

Issue 106: Personal Accounts – are you happy with the proposed changes?

Extensive information on the Personal Accounts regime was issued for consultation in September, under the heading “Workplace Pension Reforms: Completing the Picture”. The consultation period is shorter than usual and many of the issues raised will be of interest to employers.

Most of the headlines have focused on the proposed **deferral of full implementation**. Although new obligations will begin to bite from October 2012 the full package will not be in operation until 2016.

- For large and medium employers the individual 'staging date' for commencement of their obligations will be between October 2012 and September 2013; smaller employers' staging dates will be spread over the following two years;
- The minimum contribution for a qualifying defined contribution arrangement will not reach the long term 8% level (of which at least 3% must relate to employer contributions) until October 2016, with only 2% being required from October 2012 and 5% from October 2015 (of which 1% and 2% must come from the employer); and
- Employers offering membership of a qualifying defined benefit arrangement will not need to automatically enrol employees until October 2015.

However, the consultation includes relatively few questions on this deferral. It covers several additional areas including those outlined below.

Details of the **automatic-enrolment process** are provided, with more relaxed timescales than those proposed earlier in the year. The main additional item for consultation is a proposal that contributions need not be paid across to the scheme for an extra month after auto-enrolment. This will enable contributions to be more easily refunded, for opt-outs, but it may cause administrative complications for employers.

The **quality requirements for qualifying schemes** are expanded, providing details of how some employers might be able to self-certify that their scheme meets the requirements, even if they do not use total earnings to derive contributions. Details of how career average, hybrid and non-UK schemes will be assessed are also provided.

The **registration process**, through which employers will have to prove to the regulator that they have met their obligations, is set out. This includes a requirement to re-register every three years. **Record keeping requirements** are also proposed, enabling the regulator to check employer compliance at a more detailed level.

Employers will also, no doubt, be interested in the **penalties for non-compliance** which might be applied by the regulator. In addition to issuing compliance notices and unpaid contribution notices, the regulator can issue penalty notices of up to £10,000 per day under the proposals.

Some of the specific questions raised for consultation are:

- Will the cost to employers of not investing contributions for an initial period, in case the employee elects to opt out, outweigh the benefit?
- On which date in the month should employers be obliged to automatically enrol?
- If an employer wishes to commence auto-enrolment early, what do they have to do?
- Will the proposed registration and three-yearly re-registration process work?
- Are the employer record-keeping requirements, including maintenance of opt-out records, reasonable?
- Are the proposed penalties for non-compliance reasonable?

Employers have until 5 November to respond to the consultation, which can be found at the www.dwp.gov.uk, under consultations.

If you have any questions on this Spotlight please contact your usual Hewitt contact [Peter Williams](mailto:Peter.Williams@hewitt.com) (+44 (0) 1372 733763) or [Brian Wilson](mailto:Brian.Wilson@hewitt.com) (+44 (0) 1372 733986).

If you would like to receive these bulletins by e-mail, please contact spotlight.enquiries@hewitt.com.

