

PERSONNEL SERVICES

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 Director of Human Resources



To: heads of departments and institutions, faculty board chairmen,
 departmental administrators and faculty board secretaries

Ref. EMS/6

cc. heads of division, divisional secretaries, Dr Gambles, Mr Shaw,
 Principal Administrator of the Conference of Colleges, Ms Killick,
 Mr Morgan

29 January 2013

Pensions: Auto-enrolment

The Pensions Act 2008 imposes new duties on employers, with the aim of encouraging more individuals to save for retirement. These duties apply to the University from 1 March 2013. This circular is intended to give administrators information about auto-enrolment and the University's provisional plans for implementation. A separate general email communication to all staff, followed by specific email communications to those known to be affected, will follow.

Under the new regulations, the main specific changes to current university policy and practice are as follows.

- *All existing employees and workers not already in a pension scheme must be automatically enrolled into a scheme if they meet certain age and earnings criteria. Those who do not meet these criteria will have the right to join a pension at their request.*
- *Employees and workers may opt out but every three years the University must re-enrol any eligible staff who have previously opted out.*
- *All employees, including those on variable hours contracts and those who are re-employed after having taken their full pension, will be eligible for membership of USS or OSPS, as appropriate.*
- *Employees will continue to be contractually enrolled into either USS, OSPS or NHSPS on their first day at the University. This means that they will only be subject to statutory automatic enrolment (auto-enrolment) if they cease active membership of the pension scheme.*
- *Employees will only be able to opt-out **after** they have been enrolled, and will no longer be able to choose to opt-out before enrolment.*
- *A separate pension scheme, the National Employment Savings Trust (NEST), is being introduced for workers, such as casual teachers and other casual staff. The employer contribution rate for NEST is 2% rising to 3% in 2017 and then 4% in 2018.*
- *Workers will be enrolled into NEST on request, but they will have to be auto-enrolled if, after three months at the University, they meet the age and earnings triggers set by the government regulations.*

The regulator has set out highly prescriptive rules for the implementation of auto enrolment. Compliance with these duties will bring additional cost and administrative burdens: as far as practicable, we will manage relevant aspects of auto enrolment centrally in order to minimise the impact on departments. Departments should note, however, that:

- *preparation requires detailed assessment of the University's workforce in accordance with complex guidance issued by The Pensions Regulator;*
- *higher pension membership, entailing increased pension costs to departments, is inevitable but unpredictable, as the level of extra cost will be dependent on the take-up rate; and*
- *we will run briefing sessions for administrators throughout February.*



1. Action required by departments and divisions

- a. Note the description of auto-enrolment and the University's plans for implementation in the document at Annexe A.
- b. Ensure that data on existing staff held on Core are accurate and that data on new joiners are correctly entered.
- c. Provide new joiners, and any existing staff who do not have or that you are aware do not regularly check email addresses, with the required pensions communications, as described at 3 below.
- d. Note the inevitable costs arising from increased pension membership.

2. Preparation

Actions under the auto-enrolment regulations are determined by fixed criteria relating to a person's employment status, age, earnings, usual place of work and existing pension membership. These are described in the annexe. In preparation for 1 March 2013 divisions and departments are asked to ensure that the correct data for existing staff are held on Core and entered for new joiners. Three issues may need particular attention.

- **Employment status.** It is important that each individual member of staff is categorised correctly as an employee, a (casual) worker or a non-employee. In the majority of cases this is straightforward. But the correct evaluation of some individuals on atypical contracts may be more problematic. In particular, departments will need to decide whether staff previously treated as 'paid as claimed' are either variable hours employees or casual workers. Contracts may need to be reviewed. Personnel Services can provide guidance.
- **Place of work.** Auto-enrolment applies only to staff working, or ordinarily working, in the UK. It is clear that, regardless of nationality, a member of staff whose work is based in the UK and who is not here on secondment from another employer outside the UK, is subject to auto-enrolment. The position of University staff working abroad is less clear, and may have to be assessed case by case. But, generally, if the member of staff is posted or seconded overseas and is expected to return to Oxford in due course then they will be considered to be ordinarily working in the UK, whereas if they are permanently based or locally employed overseas then they may well not be subject to the auto-enrolment regulations. When in doubt, treat an employee as working in the UK.
- **Multiple appointments.** The University's duties only apply to university staff – no account need be taken of the College element of any joint or multiple appointments. If a member of staff has multiple appointments within the University these normally represent separate employment relationships and, therefore, as a general rule, the auto-enrolment duties will be applied separately to each contract. If, however, it is agreed, after discussion with Personnel Services, that multiple appointments in fact represent a single employment relationship then an exception to this general rule needs to be made. In such cases the earnings from each contract are aggregated for auto-enrolment purposes.

