

AUTOMATIC ENROLMENT FACTSHEET 3

POSTPONEMENT

It's important employers fully understand their duties as part of automatic enrolment. To assist with this, Scottish Widows has produced a range of fact sheets covering some of the key technical aspects of the regulations. Further details may be found on the Pension Regulator's website:

<http://www.thepensionregulator.gov.uk/employers/tools/employer-duties.aspx>

An employer's automatic enrolment duties always start from its staging date. Postponement allows an employer to postpone assessment of a worker for up to three months, until the deferral date. The employer assesses the worker on the deferral date and automatically enrolls any that are assessed as eligible jobholders who are not active members of qualifying schemes.

BENEFITS FOR THE EMPLOYER

Postponement is optional. It's a useful feature of automatic enrolment that can benefit employers in a number of ways including:

- Aligning enrolment dates to the start of pay reference periods
- Avoiding the enrolment of temporary or short-term workers, or those with earnings spikes
- Using a postponement period to allow contractual joining to a scheme on a salary exchange basis. Eligible jobholders who don't take up the offer can then be automatically enrolled on a non-salary exchange basis on the deferral date.

THE PROCESS

Postponement can be used for a single worker, a group of workers or the entire workforce. The legislation allows employers to use postponement flexibly, taking a mix and match approach to when it's used and the length of the postponement period. However, some software processes limit an employer to using the same maximum postponement period in all situations, shortened to align to the start of a pay reference period where appropriate. The employer must issue the worker or workers with a postponement notice. There are two types of postponement: worker postponement and eligible jobholder postponement.

Worker postponement

- Used at the employer's staging date for any workers employed on their staging date
- Used on the first day of employment for any worker starting employment after the staging date

Eligible jobholder postponement

- Used on the date a worker meets the criteria to be an eligible jobholder where this occurs after the staging date or their joining date, provided this isn't on a deferral date.
- The employer must issue the postponement notice(s) within six weeks of the date it wishes to use postponement. It can't use postponement if it doesn't meet this deadline.

Employers who are using a defined benefit (DB) or hybrid scheme as their automatic enrolment scheme may be able to take advantage of specific postponement provisions. See The Pensions Regulator's Detailed Guidance chapter 3b for full details.

Any jobholders who are not active members of a qualifying scheme can choose to opt in during the postponement period and benefit from employer pension contributions. Entitled workers have the right to join a pension scheme during the postponement period.

THE POSTPONEMENT NOTICE

This informs the worker that automatic enrolment has been postponed and the deferral date when they'll be assessed. It explains the criteria which will be used to decide if they need to be automatically enrolled on the deferral date. The postponement notice can also include other information an employer is required to communicate to its workforce, such as the requirement to tell:

- a jobholder about their right to opt in to an automatic enrolment scheme
- an entitled worker about their right to join a pension scheme
- a jobholder who is an active member of a qualifying pension scheme about the scheme.

There are four different types of postponement notices, with different levels of information:

Notice	Information
General notice A	Contains the information that must be provided to all the different categories of worker: <ul style="list-style-type: none">• eligible jobholders• non-eligible jobholders• entitled workers• jobholders who are active members of a qualifying pension scheme.
General notice B	As Notice A but excluding information for jobholders who are active members of a qualifying pension scheme.
Tailored notice for a jobholder	Contains specific information for a jobholder who is not an active member of a qualifying scheme with their employer.
Tailored notice for an entitled worker	Contains specific information for an entitled worker who is not an active member of a qualifying scheme with their employer.

The employer can choose which type of postponement notice to use for worker postponement. It must always use a tailored notice for a jobholder for eligible jobholder postponement.

If a worker is assessed as an eligible jobholder on the deferral date, at the end of the postponement period, they must be automatically enrolled. The employer cannot extend the postponement period.

Example 1

SmartCo have a pay reference period in line with the calendar month. They are keen to keep administration to a minimum and avoid having to calculate pension contributions on part-period earnings as this will involve manual adjustments to their payroll process.

Morag starts employment with SmartCo on 20 March on an annual salary of £30,000. Hamish starts employment on the same day on an annual salary of £18,000

Without postponement

Both Morag and Hamish will need to be assessed on 20 March.

Morag's earnings during the period 20 March to 31 March will be £986 which is above the earnings trigger for automatic enrolment. Because of this, Morag is an eligible jobholder and will need to be automatically enrolled. SmartCo will need to calculate Morag's pension contributions based on her earnings during the period 20 March to 31 March, with subsequent calculations based on her full monthly earnings of £2,500.

Hamish, on the other hand, will earn £592 during the same period which is below the earnings trigger. Because of this, he's a non-eligible jobholder and his employer will need to provide him with information about the right to opt in to an automatic enrolment scheme. SmartCo will need to reassess him on 1 April. At this point he'll be an eligible jobholder and will need to be automatically enrolled.

With postponement

SmartCo could issue postponement notices to both Morag and Hamish on 20 March informing them that automatic enrolment has been postponed until 1 April. The notices will explain that they have a right to opt in to an automatic enrolment scheme.

Neither employee exercise their right to opt in and SmartCo assess them both on 1 April. Both are eligible jobholders and SmartCo proceeds with automatically enrolling them, with the first contribution based on their full earnings during the pay reference period 1 April to 30 April.

Example 2

SmartCo also employ a number of temporary staff to cover busy periods during their business year. The temporary staff are paid weekly and on average tend to work for between four and eight weeks.

SmartCo are keen to avoid automatically enrolling any temporary workers and decide to use postponement. They could use a different postponement period for their temporary workers and decide to use the full three-month period.

They will still need to provide the relevant information to the temporary workers. Any who qualify as jobholders will have a right to opt in during the postponement period and receive an employer contribution. And any workers still employed on the deferral date will need to be assessed and automatically enrolled if they are eligible jobholders.

Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given.

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