

To: Salaries & Wages Officers  
 Human Resource Officers  
 Pension Contacts  
 All Employing Authorities

Circular 01/2013

16 January 2013

Dear Colleagues

**Automatic Enrolment – Revised Administration Requirements**

This circular outlines NILGOSC’s revised administration requirements because of automatic enrolment, provides an update on Scheme regulations, gives Scheme information which employers will need to register with The Pensions Regulator and describes template letters and a Scheme introductory leaflet which we hope will assist employers meeting their automatic enrolment duties.

<b>Key changes</b> - The key changes described in this circular are:	
• the new automatic enrolment thresholds for 2013/14	(section 3)
• new procedure for remitting new member information to NILGOSC for those employer who have reached their staging dates	(section 8)
• new procedure for obtaining opting out form for all employees from 1 February 2013	(section 9.4)
• new procedure to notify NILGOSC of optants out, who are refunded through payroll, in first three months of membership	(section 9.6)
• LGPC template letters tailored for NILGOSC	(section 10)
• employer checklist for automatic enrolment	(section 18)

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## 1. Background

- 1.1 The new automatic enrolment duties apply to each employer from its staging date. There is a phased introduction and NILGOSC's largest employers will reach their staging dates on 1 February 2013 followed by smaller employers throughout the period up to 1 April 2017.
- 1.2 Under the new duties employers will have different responsibilities for their employees depending on their age and earnings. Some employees will be automatically enrolled into an automatic enrolment scheme and have to be advised that they have been automatically enrolled and have the right to opt out. Other employees have to be advised that they can join a pension scheme. The breakdown of the different types of employees is shown in Table 1.

**Table 1 - Categories of worker**

Earnings	Age 16 – 21	Age 22 – state pension age	Stage pension age to less than age 75
Under lower earnings threshold (£5,564)	<b>Entitled worker</b> (can join a qualifying pension scheme)		
Between £5,564 and £8,105	<b>Non-eligible jobholder</b> (can opt into the automatic enrolment scheme)		
Over earnings trigger for automatic enrolment (£8,105)	<b>Non-eligible jobholder</b> (can opt into the automatic enrolment scheme)	<b>Eligible jobholder</b> (must be automatically enrolled)	<b>Non-eligible jobholder</b> (can opt into the automatic enrolment scheme)

Employers have to be able to process opt-ins and opt-outs, keep accurate records, monitor workers eligibility by keeping track of their age and earnings, register with the Pensions Regulator and avoid any actions that might induce an employee to opt out of the pension scheme or discourage a new employee from joining the pension scheme. Strict timescales apply to all duties.

- 1.3 The automatic enrolment legislation is separate from the LGPS (NI) regulations and it is important that employers understand when employees should be contractually enrolled under the LGPS (NI) rules and when employees should be automatically enrolled under the automatic enrolment legislation. The revised administrative procedures are being introduced in several instances to align both sets of legislation and ease pension scheme administration.

## **2 Staging Dates**

- 2.1 The automatic enrolment duties are phased in from 1 October 2012 starting with the largest employers. An employer's staging date is determined by the number of people in its largest PAYE at 1 April 2012. Please note that a few NILGOSC employers have some employees being paid through a Departmental payroll and their staging date is the staging date of the Departmental payroll, if it is larger.
- 2.2 The Pensions Regulator will write to employers to notify them of their staging date at twelve months and three months in advance of their staging date.
- 2.3 A list of staging dates is available on the Pension Regulators website at <http://www.thepensionsregulator.gov.uk/employers/staging-date-timeline.aspx> .
- 2.4 An employer can if it wishes bring forward its staging date. Please ensure that you have secured the agreement of NILGOSC that it can deal with the earlier date and notify the Pension Regulator. See paragraph 30 of the LGPC Automatic Enrolment Guide.

## **3 Automatic Enrolment Thresholds for 2012/13 and 2013/14**

- 3.1 The current thresholds for 2012/13 are as follows:

£8,105 for the automatic enrolment earnings trigger  
£5,564 for the lower limit of the qualifying earnings band  
£42,475 for the upper limit of the qualifying earnings band.

