

AUTOMATIC ENROLMENT FACTSHEET 8

OPTING IN AND JOINING A PENSION SCHEME

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 Pensions Regulator's website:

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

In addition to automatic enrolment (AE) there are two other employer duties that cover establishing active membership of the pension scheme. These are 'opting in' and 'joining'.

OPTING IN

Opting in is where a jobholder can apply to become a member of an AE scheme. They do this by giving their employer an 'opt in notice'.

Who can use this facility?

This will commonly be used by non-eligible jobholders who wish to join the AE scheme and benefit from the employer's pension contribution. It can also be used by eligible jobholders. Normally this will be the case where an individual was automatically enrolled into a scheme but opted out within one month of AE, or when someone subsequently left the scheme after one month of AE. Due to a change of personal circumstances, these individuals may now wish to rejoin their AE scheme.

There will also be eligible jobholders who were not auto-enrolled into a scheme as they were already active members of a qualifying scheme at the time of the employer's staging date. If these members have subsequently left the scheme they are eligible to opt in at a later date.

It's also possible for jobholders to apply for membership of an AE scheme during a postponement period. Evidence so far indicates that these cases will be few and far between.

Confirming the category of worker

As an employer may receive an opt in or joining notice some considerable time after communicating the right to opt in/join a pension scheme to the worker, the first step when receiving a notice will be to confirm the worker's category. This will determine the process the employer must then follow in arranging active membership of a pension scheme.

The employer must assess the worker on the date the notice is received in whichever pay reference period it falls to determine whether they have earnings above the lower level of qualifying earnings, in which case they are a jobholder and otherwise they are an entitled worker. It's not necessary to distinguish between eligible and non-eligible jobholders as for these purposes they are treated the same.

Checking that a valid notice has been received

Having confirmed worker status, the employer checks that the notice was made in writing and was signed by the jobholder/entitled worker (or if sent by email includes a statement that it was personally submitted). The employer may also want to check whether they have received a notice from the same individual within the past 12 months.

Identifying the enrolment date

When an employer receives a valid opt in notice, the next step is to identify the enrolment date. The enrolment date determines when the assessment of the worker's status takes place and from when any pension contributions will be calculated. The enrolment date will be the 1st day of the next pay reference period following receipt of the opt in notice or - if payroll for that pay reference period has already closed - the 1st day of the 2nd pay reference period.

On the enrolment date the employer must assess the worker and if he/she is a jobholder must enrol them into the scheme. If, however, the assessment determines that the worker is not a jobholder, they will not need to be enrolled but must be assessed at the start of each pay reference period that follows.

When dealing with opt in notices during a postponement period, the employer must also check to see that the enrolment date is not after the end of the postponement period. If it is, then the worker may need to be automatically enrolled before the enrolment date is reached.

Employer's discretion

The employer does not have any discretion regarding opt in requests from jobholders applying to join the scheme for the first time. However, the employer could refuse to allow individuals to rejoin if they have already opted in within the previous 12 months and subsequently left the scheme. So effectively an employer only has to accept an 'opt in notice' from an individual once every 12 months. It would be advisable to include this condition in the pension scheme rules so that members are aware of it when they're opting out or leaving the scheme.

ENTITLED WORKERS

An entitled worker can apply to become a member of a pension scheme. They do this by giving their employer a 'joining notice'.

Who can use this facility?

This is a facility that's only available for entitled workers. It's unlikely to prove popular as there is no right to an employer contribution. However, there is nothing stopping an employer from letting someone join a scheme where an employer contribution is paid. It's important to note that, unlike opting in, joining does not require the pension scheme to be an AE scheme or even a qualifying scheme.

Employer's discretion

The employer does not have any discretion with an individual's first request. This is similar to an 'opt in notice' as an employer only has to accept one joining notice from an individual in a 12-month period.

RECORD KEEPING

As is the case with most aspects of AE there are a number of records that have to be kept around the opting in and joining process. With this in mind, most employers will benefit from a specialist system like AssistMe offered by Scottish Widows, alongside their group pension plans.

SUMMARY

Opting in and joining are relatively simple concepts made very complicated by the administration processes required as part of the AE regulations. As mentioned above, it will be possible to make this easier by using a specialist administration system.

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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