

Pensions Auto Enrolment



Tim Statham – Auto Enrolment Project Team

Eifion Morris – USS Communications

Ann Allender – Payroll & Pensions Manager

Pensions Auto Enrolment



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Auto-enrolment

Presentation for University of Keele

Eifion Morris APMI

Agenda



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What is auto-enrolment?

What is auto-enrolment

brief history of pension choices



Compulsory membership of pension schemes ends 6/4/88

Personal Pensions launched July 88

Personal Pensions bonanza

Miss-selling reviews

Auto-enrolment begins 1/8/2013

What is Auto-enrolment?



A new law means that every employer must automatically enrol workers into a workplace pension scheme if they:

- are aged between 22 and State Pension age
- earn more than £9,440 a year
- work in the UK

This is called 'automatic enrolment'.

What is Auto-enrolment?



Other workers can opt-in but will not be automatically enrolled:-

- Age 16 to 21 or State Retirement Age to 74
- Earn less than £9,440 pa

What is Auto-enrolment?



USS has always had an automatic entry system

- Members can opt out/decline membership

Auto-enrolment puts a duty on employers to automatically enrol you

- So you must join
 - If you don't want to be a member you must then opt-out – you can't decline in advance!
- Your employer has to re-enrol you in the pension scheme every 3 years



Why join USS?

Why join USS?



Pension for you, for life

- Annual income

Tax-free lump sum of 3 X your pension at retirement

Pension to you spouse/partner on your death, for their life

- Plus pensions to eligible children

Life assurance of 3 X annual salary

Pension increases in retirement

Tax relief helps towards the cost

Your employer will pay in 16% of your salary!

What will you get out of USS?



A pension for you when you retire

- An annual income
- Your pension is increased each year to allow for inflation
- It continues on your death to a spouse/partner at the rate of 50%

Plus a tax-free lump sum payment at retirement

- 3 times your annual pension as standard

What will it cost me?



Career Revalued Benefits
section = 6.5% of salary

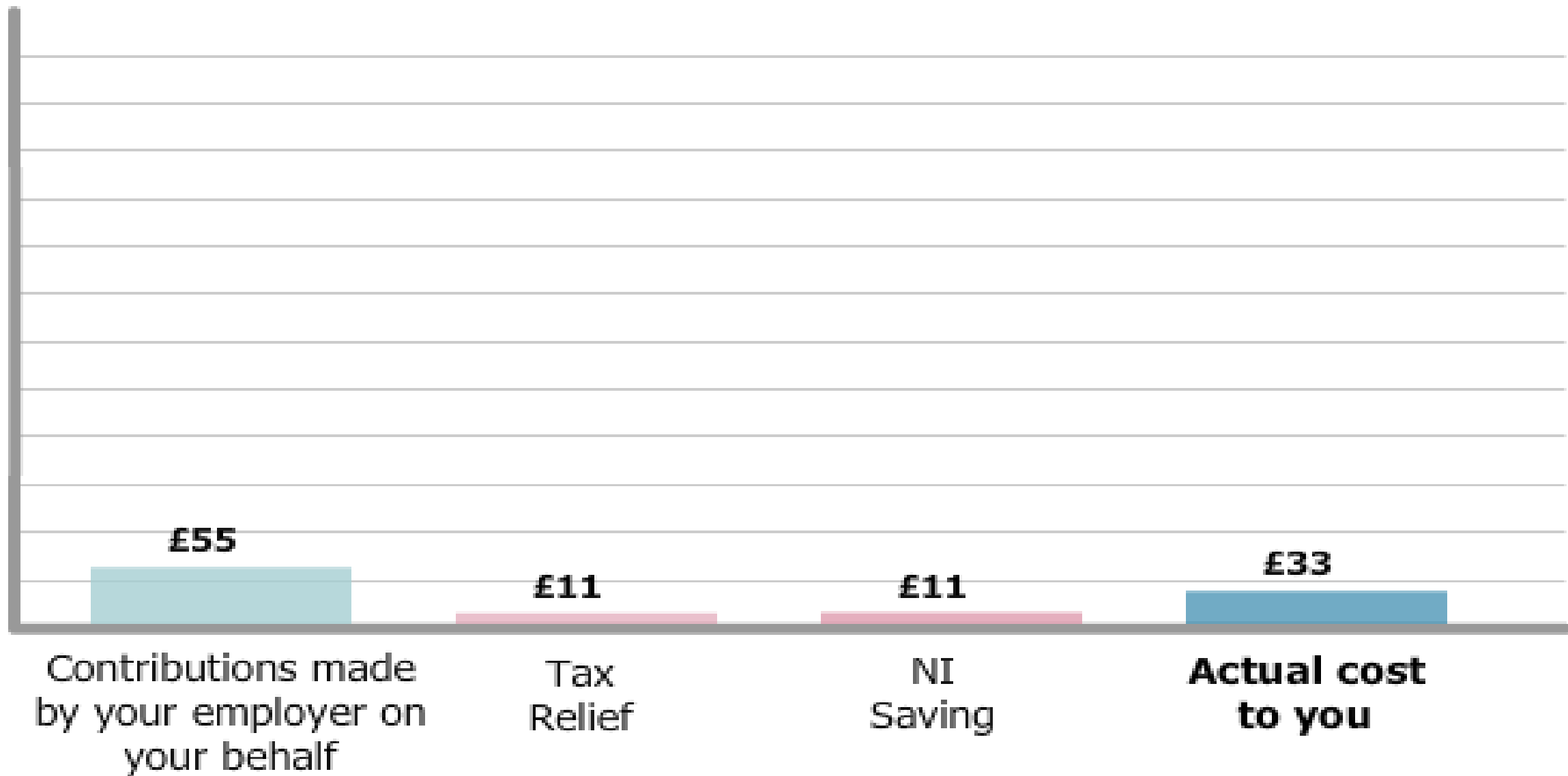
Net cost of membership is far
less than you might expect!

