

Workplace Pensions

Investing in your future





engaging
with staff



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Workplace pensions

Would staff turnover go down if all Employees realised the value of their employment package and were to engage with Ernest Grant in determining their financial futures? We believe it would.

Although many people are not aware, often the most valuable product to an employee within any benefits package is the pension scheme, yet we find that it is frequently the least valued.

We have found in the main when we ask a member of a pension scheme what financial goals they have set for their retirement, most we talk to do not know nor have even considered setting any goals let alone know how they were doing against them.

We believe that this is hardly surprising given the low level of advice and support most people receive when taking out an Employer sponsored pension scheme.

This is a worrying scenario - you as the employer are committing finite resources investing funds into a group pension scheme that your employees may not necessarily value or appreciate and they may be missing out on the choice to maximise their chances of a financially secure retirement.

Historically it could be true that the problem was with the actual pension products themselves, but we don't believe that this is the case today. In recent years Pensions have become simplified with lower charging structures and often offering a high level of choice and flexibility.

In our opinion, the problem is not one of having a pension in the first place, the problem lies with the choices we make once we have one.

We offer a range of services from simple plug in solutions with full administrative support to full member advice packages and predefined member review services.

We are confident that we can help any employer build and communicate a visible and valuable Pensions and Benefits package that creates a truly competitive remuneration strategy.

Regardless of whether you are looking to just ensure your company deals with Auto Enrolment in the most efficient, compliant and cost effective manner, or you are looking to create something special improving on existing Pensions and Benefits our solutions can work for you.

We consider and offer specialist advice in such areas as:

- ▶ Group Personal Pensions & Stakeholder Pensions
- ▶ Master Trust Solutions such as NEST (National Employment Savings Trust)
- ▶ Auto Enrolment Legislation and Compliance
- ▶ Auto Enrolment Auditing
- ▶ Self Invested Pension Schemes
- ▶ Switching from Trust Based to Contract Based Pensions
- ▶ Defined Benefits Schemes
- ▶ Occupational Scheme Closures and Wind-Ups
- ▶ Scheme Transfers
- ▶ Pre & Post Retirement Planning

Auto enrolment legislation

Pensions reform - auto enrolment

The pensions reform legislation, introduced on October 1st 2012, will have wide-ranging effects across every field of business. It requires all employers to enrol their workers into a Qualifying Workplace Pension Scheme (QWPS) if they are not already in one. At present, many workers fail to take up valuable pension benefits because they do not make an application to join their employer's scheme. Automatic Enrolment is meant to overcome this. The Government estimates that about seven million people are currently under saving for retirement.

You can prepare now by gaining a thorough understanding of the legislation and its potential impact upon you and your company.

For the largest of employers Automatic Enrolment is already here, having commenced on October 1st 2012 (for those employing over 120,000 staff). Employer responsibilities will be introduced gradually over the five years from October 2012 dependent on the size (number of staff) of your largest PAYE scheme. The date at which an employer is required to enrol eligible staff is known as your 'staging date'.

What are you required to do as an employer?

- You'll need to automatically enrol all eligible employees into a 'qualifying workplace pension scheme' from your allotted 'staging date'. This could be your own company scheme (if it meets certain criteria), the National Employment Savings Trust (NEST) or a similar alternative such as The People's Pension.
- You'll be required to contribute a minimum of 3% (phased up to October 2018) of each employee's qualifying earnings which is intended to incentivise them to join. Their own personal contributions and tax relief will be added to this to meet a minimum 8% total contribution rate by October 2018.

The Government recognises that these reforms continue to place employers at the heart of pension provision. They are therefore proposing key measures designed to minimise the burden on you:

- Compulsory employer and employee contributions will be phased in from your staging date, starting at a minimum 1% employer and 1% employee (of which the employee will receive tax relief).
- Simple, straightforward qualifying criteria for existing Company Schemes, meaning many existing schemes should qualify.
- A 'light-touch' but effective compliance regime for new employer duties such as automatic enrolment.

Who will we have to automatically enrol?

Employees eligible for automatic enrolment will be:

- ▶ those who aren't already active members of a qualifying scheme; and
- ▶ are aged between 22 years and the State Pension age; and
- ▶ whose earnings are in excess of the income tax personal allowance (£9,440 in the 2013/14 tax year); and
- ▶ who work, or usually work, in the UK

What if we want to use our own company scheme for automatic enrolment?

If you want to use your own Company Scheme to meet the new requirements, it will have to meet certain qualifying criteria:

- ▶ Does it permit auto-enrolment?
- ▶ Are employees auto-enrolled within 90 days of joining the company (if postponement is being used)?
- ▶ Does it have a default investment fund?
- ▶ Does it deliver the minimum contribution requirements (qualifying earnings basis or certification)?