The thresholds for 2013/14 will be as follows:

£9,440 for the automatic enrolment earnings trigger  
£5,668 for the lower limit of the qualifying earnings band  
£41,450 for the upper limit of the qualifying earnings band.

## **4 LGPS (NI) Regulations**

- 4.1 The Department of Environment issued draft regulations, The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2013, for consultation on 27 September 2012. This consultation closed on 31 December 2012. These amending regulations introduce some Scheme amendments to ensure compliance with the automatic enrolment regime. It is expected that these regulations will not be made until late February/early March but I understand that the amendments relating to automatic enrolment will have retrospective effect to 1 February 2013.
- 4.2 At present the Scheme's regulations do not permit an employee access to the Scheme unless he/she has a contract of employment of more than three months' duration. It is intended that this regulation will be amended to allow those

employees the option to join the Scheme or to be automatically enrolled if they meet the criteria for automatic enrolment.

- 4.3 Currently employers have discretion whether to allow re-entry to the Scheme for an employee who has opted out more than once. The draft amending regulations remove this discretion and, once effective, employers will need to revise their policy statements.
- 4.4 The draft regulations also remove the option for an employee to opt out of the Scheme before commencing employment. New employees who wish to opt out of the Scheme will not be able to make an election to opt out until the date their employment commences. This does not mean that contributions have to be collected from pay before they can opt out – it just means that they cannot sign and date the opt out form until on or after the day they have commenced employment.

## **5 External resources to help employers**

- 5.1 The Pensions Regulator provides extensive information and guidance for employers on its website at <http://www.thepensionsregulator.gov.uk/employers.aspx> . In addition, employers may find it useful to subscribe for newsfeeds on automatic enrolment at <https://forms.thepensionsregulator.gov.uk/subscribe.aspx> .
- 5.2 The Local Government Pensions Committee (LGPC) has prepared a guide for Automatic Enrolment specifically for those employers participating in the LGPS. This guide applies to England and Wales but, as the regulations are similar, much of the guidance is relevant in Northern Ireland. This guide is available at <http://www.lge.gov.uk/lge/core/page.do?pageId=17995528> . This circular highlights areas where there are differences in Northern Ireland and acknowledges the LGPC guide as one of the sources for this circular.

## **6 Postponement and Transitional Period**

- 6.1 Postponement  
Postponement enables an employer to delay automatic enrolment for a period of up to three months. An employer may wish to use postponement to smooth the process of staging, to align automatic enrolment with their existing payroll processes, to smooth the process in respect of short-term workers who leave soon after starting work or to allow for the amending Scheme regulations to be made. Postponement may be used in respect of one worker, some workers or their entire workforce. If an employer wishes to use postponement it must issue its workers with a postponement notice – there are three options with varying levels of information and these are described on The Pension Regulator’s website. The Pensions Regulator has issued a helpful guide on Postponement (3a) which is available at <http://www.thepensionsregulator.gov.uk/employers/detailed-guidance.aspx> .
- 6.2 Transitional Period for Defined Benefit Schemes – existing eligible jobholders only  
A Defined Benefit Scheme is one such as the LGPS (NI) where a defined range of pension benefits are provided based on length of service and pensionable pay. The transitional period allows employers to choose to delay automatic enrolment for its eligible jobholders only who, on the employer’s staging date, are not active members of the LGPS (NI) and meet the conditions described in paragraph 84 of the LGPC guide. The transitional period ends on 30 September 2017 providing the conditions continue to be met throughout the period. At the end of the transitional

period the employer will have to enrol these employees into the LGPS (NI). If an employer chooses to use the transitional period it must write to or email the affected eligible jobholders within one month of the date on which the automatic enrolment duties first apply (normally the staging date). During the transitional period an employee may opt to join the LGPS (NI) in accordance with the Scheme's rules.