- A person who is enrolled in one pension scheme under more than one appointment may continue to pay contributions under each contract (in which case the pension provider will treat them as a single membership), or may opt out in respect of one (or more) of those contracts and retain membership in respect of another contract. An individual may also simultaneously be a member of USS, OSPS and/or NEST, if that is appropriate to their contracts.
- Specific briefing will be provided on the impact of auto-enrolment on specific staff groups such as Marie Curie students.

3. Implementation: existing staff

In the run up to March 2013, Pensions will be issuing general information on auto-enrolment to all staff by email, and by an announcement on the Staff Gateway. Each member of staff who will be affected will then receive an email about how the changes will affect them. Websites and Employee Handbooks will be updated. Briefings and workshops will be available for divisional and departmental administrators.

From 1 March 2013 all university employees and workers acquire the right to be enrolled in a university pension scheme at their request. Eligible staff who are not already in a qualifying pension scheme will have to be automatically enrolled into a pension scheme. As many of these will previously have deliberately opted out of USS or OSPS, this process will need careful explanation.

On 1 March 2013 all existing employees who are not in a university pension scheme will be sent a letter setting out the new duties and telling them that, as allowed under the regulations, the University is deferring their automatic enrolment assessment for three months, to 1 June 2013. On 1 June employees not in a pension scheme will be assessed against the auto-enrolment criteria (see annexe). Given salary levels, it is likely that the majority will be eligible to be auto-enrolled in USS or OSPS, as appropriate. Those enrolled will have one month to opt out. Everyone enrolled will receive a further letter with information about the pension and about opting out.

On 1 March 2013 all casual workers will also be given a letter telling them that their auto-enrolment assessment will be postponed for three months, to 1 June 2013. This should mean that genuinely casual workers, who normally work for less than 12 weeks, will have left before the need to assess them. On 1 June any remaining casual workers will then be assessed and, if found eligible, auto-enrolled in NEST. They too have the right to opt out.

4. Implementation: new joiners

All new joiner employees will be contractually enrolled in either USS or OSPS from the day they join the University. They have the right to leave the pension, but as this is contractual not auto-enrolment they have a longer period, three months, in which to opt to leave under the rules of the schemes and receive a refund of contributions. New joiners will have this explained to them in a document which will be issued with their letter of appointment [the contract templates are currently being updated and the relevant information will be included as part of the new contract template]. Employees in a clinical role and who were active members of the NHS Pension Scheme immediately before their employment by the University may join the NHSPS provided

the application is completed within three months of joining. Any such previous NHSPS membership should be recorded on the Core for new joiners.

All new joiner casual workers will need to be given, with their letter of engagement, a letter which postpones the date of their auto-enrolment assessment for three months. The casual letter of engagement is currently being updated and will incorporate the necessary letter. As above, this is designed to ensure that we need only consider for auto-enrolment those, like casual teachers, who are engaged to work for the University for more than three months. At the three month date any worker still at the University will be assessed and, if eligible, auto-enrolled into NEST. New joiner workers have the right to ask to join a pension from their first day at work.

5. Ongoing duties

The University has a duty continually to monitor and assess all employees and workers who are not members of a university pension scheme. At any time that the employee or worker next becomes eligible the University must take auto-enrolment action. We have designed the process so that if a member of staff does trigger the eligibility threshold, the assessment and enrolment duties are postponed for one month (employees) or three months (workers). This should help ensure that only those staff who properly meet the criteria are auto-enrolled.

Some points to note:

- Any employee who was eligible for auto-enrolment when they were first contractually enrolled and who subsequently opts to leave the scheme, does not have to be re-assessed for auto-enrolment until the university re-enrolment date, which comes round every three years i.e. the first re-enrolment date will be in 2016. This is likely to be the case with nearly all full-time and most part-time employees.
- But some employees who leave USS or OSPS after contractual enrolment will not have been eligible for statutory auto-enrolment at the time of joining. This will be the case with those aged under 22 and any part-time or variable hours employees whose earnings were below the auto-enrolment threshold. In these cases, the University must auto-enrol the employee into USS or OSPS whenever they do trigger the auto-enrolment threshold. This is unavoidable when someone reaches the 22nd birthday or their normal earnings rise above the threshold.
- There will be cases, however, where auto-enrolment is triggered by a temporary spike in earnings e.g. if a variable hours employee is paid for several months' work in one payroll. Even if an employee earns above the threshold in only a single month and receives much less or nothing in other months, the University will have to take action.

6. Administrative burden

The new duties create an unavoidable additional administrative burden. The University's implementation plan has been designed to make best use of any flexibility to simplify or reduce this burden, especially on departments. Action for monitoring and assessing staff, for initiating auto-enrolment and associated duties and for generating the required correspondence will lie

with Finance Division (Payroll and Pensions) with support from Personnel Services and IT Services. As much as possible of the processing will eventually be automated, through Core.

Actions required of divisions and departments should be limited to:

- the preparatory work to ascertain the employment status of existing staff and to ensure that this and information on age, location and earnings are correctly held on Core;
- ensuring that correct data on new joiners and leavers are entered into Core;
- considering whether any individual holding multiple appointments within a department is subject to a single or multiple employment relationship;
- acting as a post box to ensure that the required pension information (as generated by the centre) is delivered to those, especially casual workers, who do not have email addresses or who may temporarily not be able to access their email, for example due to sickness or maternity-related absence from work.

Departments and divisions can help reduce unnecessary work by ensuring that:

- casual workers do not unnecessarily remain on the books beyond the usual 12 weeks engagement;
- ensuring that payments are regular (monthly) rather than spiked (termly), so that the risk of 'accidentally' triggering auto-enrolment can be reduced;
- up-to-date email addresses are held for as many employees and casual workers as possible, so that the numerous communications required by the regulations can be handled automatically rather than requiring delivery by hand. The casual payroll form has been amended to create a box in which to enter contact email addresses for casual workers.

7. Costs

The aim of the new regulations is to increase pension membership. This will inevitably impose extra costs on departments, in the form of additional employer contributions. Current contribution rates are:

Employer contribution rates (% of basic salary)

Pension scheme		Employer contribution
USS	All members	16%
OSPS	All members	21.5%
NEST *	1 March 2013 to 30 September 2017	2%
	1 October 2017 to 30 September 2018	3%
	1 October 2018 onwards	4%

* In line with government policy, contributions to NEST will increase in phases over the next few years



Although measures have been taken to limit costs wherever possible, e.g. through the introduction of NEST for casual workers, it is hard to predict what extra funding will be required. At the staging date, we will know how many staff will have to be auto-enrolled into a pension, but we will not know how many will then decide to opt out.

Briefing sessions for administrators will be held throughout February.

MR J DUXFIELD
Director of Human Resources.

AC/SMN/SJT

Pension: Auto-enrolment

The Pensions Act 2008 imposes a number of new duties on employers, with the aim of encouraging more individuals to save for retirement.

Staging Date – 1 March

1. The University's "staging date" for the new duties is 1 March 2013. This is the date from which the University must apply the new duties to all new joiners and on which the University must automatically enrol into a pension all existing eligible employees and workers who are not already members.
2. Other employers, such as subsidiary companies who use the University's PAYE reference, must stage on the same date.
3. Colleges and subsidiaries who use a different PAYE reference will have the same duties but, as separate, smaller employers, they will have a later staging date.

Deferral Date – 1 June

4. As allowed under the regulations, the University is postponing the date for assessment and enrolment for three months to 1 June.

Workforce Assessment

5. The duties oblige the University to ascertain those in its workforce to whom the duties apply and then to assess which of three categories of eligibility those workers fall into. This determines which actions the employer must take. The definition of worker used in the regulations is broad, open to interpretation and not the same as the definition used, for example, by HMRC for tax purposes. The new duties apply to anyone who is either an:

- **Employee.** Anyone with a contract of employment. At Oxford, this takes in all those who have a Chancellor **Masters** and Scholars (CMS) contract of any type, including those on variable hours contracts

or a

- **Worker.** Any non-employee who has a contract to work or provide services personally other than as part of their own business or as the result of their employment by another employer. Included are short-term casual staff, casual or irregular teachers, personal services consultants, invigilators and examiners.

Under the regulations, the University has an equal duty to both *employees* and *workers*.

6. The University has no new duties with respect to members of the workforce not included in these groups e.g. agency workers, contract service workers (e.g. contract cleaners), inward secondees and self-employed contractors.
7. *Employees and workers* have to be further assessed so that they can be assigned to one of three categories:
 - **Eligible jobholder.** An eligible job holder is aged between 22 and the State Pension Age, working, or ordinarily working, in the UK¹ and with earnings² above the auto-enrolment earnings trigger. Under the new duties, the University must automatically enrol all eligible jobholders into a qualifying pension scheme, unless they are already a member. Those enrolled in this way may opt out, but will only receive a refund of contributions if they do so in the first month. Those who do opt out or otherwise leave the scheme, but remain eligible, have to be re-enrolled every three years. The earnings trigger is currently set at £8,105 per annum³, but it is important to note that it is earnings within a pay reference period that matter i.e. an employee who is paid monthly has an earnings trigger of £676 per month. If the employee exceeds this amount in any one month he/she becomes eligible for auto-enrolment, even if they earn less in other months.
 - **Non-eligible jobholder.** A non-eligible job holder is either someone who is aged between 16 and 74 working, or ordinarily working, in the UK, whose earnings fall below the auto-enrolment trigger but above the qualifying earnings trigger (currently £5,564 p.a. or £464 per month⁴) or someone working, or ordinarily working, in the UK whose earnings are above the auto-enrolment trigger but who is aged between 16 and 21 or between the State Pension Age and 74. Non-eligible jobholders have the right to opt in to a qualifying pension scheme.
 - **Entitled worker.** An entitled worker is aged between 16 and 74, working, or ordinarily working, in the UK, whose earnings fall below the qualifying trigger (i.e. they earn less than £5,564 p.a. or £464 per month⁵). The University must arrange for an entitled worker to join a pension scheme if he or she requests it. This scheme does not have to be a qualifying scheme nor one to which the employer makes contributions.

¹ The duties apply to employees and workers of all nationalities.

² In this context, earnings are gross taxable earnings.

³ The auto-enrolment thresholds are subject to annual revision. The threshold for the tax year 2013/14, which comes into effect on 6 April 2013 will be £9,440 per annum, £787 per month.

⁴ For the 2013/14 tax year this figure rises to £5,668 per annum, £473 per month.

⁵ See note 4

Table 1: Categories of workers for auto-enrolment duties

Age	16 – 21	22 – SPA	SPA – 74
Earnings p.a.			
Below £5,564	Entitled Worker		
£5,564 - £8,105	Non-eligible Jobholder		
Over £8,105	Non-eligible Jobholder	Eligible Jobholder	Non-eligible Jobholder

8. All current *employees* and *workers* have to be assessed and assigned to one of these categories ahead of the staging date. All new joiners will have to be assessed and categorised on or around their start date. Once this is done and the appropriate pension action taken, there is then a continuing requirement to monitor the variables (age, location, earnings, scheme membership) to ensure that the University takes the correct action whenever an *employee* or *worker* who is not in a qualifying pension scheme reaches one of the thresholds e.g. a young *non-eligible jobholder* may well become an *eligible jobholder* on their 22nd birthday, in which case, if they are not already in a pension, the University will have to auto-enrol them; if a worker, whose earnings usually keep him/her in the *entitled worker* category, does enough overtime in one month to hit the *non-eligible jobholder* earnings threshold, he/she must be offered the possibility of opting in to the qualifying pension scheme.

Pension Schemes

9. Existing university pension provision is insufficient to comply with the new duties. The University currently enrolls certain *employees* into USS or OSPS, according to staff group and grade¹. Both are qualifying schemes and therefore suitable for the new duties. But, under present university policy, only employees on full-time or fixed-time CMS contracts are automatically contractually enrolled into USS or OSPS. Membership for *employees* on variable hours contracts is at the employer's discretion and re-employed USS pensioners and *workers* are not considered eligible for a university pension. By contrast, the new duties require the University to have a qualifying pension scheme or schemes into which all eligible *employees* and *workers* can be auto-enrolled or which they can opt to join. The following changes are intended to ensure compliance, while taking account of cost and suitability.

¹ University staff are also allowed to retain membership of certain other schemes (NHSPS, SAUL and MRCPS) if they were members prior to coming to Oxford, but these are not University enrolment schemes.

10. The University will maintain its policy of contractual enrolment i.e. any new *employee* is deemed to join the appropriate university pension scheme on their starting date. USS and OSPS will be used as the pension schemes for all duties with respect to all *employees*. This both simplifies the administration of auto-enrolment and complies with the rules of the pension schemes e.g. USS has an exclusivity rule which prevents the University from using any other scheme to enrol any *employee* above grade 6. University pension policy has been changed so that eligibility for contractual enrolment into USS and OSPS will be extended explicitly to include *employees* on variable hours contracts and re-employed pensioners.
11. For *workers*, the University intends to introduce an additional more affordable and more portable, defined contribution pension scheme, **NEST**¹. NEST is significantly cheaper for the University than USS and OSPS - the minimum employer contribution, initially set at a minimum of 2% rising to 4% in 2018, compares favourably with the current 16% in USS and 21.5% in OSPS.
12. The University's current Stakeholder scheme is not a qualifying scheme under the new duties. It will be closed to new members.

Implementation

13. Although The Pensions Regulator's guidance is prescriptive, even down to specifying the wording that must be used in communications, there is some discretion in how the new duties are carried out.

Initial implementation on staging date

14. On or before 1 March 2013:
 - Information on auto-enrolment will be sent to all *employees* and *workers*.
 - All *employees* and *workers* who are already active members of a qualifying pension scheme will be notified that they will **not** be subject to assessment for auto-enrolment. There is, however, a duty to provide them with specified pension information.
 - All *employees* who are not active members of a qualifying pension scheme will be notified that their assessment for auto-enrolment will be postponed, as allowed, for three months. The University will write to each individually to notify them that the University will enrol them in the appropriate qualifying pension scheme if they ask and to provide them with the specified pension information.

¹ NEST is the National Employment Savings Trust, a national defined contribution pension scheme established specifically to support auto-enrolment.

- All *workers* who are not active members of a qualifying pension scheme will be notified that their assessment for auto-enrolment will be postponed, as allowed, for three months. This postponement allows the University to avoid taking any pension action with regard to workers who work here for less than three months (which should mean that no action needs to be taken for those undertaking casual work, which is generally expected to last less than 12 weeks). Workers will be notified that, if they ask, the University will enrol them in the appropriate pension scheme.

15. On 1 June 2013:

- On the postponed assessment date all *employees* who are not active pension members will be assessed and placed in the appropriate auto-enrolment category.

Those assessed as *eligible jobholders* will have to be automatically enrolled into the appropriate pension scheme with effect from that date. They will be notified of this and will have one month from the date of notification in which to opt out if they choose. There are no further duties if they remain in the scheme. *Eligible jobholders* who opt out will require no further action until either they decide to opt in or they have to be re-enrolled three years later.

Non-eligible jobholders will not be automatically enrolled, but their earnings and age must then be continually monitored, so that they are automatically enrolled if and when they reach the relevant auto-enrolment age or earnings trigger. They have the right to opt in to the appropriate pension.

Entitled workers will not be automatically enrolled, but they too will then be the subject of continual monitoring, so that the correct action is taken if an auto-enrolment trigger is reached. They retain the right to join a pension.

- On the postponed assessment date, all (remaining) *workers* will be assessed and the appropriate pension action taken. Eligible jobholders will have to be enrolled in NEST. Those assessed as *non-eligible jobholders* and *entitled workers* will require no immediate action, unless they ask to opt in or to join a pension, but will also need to be continually monitored.

Future implementation – new joiners

16. On or before the day new joiners start work at the University:

- With their letter of appointment, each new *employee* should receive one of two documents, according to whether the employee is academic or academic-related (USS) or support staff (OSPS). This informs the employee that he/she will be enrolled on their first day, and provides information on the pension, including on opting out. This will be a standard document generated centrally, but departments and divisions will be responsible for ensuring that it is given to the employee. Departments and divisions will also need to ensure new joiner data are correctly entered in Core. Enrolment and all subsequent actions lie with Payroll/Pensions.

- This is contractual enrolment. There is no separate automatic enrolment duty unless and until the employee opts to leave the pension scheme. The nature of these duties is determined by the *employee's* status e.g. if the *employee* who opts out had met the criteria for automatic enrolment, the University's only duty is to re-enrol them three years later; if, however, the employee who opts out did not meet the automatic enrolment criteria when they were enrolled, the University has a duty automatically to enrol them again whenever they do meet the eligibility criteria. This may be on the employee's 22nd birthday, or when earnings reach the auto-enrolment threshold.
- With their letter of engagement, all new *workers* should receive a document notifying them that their automatic enrolment date has been postponed for three months. As above, departments will be responsible for issuing this standard document (amending only the dates) and for inputting the required data in Core.
- On their deferral date, all *workers* still at the University will be assessed and, if eligible, auto-enrolled in NEST. Responsibility for this action and related correspondence lies with Payroll/Pensions, using Core. Departments may need to act as post boxes for passing documents to casual staff who may well not have email access.
- As with *employees*, *workers* who are not members of a pension scheme will have to be continually monitored, by Payroll/Pensions, through Core, so that Payroll/Pensions can carry out the auto-enrolment duties if and when a worker first meets the age or earnings thresholds.

Costs

17. Increased financial costs, in the form of additional employer contributions, are inevitable. Given the uncertainty over how many will decide to opt out once auto-enrolled or to opt in when given the opportunity, it is impossible to predict costs with any precision. Increased pension membership – which is the aim of the new regulations – could come from:
 - Already eligible *employees*. Of the approximately 10,500 employees currently eligible for either USS or OSPS, some 83% are active members. This leaves around 1,600 employees, who are not pension members, who will have to be automatically enrolled in June 2013. As most of these have already opted out of a pension once, we can assume that the great majority will again opt out. There may, however, be some who decide to stay in, or fail to take action to opt out. Most of those who are currently opted-out are in grades 7 and below. It may be reasonable to assume, therefore, that any increase in employer costs here will be limited. As a broad estimate, if 10% of those enrolled decide to stay in the pension the additional cost to the University would be in the region of £740,000 a year.
 - To illustrate, the annual pension cost to the employer of an additional, typical grade 2 OSPS member would be around £3,440; an OSPS member at the top of

grade 5 would cost in the region of £6,450 p.a.; a grade 7 USS member would cost £4,800 p.a.; and a USS member at the top of grade 10 would have employer contributions of around £9,200.

- Employees currently ineligible (i.e. on variable hours contracts). Many of these become eligible to join USS or OSPS for the first time. There are currently around 716 variable hours employees, 80% of whom are currently not in a pension scheme. Most do not earn enough to be eligible for auto-enrolment, but it is likely that the University will have to auto-enrol around 180 variable hours staff in June 2013. If half of these decide to stay in a pension the additional cost to the University could come to around £400,000 a year.
 - As examples, each variable hours employee whose annual earnings amounted to the average for an OSPS member (£20,000 p.a.) would cost an additional £4,300 a year in employer contributions if they joined OSPS. Each variable hours employee who qualified for USS with total annual earnings of £30,000 would cost around £4,800.
 - *Workers* These become eligible to join a university pension for the first time. By their nature it is particularly hard to predict how many *workers* will take up a pension. The lower pension contributions required under the regulations in a scheme such as NEST would limit the extra costs. The University would have to employ a high number of casuals, and a high percentage of them would have to enrol in a pension, before the cost of pension contributions became significant.
 - E.g. a casual teacher paid £22,500 for a nine month stint would cost an extra £600 over the length of the contract, assuming auto-enrolment after the three month postponement and an assumed employer contribution of 4%. The cost would be £900 if the casual teacher elected to join the pension at the start of the appointment.
18. The financial impact could be high on departments with significant numbers of previously ineligible employees who choose to stay in or to join a pension. After the initial staging date, funding requirements should become more predictable and planning easier.