available on their websites.

10. Can I use the Baptist Pension Scheme as our automatic enrolment scheme?

Yes, all three sections (Ministers, Staff, Basic) of the BPS may be used as an auto-enrolment scheme. However, apart from serving ministers, the employers in the BPS employ in total, very small numbers of staff and as a result, the cost and administrative complexity for the BPS, of providing all the options under the auto enrolment legislation, would be prohibitive. **Consequently the BPS may not be available for all eligible jobholders, because the Scheme has a number of minimum requirements, as follows:**

- The eligible employee must be paid a regular annual salary (ie not on a zero or variable hours contract).
- You must be able to set up membership documentation (including a direct debit) in advance, for their contributions.
- You must be prepared to pay at least the contribution level set in the Basic Section of the BPS (which is 5% of Pensionable Income and is somewhat higher than the regulatory minimum). Furthermore, the Basic Section is also open only to employees who earn at least the Qualifying Earnings Threshold in any tax year (£6,032 in 2018/19), so is not available for very low paid staff. While the Ministers' and Staff Sections of the BPS do not require earnings to be at least the Qualifying Earnings Threshold, the pension contribution levels are higher (for details of current eligibility rules and contribution levels for each section of the BPS, see the BPS website at: <http://www.baptistpensions.org.uk/-members/-new/>)
- The auto enrolment legislation also permits total contributions to start low and rise in stages until April 2019. This option is not available in the BPS.
- The BPS is not able to assess your employees to check if they are eligible jobholders or issue the requisite auto-enrolment communications on your behalf. You must therefore either run these processes yourself (obtaining templates from the Pensions Regulator's website – see section 3) or from your normal payroll service provider.

Given the BPS restrictions, you may wish to set up separate arrangements with a different provider (see section 10 for details).

If you do decide to use the BPS for auto-enrolment, then the first step is to choose which section of the scheme the employee is joining and then provide the Scheme Administrators at BBS with the necessary information (including full details of the individual you wish to auto-enrol, and the details to allow BBS to set up the direct debit noted above for the individual's contributions).

BBS can be contacted as follows:

BBS Consultants & Actuaries Ltd
Canard Court
23-25 St George's Road
Bristol
BS1 5UU

Telephone: 0117 937 8700

Email: baptistpensions@bbs-actuaries.co.uk

As a practical suggestion, you as employer, may wish to apply a three month postponement period for automatic-enrolment, to give you time to provide the necessary information and set up the direct debit in advance of the employee being auto-enrolled into the BPS. This will avoid you needing to auto-enrol the employee immediately after they start work and creating administrative pressure on your payroll arrangements.

11. What other auto enrolment options are available?

There are a number of other providers who may be suitable for your purposes including, but not limited to, the National Employment Savings Trust ("NEST") and The Peoples' Pension ("TPP"). Please note that some providers make additional charges for auto-enrolment assistance and others (eg NEST) do not provide that service at all.

Your decision as to which provider to use will be impacted by your own ability and capacity as employer to:

- Assess your workers and decide which need to be auto-enrolled.
- Issue compliant communications to them.
- Comply with the provider's payroll data format.

Your decision could also be affected by the level of contributions you propose making as this may affect which commercial providers are prepared to take your business and the charges your members will pay.

Details for NEST and TPP can be found at:

- <http://www.nestpensions.org.uk/schemeweb/NestWeb/public/home/contents/homepage.html>
- <http://thepeoplespension.co.uk/>

12. Who do I need to notify that we have met our obligations?

There are two things you must do.

- **Declaration of Compliance** – You must notify the Pensions Regulator which pension scheme or provider you are using to meet your auto-enrolment regulations, via their website at <http://www.thepensionsregulator.gov.uk/employers/automatic-enrolment-registration.aspx>

You will only be able to do this after you have auto-enrolled your eligible jobholders (you need to answer questions about numbers of employees affected). This is currently a one-off exercise that you only need to do when you first stage into auto-enrolment.

You will need to include the Pension Scheme Reference Number (PSR). If you are using the Baptist Pension Scheme as your auto enrolment provider the PSR number is 10139575.

- **Certification** – You must document that you are complying with the law and complete a certificate, a draft of which, together with guidance notes is available in Appendix 1 of this document. This certificate must be updated at least every 18 months (although we would typically suggest you do so every year as part of an annual review). You are not required to send this anywhere, but must keep it on file and provide it, on request, to employees (or unions where appropriate) and the Pensions Regulator.

13. Action Checklist

The Pension Regulator's website contains a helpful duties checker at:

<http://www.thepensionsregulator.gov.uk/en/employers/duties-checker.aspx>

14. Where can I get more information?

More information is available at the providers' websites above or at the Pensions Regulator's website <http://www.thepensionsregulator.gov.uk/employers.aspx>

You may also wish to take independent advice about your auto-enrolment obligations, to ensure you meet the requirements. Our pension administrators, BBS Consultants & Actuaries Ltd, are not contracted to provide such advice to churches.

Appendix 1

Automatic Enrolment Certification of Compliance Guidance Notes

As indicated in Section 12 of this note, you must document that you are complying with the law and complete a certificate of compliance which must be updated at least every 18 months (although we would typically suggest you do so every year as part of an annual review).

We have prepared a template certificate below for BPS churches and other employers to use.

To be valid, the certificate needs to be completed and signed by you and retained on your records. You are not required to send it anywhere, but a copy can be requested at any time by employees or by the Pensions Regulator.

If you have any queries in respect to this process please contact BBS for assistance

Specimen Certificate for automatic enrolment purposes

This certificate relates to

[Pension Scheme name]

This scheme is certified under Set 1 of the alternative arrangements issued by the Department for Work & Pensions.

A copy of this certificate can be requested at any time by employees or the Pensions Regulator.

One of:

EPSR number (for group personal pension schemes) []

PSR number (for occupational pension schemes, including BPS, NEST and The People's Pension) []

Name and Address of employer:

Effective Date of certificate: [Staging Date]

Certification period: [12/18months]

Does the certificate cover all jobholders who are active members: Yes/No

Does the scheme operate a contribution or earnings cap? Yes/**No**.

Alternative quality requirement – minimum pension contributions:

The scheme to which this certificate relates satisfies the following set of the alternative quality requirement for all relevant jobholders.

Set 1:

First transitional period – until 31 March 2018

Minimum of 3% of pensionable pay and pensionable pay is at least equal to basic pay (inclusive of at least a 2% employer contribution)

Second transitional period – 1 April 2018 to 31 March 2019

Minimum of 6% of pensionable pay and pensionable pay is at least equal to basic pay (inclusive of at least a 3% employer contribution)

Steady state – from 1 April 2019

Minimum of 9% of pensionable pay and pensionable pay is at least equal to basic pay (inclusive of at least a 4% employer contribution).

I certify that, in my opinion, the above scheme is able to satisfy the relevant quality requirement in sections 20, 24 or 26 the Pensions Act 2008 or one of the alternative quality requirements set out in section 28 of the Act and Part 7A of the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 throughout the certification period in relation to the relevant jobholders.

In giving this certificate, I confirm that I have complied with the requirements contained in the relevant legislation and have had regard to the current Guidance on Certification issued by the Secretary of State for Work and Pensions under section 28(6)(d).

Signature of employer/person authorised by employer:

Name :

Position:

Date: