Helping you meet your workplace pensions reform requirements
The following is based on NFU Mutual’s understanding of HM Revenue & Customs’ legislation as at 1 February 2013, which is subject to change.

You should not take or refrain from taking any action based on the content of these slides without first taking professional advice based on your own circumstances.

NFU Mutual Financial Advisers advise on NFU Mutual products and services and selected products from specialist providers. They can explain the advice services we offer and our charges.

NFU Mutual is The National Farmers Union Mutual Insurance Society Limited (No. 111982)

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Authorised and regulated by the Financial Services Authority
Workplace pension changes
What are they and who do they affect?
Employer must enrol staff into an automatic enrolment scheme, with an opt-out facility

Auto-enrolment October 2012 – April 2017

Dates when employers must start (known as staging dates) depends on employer size, but can be brought forward
Starting from October 2012

New legal duties mean every employer in the UK with at least one worker will need to:

- Automatically enrol certain workers into a pension scheme
- Make contributions on their workers’ behalf
- Register with The Pensions Regulator (‘the regulator’)
- Provide workers with certain information about the changes and how they will affect them

So employers and employees will be affected by the new legislation.
When does the employer have to set up the scheme?
When does the employer have to set up the scheme?

From 1st October 2012 to 1st April 2017

Employers are assigned a staging date

The largest employers are staged first

Most duties to be introduced over a staged process
## When? – Staging dates

<table>
<thead>
<tr>
<th>Number of PAYE staff</th>
<th>Staging date</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 – 249</td>
<td>April 2014 to April 2015</td>
</tr>
<tr>
<td>40 - 49</td>
<td>1st August 2015</td>
</tr>
<tr>
<td>30 - 39</td>
<td>1st October 2015</td>
</tr>
<tr>
<td>Fewer than 30</td>
<td>June 2015 to April 2017</td>
</tr>
<tr>
<td>New employers from April 2012 up to September 2017: - Timings depend on when PAYE income was first payable</td>
<td>May 2017 to February 2018</td>
</tr>
<tr>
<td>New employers from October 2017 onwards</td>
<td>Immediately</td>
</tr>
</tbody>
</table>

Notification from The Pensions Regulator 12 months and 3 months before

Visit www.thepensionsregulator.gov.uk/pensions-reform/staging-date-timeline.aspx to work out your staging date
Who does the employer have to enrol?
Who? - categories

Eligible jobholders

Non-eligible jobholders

Entitled workers

The new legislation will apply to:
Who? Eligible Jobholders

‘Eligible jobholders’ are employees who must be automatically enrolled into a pension scheme by their employer.

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
<th>Outcome of Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working or ordinarily working in the UK</td>
<td>Will be automatically enrolled</td>
</tr>
<tr>
<td>Including part-time/contract workers</td>
<td>Employer must make minimum contributions</td>
</tr>
<tr>
<td>Aged between 22 &amp; state pension age</td>
<td>Can opt-out</td>
</tr>
<tr>
<td>Earning over £9,440 (2013/14 income tax threshold)</td>
<td>Re-enrolled every 3 years</td>
</tr>
</tbody>
</table>
Who?
Non-eligible Jobholders

‘Non-eligible’ jobholders are those who don’t have to be automatically enrolled but can choose to join their employer’s automatic enrolment pension scheme.

- Working or ordinarily working in UK
- Including part-time/contract workers
- Aged between 16 & 74 earning between £5,668 & £9,440 per year (in 2013/14)
- Aged between 16 & 21 and earning more than £9,440 per year
- Aged between state pension age & 74 and earning more than £9,440 per year
- Can choose to join (‘opt-in’)
- Employer must make minimum contributions
**Who?**

**Entitled workers** are those who can ask their employer to enrol them into a pension scheme (this does not have to be the employer’s automatic enrolment scheme)

<table>
<thead>
<tr>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working or ordinarily working in the UK</td>
<td></td>
</tr>
<tr>
<td>Including part-time/contract workers</td>
<td></td>
</tr>
<tr>
<td>Aged between 16 &amp; 74</td>
<td></td>
</tr>
<tr>
<td>Earning less than the qualifying earnings lower threshold (of £5,668 in 2013/14)</td>
<td></td>
</tr>
<tr>
<td>Can join a pension scheme</td>
<td></td>
</tr>
<tr>
<td>Employer must enrol them into a UK registered pension scheme</td>
<td></td>
</tr>
<tr>
<td>Employer is not required to make contributions</td>
<td></td>
</tr>
</tbody>
</table>
How much will it cost?
How much will it cost?

Contributions based on a band of qualifying earnings:

- Qualifying earnings lower threshold (£5,668 - 2013/14)
- An upper figure aligned to earnings (£41,450 - 2013/14)

Qualifying earnings:

- Salary, wages, commission, bonuses, overtime, statutory sick pay, statutory maternity pay, statutory paternity pay, statutory adoption pay
How much will it cost? - Phasing

Contribution levels will be phased in as follows:

<table>
<thead>
<tr>
<th></th>
<th>Employer</th>
<th>Jobholder*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staging date to 30th September 2017</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>1st October 2017 to 30th September 2018</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>1st October 2018 onwards</td>
<td>3%</td>
<td>5%</td>
<td>8%</td>
</tr>
</tbody>
</table>

* Includes tax relief. Tax treatment is dependent on individual circumstances and may be subject to change in the future.
How much will it cost? - Phasing

**Staging period**

- **Oct 2012**
  - 1% employer contribution

- **Oct 2017**
  - 3% employer contribution
  - 2% employee contribution

- **Oct 2018**
  - 5% employer contribution
  - 3% employee contribution
How much will it cost? – Average

Using £5,668 as the qualifying earnings lower threshold

An employer will need to make a minimum contribution of £624.96 per year for an employee earning the annual national average earnings of £26,500*

*Source: Office of National Statistics Annual Survey of Hours and Earnings 2012
Choosing a pension scheme
What is a qualifying scheme?

To meet the requirements of providing a qualifying workplace pension scheme the scheme must:

- Permit auto-enrolment
- Facilitate the payment of contributions from the employer's payroll
- Offer a default investment fund
- Deliver a minimum accrual rate or minimum contribution
- Have a paperless joining process for employees

NFU Mutual
Why are you telling me this now?

The introduction of the new employer responsibilities mean that you need to take action.

By putting a strategy in place now, you can ensure that you introduce the changes in a managed way and minimise the impact that the pension reforms have on your business.

Your ‘staging date’ is when plans need to be in place, not when to start planning.
NFU Mutual are currently developing our new multi-million pension administration system in partnership with Aquilaheywood, a pension software specialist.
Helping you to comply

- An auto-enrolment compliant scheme
- Advice to you on scheme design
- Workplace presentations to your staff
- Paperless joining process
- Individual employee advice if required
- Full literature to guide you and your employees through the details
Helping you to comply

Help you make the best use of company funds for staff (e.g. salary exchange)

Easy payment via direct debit
We’ve selected ‘cautious managed’ as the default fund

We’ll offer a select range of other funds covering the major asset classes and risk spectrum

Free fund switches (up to 12 a year)

An ‘at retirement’ service to help employees find the best annuity
Ongoing flexibility and support

Flexible contributions for employers and employees

Access to our HO specialists and financial advisers for queries and on-going support

A dedicated team at HO

A periodic review by your financial adviser, if required
When we’ll be ready get you started

New product will be available from late 2013

Longer term, NFU Mutual want to offer employees on-line access to all contracts – including group pensions
We can help in the meantime too

The Role of The Pensions

The Pensions Regulator (TPR) is the body that regulates auto-enrolment and ensures that employers are meeting their obligations. The TPR can impose fines and penalties on employers who fail to comply with the auto-enrolment rules.

The government announces the automatic enrolment earnings thresholds

The government has announced changes to the earnings thresholds for auto-enrolment. From 1 June 2023, the lower earnings limit will be £12,870 per year and the upper earnings limit will be £40,600 per year. These thresholds are designed to ensure that workers are auto-enrolled into a pension scheme if their earnings fall within these limits.

Eligible workers

Workers who earn more than the lower earnings limit will be automatically enrolled into a pension scheme. These workers are responsible for paying contributions into the pension scheme. The rate of contributions will depend on the employer's chosen scheme.

Non-eligible workers

Workers who are earning between the lower and upper earnings limits will not be automatically enrolled into a pension scheme. These workers will need to opt-in to the pension scheme and choose their own contribution rate.

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Assessing the workforce

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Helping you meet your workplace pensions reform requirements
1910
Midland Farmers’ Mutual Insurance Society formed by a group of seven Warwickshire farmers.

1919
Premium income rises to £4,345 and the Midlands go National.

1955
Group income rises to £5m.

1962
Group income continues to grow to £11.8m.

1999
NFU Mutual products made available to all.

2002
British Insurance Awards – Customer Care Award.

2010
NFU Mutual celebrated its centenary
Assets under management

In excess of £13 Billion
(as at 1 January 2013)
With-profits fund – free asset ratio 2011

Fluctuations in stock markets will impact on the figures shown.

Source: ‘Money Management’ July 2012

Realistic Free Asset Ratio as measured by the ‘realistic peak’ approach under the FSA Prudential Sourcebook for large and medium sized with-profits life insurers.
Questions