The qualifying criteria are intended to allow you to easily compare and choose the form of pension provision that best suits your company.

How we can help?

We can provide realistic solutions for our clients to help comply with the legislation and take the sting out of the potential costs surrounding it. Whilst helping build solutions we can also deliver effective process and communication, turning the complex and costly legislation into a valuable Employee Benefit.

For more information on the Auto Enrolment and NEST please refer to our useful links below, or fill out the 'enquiry form' located in 'contact us':

The Pensions Advisory Service piece on Auto Enrolment:

<http://www.pensionsadvisoryservice.org.uk/future-pension-reforms/auto-enrolment>

The official NEST website:

<http://www.nestpensions.org.uk>

Staging Document - find out when your company will need to adhere to the auto-enrolment legislation:

<http://www.thepensionsregulator.gov.uk/employers/what-is-my-staging-date.aspx>

I.T solutions to help support your auto enrolment needs

Here at Ernest Grant we have licensed a middleware software solution from Jargonfree Benefits to help our employers implement and manage the 2012 pension reforms and a wide range of optional workplace benefits.

This middleware solution is specifically designed for employers who don't have the option of using a provider based I.T solution through their existing scheme(s).

Jargonfree Benefits brings together all the advantages of workplace benefits communication, salary exchange and HR functionality that have been enjoyed by larger companies for many years and makes them available to the SME community. The unique and cost-effective system includes full compliance with the new pension auto enrolment legislation.

The Jargonfree Benefits middleware products are only available through licensed resellers such as Ernest Grant Ltd.

We recognise that many employers will want to install the system initially to run just the auto enrolment processes and record-keeping requirements from their staging dates. The system is therefore designed and priced to allow employers to use it as a stand-alone auto-enrolment compliance tool, or as a full-blown flex-benefit system for any number of workplace benefits.

Jargonfree Benefits is a web-based system that does not need to be installed on an employer's computer network, indeed an employer need not even have a computer network to use the Jargonfree Benefits system.

Jargonfree Benefits is an agnostic system. There is no need for an employer to change their existing pension or benefits providers to use the Jargonfree Benefits middleware. Nor is there any need for them to change their payroll provider or processes.

We refer to Jargonfree Benefits as a middleware system because it can plug into any payroll system an employer may have and any pension scheme or schemes as well as any other benefit systems an employer may have or want to have.

Because it can plug into such a wide range of systems and processes Jargonfree Benefits can both summarise and manage an entire suite of workplace benefits on one single platform. The real strength of bringing the management of all workplace benefits together in this way is that the system has also been designed for employees to use too.



- ▶ Compliance with the new employer pension duties
- ▶ Management of pension auto enrolment
- ▶ Provision and management of a wide range of flexible workplace benefits
- ▶ Affordably priced for firms with 5, 50, 500, 5,000 or even 50,000 employees
- ▶ Works with any pension schemes or payroll systems

jfb**lite**

- Compliance with the new employer pension duties
- Management of pension auto enrolment
- Can be built in advance of an employer's Staging Date (but with no fees payable until just before the Staging Date)
- Affordably priced for firms with 5, 50, 500, 5,000 or even 50,000 employees
- Works with any pension schemes or payroll systems

jfb**micro**

- Compliance with the new employer pension duties
- Compliance provided on a bureau basis
- Available only in conjunction with accountancy firms or payroll providers
- Compliance Packs produced weekly, fortnightly or monthly to fit with payroll
- Available only to firms with fewer than 50 employees
- Particularly suitable for 'micro' firms with fewer than 10 employees

	Full JFB	JFB Lite	JFB Micro
Salary exchange benefits	■		
Total reward statement	■		
Employee portal	■	■	
Employer administration hub	■	■	
HR self service	■		
Online payslips	■		
HR intranet	■	■	
Online fund valuation	■		
Salary exchange pension	■	■	■
Holiday booking	■		
Absence management and analysis	■		
Historical reporting	■	■	■
Payroll interface	■	■	■
HR system interface	■	■	
AE workforce assessment	■	■	■
AE workforce portal	■	■	
AE employee document production	■	■	■
AE pension provider report	■	■	■
AE payroll interface	■	■	■
AE pension regulator report	■	■	■
AE compliance report	■	■	■
AE compliance pack secure portal			■

Legacy trust based schemes

A common argument for switching to a contract-based scheme is a reduction in the employer's administration costs, such as the processing of contributions and day-to-day record keeping.

Under a contract-based scheme, these costs, which can amount to upwards of £30,000-£40,000 (per annum), are passed on to the pension provider. Another saving is the administration required in relation to deferred members, such as annual statements.

Another perceived benefit is that the removal of a trust-based structure eradicates issues around governance. The Occupational Pensions Schemes (trustees' knowledge and understanding) Regulations 2006 are daunting and mean trustees must keep ahead of developments in investment.

The Pensions Regulator recently published their new Code of practice and guidance for Defined Contribution (DC) schemes. The Code of practice provides practical guidance on the requirements of DC law and sets out the standards of conduct that they expect of trustees. Failure to meet these standards could lead to enforcement action, which may be uncovered via whistleblowing, their thematic reviews, or other investigative work.

Many employers are finding costs both in terms of time and money are beyond the level they find acceptable.

However, the Pensions Regulator has published guidance on Voluntary Employer Engagement in the workplace for contract-based pension schemes which may help cover governance issues.

It is however wise to bear in mind the following core risks highlighted by The Pensions Regulator to Employers -

- ▶ Poor administration practices
- ▶ Poor investment practices
- ▶ Unduly high charges
- ▶ Poor retirement options
- ▶ Lack of member understanding

Perhaps the biggest risk and concern in winding up an existing scheme is the thought that employees may take it badly.

The very fact that it has Trustees and a parental feel may offer comfort to members, however misguided, but with the burden of choice now placed on the shoulders of the member, for them there are more pressing issues, such as selecting the right investment fund(s) and other options. In essence they need advice.

To all intents and purposes, members of a Defined Contribution Occupational Scheme are governed under Personal Pension rules following simplification rules at 'A' Day (6.4.2006).

However many employers still run Trust Based Schemes and hold the burden of the potentially higher level of cost associated with them.

Our solutions help to ease the burden of the issues outlined above, giving a structured stage by stage approach, with our team on hand to help at every turn. This can not only alleviate some of the pain but also reduce some of the cost. Add to this your chosen level of advice and communication to the workforce and this can actually become a very positive process.

Employee advice & communication

Our experience has made it clear to us that employees undervalue their employer-sponsored pensions and benefits arrangements. It is often the case that this is due to the lack of the appropriate level of engagement required to make the right decisions.

We aim to ensure that being a member of a Group Pension Scheme provided by Ernest Grant is very different to the norm. We aim to engage with every employee on a personal level to ensure that they are equipped to make the right decisions for the long term.

Ernest Grant can deliver a one to one advice meeting for all staff, but this is dependent on the level of communication you wish us to deliver to your workforce.

We can also offer advice on previous and paid up pensions, underlying fund selection and help guide the member through the duration of the scheme.

In an advised meeting we will consider an employee's 'attitude to risk' i.e. establishing the amount of risk an employee is willing and able to take, knowledge and experience, capacity for loss and we will use software to model various scenarios to help agree the appropriate level of contribution required and we will offer individual tailored advice on other non-pensions financial planning.

We will also keep in touch over the term of the contract based on the agreed service level option with the employer.

In summary, individual engagement and communication is central to our service and the key ingredient that Ernest Grant will add to help you secure the financial future of your company and your employees.

Pre and post retirement advice

Many of the most important decisions will be made in the years leading up to ones retirement and very shortly before starting to draw the benefits from pension arrangements.

Individuals face many risks when planning - investment risk, inflation risk and interest rate risks to name a few. The impact of getting these wrong in the years immediately prior to retirement can prove to be the most damaging of all as you will have less time to recover a situation. With two distinct falls to global stock markets returns since the turn of the millennium, protecting the purchasing power of your pension fund as you near retirement is of paramount importance.

In an ideal world, a pension fund would continue to rise in value leading up to retirement, but remain secure at all times. In reality we all know this may not be the case (with many Money Purchase schemes) and simply depends on how and where the money is invested, and how these assets perform. So the big question is:

How can we protect against a potential downside whilst giving the potential to benefit from upside returns in the years leading up to retirement?

This question is often raised by our clients and is the question we aim to answer and fulfil from our tailored solutions.

When you do reach the point in time at which you want to commence drawing your pension benefits, there are many factors to take into account, choices to be made and options to be considered. Many individuals do not realise that they can shop around in retirement for the best deal when effectively swapping their pension pot for an income.

At Ernest Grant, we understand the importance of being proactive with our clients as they near retirement and our Retirement Specialists are on hand to tailor solutions to your individual position and objectives. In particular, we can provide you with independent advice in any of the following areas:

- ▶ Annuity Purchase
- ▶ Enhanced / Impaired Life Annuity Purchase
- ▶ Income Drawdown (Pension Fund Withdrawal)
- ▶ Phased Retirement
- ▶ Combination of Phased / Drawdown
- ▶ Fixed Term Annuities
- ▶ 3rd Way Products





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