Rates of tax and national insurance used are for the tax year 2012/2013.

Monthly costs

Your contribution: **6.5%**

Actual Cost: **3.86%**



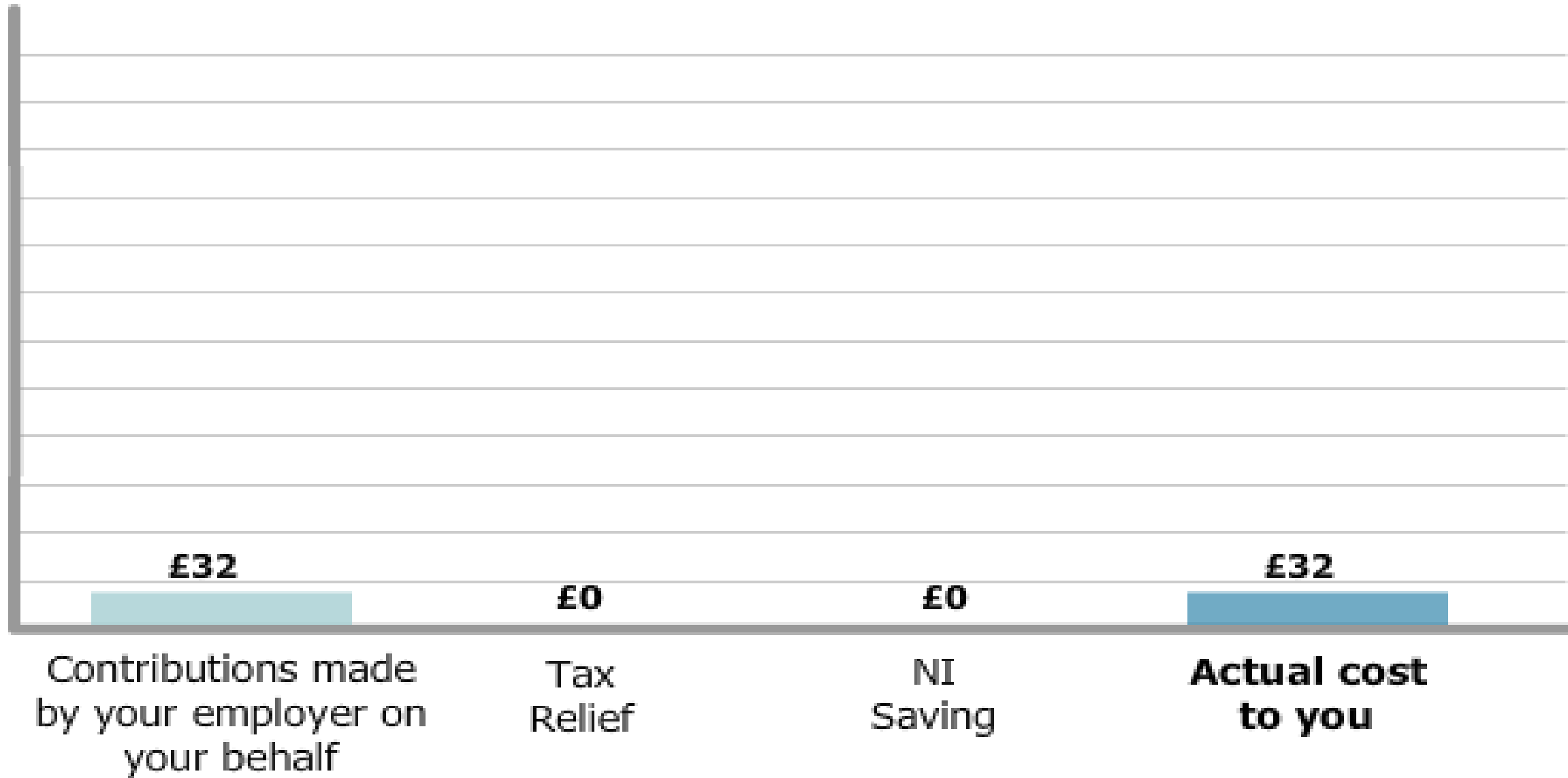
Annual salary 

Salary sacrifice Yes No

Rates of tax and national insurance used are for the tax year 2012/2013.

Monthly costs

Your contribution: **6.5%** Actual Cost: **6.48%**



Annual salary **£6,000**

Salary sacrifice Yes No

Cost Vs Benefit



Annual 'net' cost = $£33 \times 12 = £ 396.00$

Benefits for 1 year = $1/80 \times £10,300 = £128.75$ per annum PLUS $£386.25$ lump sum

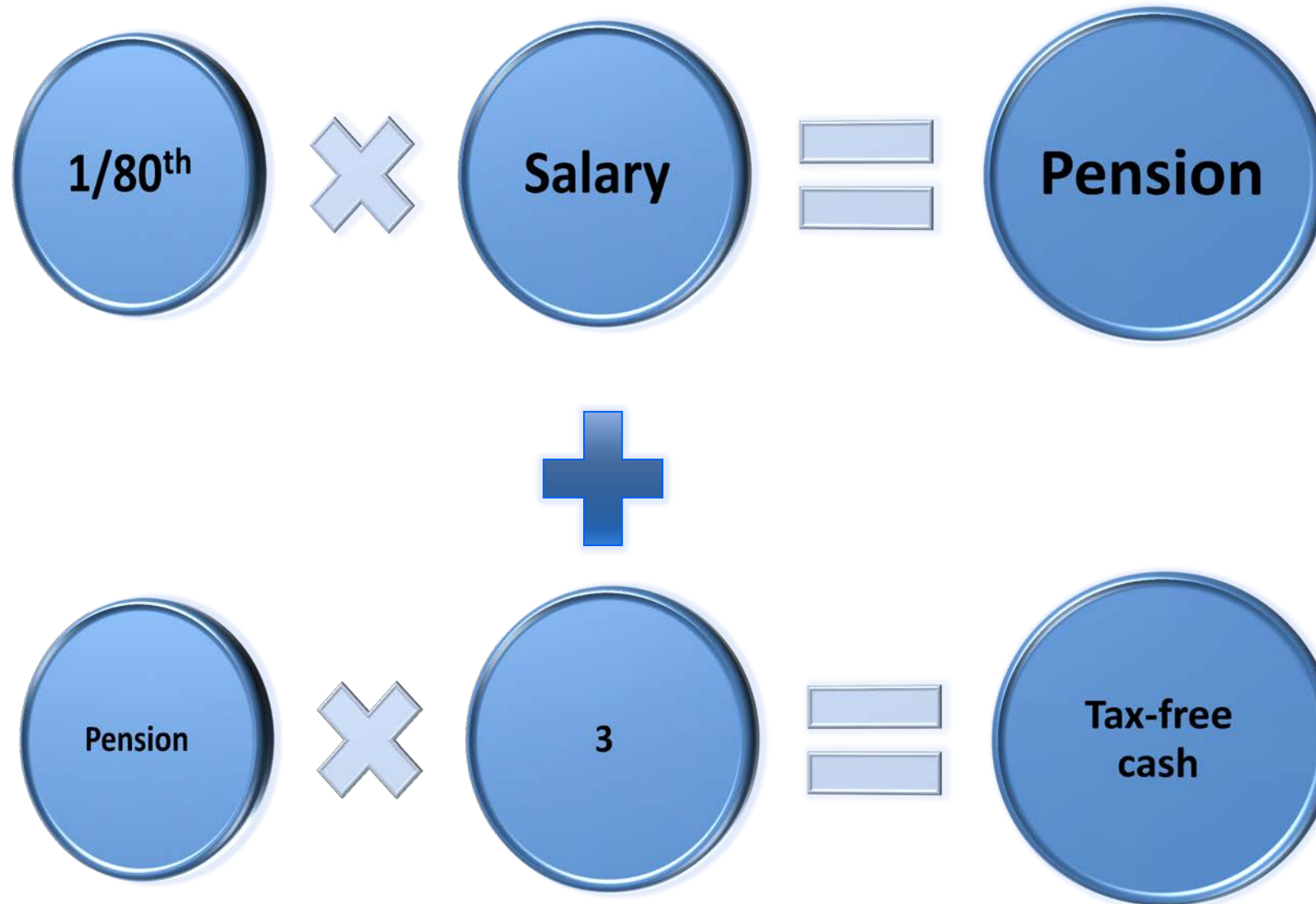
Plus extra benefits of:-

- Life assurance
- Illness protection
- Protection for your beneficiaries

The calculation



Each year your pension & tax-free cash are calculated and 'banked'



Example



	Pension calculation	Pension for year	Banked pension
Salary in year			
£10,300	$1/80 \times \text{£}10,300$	£128.75	£128.75
£10,500	$1/80 \times \text{£}10,500$	£131.25	£260.00
£10,800	$1/80 \times \text{£}10,800$	£135.00	£395.00
£11,000	$1/80 \times \text{£}11,000$	£137.50	£532.50
TOTAL			£532.50 pa

We now need to add increases 'revaluation'

What does 'Revalued' mean?



Pension calculated each year & 'banked'

Increases applied to pension earned

Increases to official pensions	USS increase
5% pa or less	Increases matched
More than 5% pa but less than 15% pa	5% plus 50% of increases above 5%
More than 15% pa	Overall ceiling of 10% pa

Example



Pension for year	Inflation calculation	Banked pension
£128.75	$£128.75 \times 1$	£128.75
£131.25	$(£128.75 \times 1.02) + £131.25$	£262.57
£135.00	$(£262.57 \times 1.03) + £135.00$	£405.45
£137.50	$(£405.45 \times 1.015) + £137.50$	£542.95
TOTAL		£542.95 pa

Tax-free cash of 3 X pension in addition

Your Details

Advanced Options

? Current pensionable salary:

10000

? Date of birth:

19

2

1983

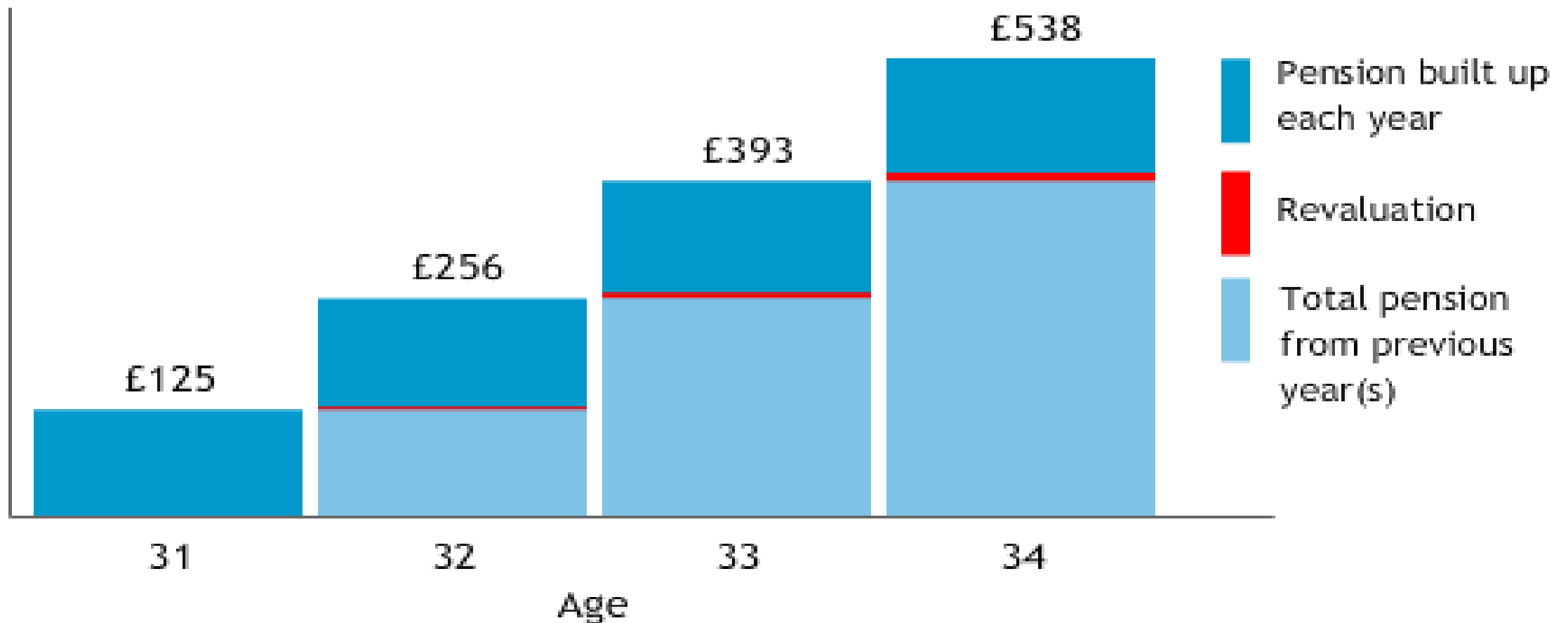
Gender:

Male Female

Your pension builds up

Pension at retirement

Extra Pension Calculator



Additional benefits



Life assurance

- 3 X annual salary at date of death

Income for spouse/dependants on your death

- 50% of potential pension at 65

Income for eligible children

- 75% of potential pension at 65 (2 or more children)
- 37.5% of potential pension at 65 (1 child)

Additional benefits



Incapacity protection (ill-health)

Total Incapacity

- Income for you based on your benefits at 65

Partial incapacity

- Income based on the benefit earned up to your incapacity retirement date

Buy extra benefits



Pay additional voluntary contributions

- To buy extra pension and tax-free lump sum, and/or
- To invest in an AVC fund
 - Use as tax-free cash at retirement, or
 - Buy additional income

What will you live on if not in USS?



Basic state pension

- £107 pw single maximum-based on having a full NI record
- Consultation on increasing to £144 pw flat rate

State Second pension

- Top-up to basic state pension based on earnings between £5,668 pa and £40,040 pa
 - Maximum bases on maximum NI contribution would be 20%

Other state benefits

Savings?

House?

Part-time work?

Still don't want to join?



You don't have to but...

Your employer must enrol you

- so you must opt-out if you don't want to join
 - form available from the USS website – your employer is not allowed to give you this form

Your employer is then legally required to re-enrol you in three years time (1 August 2016)

Any contributions paid will be refunded to you

But remember...



Low net cost

Pension & lump sum for you

Protection for you and your beneficiaries

Ability to build up more

Your employer will pay in 16% of your salary!

What next?



- Auto-enrolment for Keele 1 August 2013
- Web page on auto-enrolment
 - www.keele.ac.uk/finance/payrollandpensions/
- Further communications
 - Letters to all employees
 - Drop-in sessions to be arranged
- Queries?
 - eMail finance.autoenrolment@keele.ac.uk

Your questions

- **What happens if I want to opt-out, but don't do so in time for my August pay?**
- **I'm a USS pensioner that has retired early. Will I be automatically enrolled back into USS?**
- **Can Payroll send me an opt-out form ready for 1 August?**
- **How do I opt-in to USS?**

Next Steps



- Video of USS presentation
- Website
- Team Briefings & Drop In Sessions
- Email address
- Letter to all affected staff – July 2013
- 1st August 2013 – start date