Paragraphs 85 and 86 of the LGPC Automatic Enrolment Guide (<http://www.lge.gov.uk/lge/core/page.do?pageId=17995528>) describe the transitional period in more detail. The Pensions Regulator also has a publication 3b – Transitional Period for DB and Hybrid Scheme available at <http://www.thepensionsregulator.gov.uk/employers/detailed-guidance.aspx>.

### 6.3 Using Postponement and the Transitional Period

It is possible for an employer to apply firstly postponement and then the transitional period to its eligible jobholders. However, it would appear from The Pension Regulator's guidance (paragraphs 17-21 of Detailed Guidance 3b) that an employer may be best advised not to issue a postponement notice to its eligible jobholders. One of the conditions for using the Transitional Period is that it only applies to those eligible jobholders who meet the criteria on the employer's first enrolment date and not the postponed enrolment date. Therefore the employer will need to carry out an assessment of its employees at its first enrolment date as only those 'opted-out' eligible jobholders will be eligible for the transitional period. Anyone becoming an eligible jobholder for the first time during the postponement period cannot be included in the Transitional Period and should be assessed under the automatic enrolment rules at the end of the postponement period.

Employers may wish to seek specific advice from the Pensions Regulator if they are considering using a combined approach.

## **7 Contractual enrolment and automatic enrolment (employers who have reached their staging dates)**

- 7.1 When a new employee commences employment he/she should be contractually enrolled into the LGPS (NI) in accordance with the rules of the Scheme and providing the employee has a contract of employment for more than three months. If this employee decides to opt out he/she does so under the provisions of the Scheme regulations and the employer's automatic enrolment duties start to apply from the opt out date.

This means that an employer has to monitor the eligibility categories that the worker falls into during their period of membership of the LGPS (NI) in relation to that contract so that they can carry out the correct automatic enrolment duties if the employee opts out at a later date.

## **8 Remitting new member information to NILGOSC – new procedures for those employers who have reached their staging dates**

- 8.1 The shortened timescales imposed by The Occupational Pension Schemes (Disclosure of Information) (Amendment) Regulations (Northern Ireland) 2012, require basic scheme information to be given where practicable to every prospective member and to all new jobholders within one month (previously two months) of the Scheme receiving the jobholder information from the employer. Where no jobholder information is received or the employee is contractually enrolled then the two month time limit still applies.

- 8.2 This shortened timescale along with potential numbers of new entrants means that NILGOSC has to receive new member information electronically for all employers *who have reached their staging date*. This requirement for electronic receipt of information will be rolled out to all employers, irrespective of staging dates, over the next year.
- 8.3 An MS Excel new member template is attached to this circular and is also available on the NILGOSC website. This should be used to transmit all new member information to NILGOSC instead of completing individual LGS1 forms (for those employers who have reached their staging date). Employers may wish to continue to use an LGS1 type form to collect member details, however, this form will no longer be required by NILGOSC. Please contact Paul Cunningham at NILGOSC if you have any difficulty remitting information in this format or wish to discuss extracts directly from your payroll ([paul.cunningham@nilgosc.org.uk](mailto:paul.cunningham@nilgosc.org.uk)).
- 8.4 The new NILGOSC website is expected to be live during early 2013. This website will have a secure upload/download facility for employers and will enable secure electronic transmission of member information. Our IT Department will notify employers once this facility is available and will detail the procedures for issuing passwords etc.
- 8.5 When NILGOSC receives a spreadsheet it will perform some data validation and will query any errors with employers. Once the data is clean, new member records will be created and a spreadsheet will be returned to employers confirming that the new member has been created, list the NILGOSC member number, the date the member was created and the date the membership certificate was printed. NILGOSC will no longer issue copy membership certificates to employers but will continue to issue a membership certificate and new member pack (includes transfer information, nomination of cohabiting partner form, Short Guide, death grant expression of wish form, option to opt out of combined benefit statements etc.) directly to new members' home addresses.

## **9 Alignment of opting out procedures that apply under the LGPS (NI) and under the automatic enrolment regime from 1 February 2013**

- 9.1 Different rules apply to opting out under LGPS (NI) rules and opting out under automatic enrolment rules.
- 9.2 Given the potential for confusion over which rules apply and with over 200 employers reaching their staging dates at different times it is desirable to align the procedures for both types of opt out (Scheme or automatic enrolment) and for all employers. The Pensions Regulator has confirmed that in accordance with the Scheme rules any opt out within three months of being enrolled means the person can be treated as never having been a member and receive a refund via Payroll. A member opting out in the first three months of being enrolled will receive a refund. A member opting out after three months of membership will receive deferred benefits.
- 9.3 Therefore, from 1 February the following procedures will apply to opt outs:
- The same opt-out form will be used for all opt outs irrespective of whether someone is opting out under Scheme rules or under automatic enrolment rules
  - The opt-out form will only be available from NILGOSC
  - The optant out must return the opting out section of the form to the employer, a monitoring section should be returned to NILGOSC

- An employee with multiple contracts can opt out in some, one or all of them
- It is recommended that the employer retains a copy of all opt-out forms for four years and not just those relating to automatic enrolment opt outs
- The Scheme will hold the name of an optant out and the date it was informed by the employer for at least four years
- A member opting out within three months of being enrolled is treated as never having been a member and any employee and employer contributions paid over to NILGOSC should be recovered by making an adjustment to the next remittance.

#### 9.4 Opt-out Form

Under the automatic enrolment regime a member cannot obtain an opt-out form from his/ her employer. The opt-out form can only be available from NILGOSC. Members may download the opt-out form from the NILGOSC website or request an opt-out form by telephone or by email. NILGOSC is currently exploring the option of text requests and hope to have this additional facility available shortly.

9.5 The opt-out form is in two parts: the request to the employer to opt out and a NILGOSC monitoring section. The member must return the first part, the opt-out request directly to his/her employer and the second part, the monitoring section, should be returned directly to NILGOSC. The opt-out request may be emailed to the employer.

#### 9.6 Notification of optants out to NILGOSC

A template MS Excel spreadsheet for notification of optants out is attached. NILGOSC should be advised of optants out within one month of the opt out date. This spreadsheet should be completed and forwarded securely to NILGOSC.

#### 9.7 Refunds

If a member opts out with less than three months' membership the employer must refund the employee's contributions within one month of the date the employer received the valid opt out form or, if the payroll has closed, by the end of the next pay period. The employer should make an adjustment to the next monthly remittance to NILGOSC by the amount of employee and employer contributions that are to be/have been refunded. The adjustment should be noted on the Adjustments section of the LGS6 - Remittance Form and a breakdown attached to the LGS6 in an easily readable format. The breakdown must list employee surname, national insurance number, NILGOSC reference (if possible) and amount of adjusted employer and employee contributions.

9.8 If the contributions to be refunded span a tax year the employer's payroll should deal with it in accordance with HM Revenue and Customs (HMRC) guidance.

## **10 Template letters for Automatic Enrolment**

10.1 The LGPC Automatic Enrolment Guide contains a series of Flowcharts and Sample letters at Annex 7. These Flowcharts and Sample Letters have been adapted for the LGPS (NI) and are available on request. They will be added to the employers' section of the NILGOSC website in due course. Employers may use these templates or adapt them, however, employers should note that the content shown in blue is required by law.

10.2 Disclaimer – employers should note that they are responsible for the content of any letters that they issue and should satisfy themselves that the correct information is included.

## **11 Scheme Introductory Leaflet**

- 11.1 NILGOSC has prepared an introductory leaflet for the LGPS (NI), which employers may wish to include with any letters being issued to employees. This promotional leaflet is trifold A4 and, following artwork, will be printed during January 2013. Please advise the Communications Officer, by email to [communicationsofficer@nilgosc.org.uk](mailto:communicationsofficer@nilgosc.org.uk), of required volumes and delivery dates and these will be forwarded to employers.

## **12 Employees with a contract of less than three months and who commence employment on or after the employer's staging date**

- 12.1 An employee with a contract of less than three months is not eligible for contractual enrolment into the LGPS (NI) as the Scheme's rules state that the contract must be for three months or more. The new exceptions to this rule (assuming the draft regulations are made) are as follows:

- the employee may opt to join; or
- if the employee's age and earnings are at the level for automatic enrolment then he/ she will be automatically enrolled.

### 12.2 Casual employees with no mutuality of obligation

A casual employee with no mutuality of obligation will either have to be sent a postponement notice each time they undertake work or issued with a letter each time they are offered and accept work explaining that they could opt into the LGPS (NI) if they are an entitled worker or non-eligible jobholder or will be automatically enrolled if they are or become an eligible jobholder.

- 12.3 It is suggested in the LGPC Automatic Enrolment Guide (paragraph 47) that employers may wish to consider including a subset of the minimum legal information on the back of a timesheet to avoid the need to issue a letter every time a 'no mutuality of obligation' casual employee undertakes work. The suggested text is included at paragraph 47 of that Guide.

## **13 Multi-jobbers**

- 13.1 The Pension Regulator's detailed guidance no. 2, paragraph 55 states that *If an employer has multiple contracts with the same individual, they will need to consider if the totality of those contracts constitutes a single employment relationship with the worker. The employer may wish to consider taking appropriate advice, if they are unsure.*

*Where the employer considers that a single employment relationship exists, they will need to treat all contracts as one contract. If this is not the case, they will need to treat each contract separately.*

- 13.2 Employers will need to make a judgement on whether the contracts are separate or should be aggregated for automatic enrolment. They may wish to consider taking legal advice if unsure. From our experience if a member has more than one job and has a contract for each employment so that they could stop one and continue in another, that would not constitute a single employment relationship. Alternatively if a member could be made redundant in one job, but continue in the other job(s) it is unlikely that this could be considered a single employment

relationship. In these cases the member will have multiple NILGOSC membership records.

If employers are satisfied that each job is entirely dependent on the other, and the roles could not be carried out by two separate employees, then perhaps this might indicate a single employment relationship and the member would only have one record in NILGOSC.

## **14 Councillors**

- 14.1 It is understood that Councillors are not *workers* and so the automatic enrolment provisions do not apply to them. It is assumed that councillors do not have a *contract of employment* or any other contract by which they undertake to do work or perform services personally for another party to the contract - they are elected to hold office and provide services as elected representatives.

## **15 Qualifying earnings for automatic enrolment and pensionable pay for the LGPS (NI)**

- 15.1 The definition of qualifying earnings for automatic enrolment is different to the definition of pensionable pay. Qualifying earnings are used during assessment to indicate if a worker triggers automatic enrolment. There is no change to the definition of pensionable pay for NILGOSC. Employers' payroll software will need to be able to assess and monitor qualifying earnings for automatic enrolment legislative requirements, but continue to make contributions to NILGOSC based on pensionable pay as defined by the LGPS (NI) regulations.

## **16 Registration with The Pensions Regulator**

- 16.1 Employers are required to register with The Pensions Regulator within four months of their staging date and provide information on the pension arrangements for their workforces. Details of registration are on the Pension Regulator's website at <http://www.thepensionsregulator.gov.uk/registration.aspx> and it is a secure on-line process accessed through the Government Gateway. A useful checklist is provided so that employers can check that they have all the information needed before registering.
- 16.2 During this registration process employers will be asked for the employer's Pension Scheme Registry Number (PSRN). This number is 10123043 for the LGPS (NI).

## **17 Certificate of Compliance**

- 17.1 The Department of Work and Pensions has confirmed that as the LGPS is a public sector, final salary, contracted-out occupational pension scheme there is no requirement for employers using the Scheme to self-certify that it meets the quality requirements of being an automatic enrolment scheme. The contracting-out certificate is evidence that the Scheme satisfies the quality requirements. There is therefore no need for a certificate of compliance. A copy of the Scheme's contracting-out certificate is attached at Appendix A.

## 18 Checklist for employers

<b>Actions</b>	√
Determine your staging date and decide whether to bring it forward	
If you run the payroll for another employer make them aware of your staging date and that they will be subject to it	
Determine which pension scheme to use to fulfil your automatic enrolment duties (the scheme will be the LGPS if you currently run an open scheme)	
Ensure that you have software in place to monitor age and earnings of employees in a pay reference period	
Update the automatic enrolment thresholds for 2013/14	
Revise your policy statement to remove the discretion to not allow employees who have opted out more than once to re-join	
Be familiar with the Pension Regulator and LGPS automatic enrolment guides	
Decide whether you wish to use postponement and advise NILGOSC	
Decide whether you wish to use the transitional period for your eligible jobholders and advise NILGOSC	
Have procedures in place to deal with existing staff at your staging date – those in the Scheme and those who have opted out or have contracts of less than three months	
Have separate procedures to deal with all new staff on or after your staging date – contractual enrolment for all new staff apart from those who have contracts of less than three months	
Have payroll software that can monitor age and earnings of all employees and record movements between eligibility categories	
Ensure that the appropriate communications are issued to employees within the correct timescales	
Implement the MS Excel spreadsheet format to notify NILGOSC of new members (employers who have reached staging date only)	
Implement the MS Excel spreadsheet format to notify NILGOSC of optants out (employers who have reached staging date only)	
Note that the opting out form is only available from NILGOSC from 1 February 2013	
Retain completed opting out forms for four years and records for six years	
If you refund contributions to a member who has opted out within three months of joining you should make an adjustment on your next	

<b>Actions</b>	√
remittance to recover any employee and employer contributions that has been paid across to the fund. The adjustment should be noted on the relevant section of the LGS6 – Remittance Form and a breakdown attached (see section 9.7)	
Amend the template letters to suit	
Let the Communications Officer at NILGOSC ( <a href="mailto:communicationsofficer@nilgosc.org.uk">communicationsofficer@nilgosc.org.uk</a> ) know how many Introductory Scheme leaflets you would like and the required delivery date	
Consider how to notify casual employees with no mutuality of obligation of their right to join the Scheme or to be automatically enrolled	
Note the difference in definitions of pay for qualifying earnings for automatic enrolment and pay for pension purposes	
Register with the Pensions Regulator within four months of your staging date and be able to show that you have complied with your duties	
Decide what your re-enrolment date will be	

Finally, please do not hesitate to contact either myself or any member of Pensions Development if you have any queries or you may email your query to [autoenrolment@nilgosc.org.uk](mailto:autoenrolment@nilgosc.org.uk) .

Yours faithfully



Zena Kee  
Pensions Manager

Appendix A

 **CONTRIBUTIONS AGENCY**  
An Executive Agency of  
the Department of Social Security

### Contracting-out certificate for a salary-related scheme

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<b>Issued to:</b>	<b>ECON:</b>	<b>3900002R</b>
The Department of the Environment for Clarence Court 10-18 Adelaide Street Belfast BT2 8GB	<b>COSR SCON:</b>	<b>2734012L</b>

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**Company registration number:**

It is hereby certified that, with effect from the start of 06/04/1997 the employments mentioned below, in respect of earners who qualify for GMP/post '97 COSR rights\* under  
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS SUPERANNUATION SCHEME  
with the exception of those employments, if any, specifically excluded below, are to be treated as contracted-out employments by reference to the scheme for the purposes of Part III of the Pension Schemes Act 1993 / Pension Schemes (Northern Ireland) Act 1993.

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**Employments:**  
All employments with local authorities and other bodies subject to the Local Government (Superannuation) Regulations (Northern Ireland) 1982 (as amended)

Date of issue 16/03/98

**RECEIVED**  
**30 MAR 1998**  
PERS. DIVISION

Post '97 COSR rights are rights to pensions provided in accordance with section 9(2B) of the Pensions Schemes Act 1993/Pension Schemes(Northern Ireland) Act 1993.

 *Issued by the Contributions Agency on behalf of the Secretary of State for Social Security*

CA7000