

A GUIDE TO PENSIONS AND AUTO ENROLMENT

Note: This information only applies to UK employees

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1. What is 'Pensions Auto Enrolment'?

The requirements for the provision of workplace pensions have changed. Every employer in the UK will be required to help more of their workers save for their retirement. Employers will need to automatically enrol certain workers into a pension scheme and contribute towards it. These regulations **do not** apply to international workers.

The date from which the new law applies to your company is called your 'staging date'. Your staging date is based on the number of people in your largest PAYE scheme as at 1 April 2012. Employers with only a small number of 'eligible jobholders' are likely to have their staging date from June 2015 to no later than February 2018. This is called Auto Enrolment (AE).

2. Which employees need to auto enrol?

Workers who will need to be automatically enrolled into a pension scheme are known as eligible jobholders. An eligible jobholder is:

- **aged between 22 and state pension age**
- **working or ordinarily working in the UK**
- **earning above £10,000**

(Those aged 65 – 74, under 22 or earning less than £10,000 have the right to join a pension scheme but will not be automatically enrolled – see website for more info: www.thepensionsregulator.gov.uk/employers/check-who-you-need-to-enrol)

You will need to assess who in your workforce is an eligible jobholder. You must automatically enrol eligible jobholders into an AE scheme, which also has to meet certain minimum *qualifying criteria**. You will need to make contributions towards it. Workers who are not eligible jobholders still have a right to opt in to a pension scheme or to join one.

3. Auto enrolment criteria

If you have an existing pension scheme, you will need to check if it meets the criteria to qualify as an AE scheme. If it does, you may wish to consider enrolling all eligible jobholders into it. If your scheme does not currently qualify, you may be able to change the scheme rules or amend the terms of the policy to make it an AE scheme, which also has to meet certain minimum qualifying criteria. If you do not have a pension scheme that is suitable for AE you will need to find one.

To meet the AE criteria, a UK scheme must:

- Meet the *qualifying criteria**
- Not prevent the employer from automatically enrolling, opting in or re-enrolling a worker and
- Not require a worker to provide information or make a choice in order to remain a member of the scheme.

*Qualifying criteria:

- Meet the quality requirements (see below)
- Be an occupational, personal or stakeholder pension scheme
- Be tax registered

Quality requirements:

- There must be an agreement between the scheme provider and the employer that the employer must make contributions on behalf of the jobholder of at least 3% of qualifying earnings.
- There must be an agreement between the scheme provider and the jobholder where the jobholder must make up any difference to 8% of qualifying earnings (see Table 1)
- All the benefits payable must be 'money purchase' benefits and
- The employer must be able to deduct any jobholder contributions from pay.

If you are unsure that your current scheme will meet the requirements of AE then you are advised to contact your provider / IFA well in advance of your staging date as identifying and joining a suitable scheme can be a lengthy process.

Table 1	Minimum Employer Contribution	Minimum Total Contribution
October 2012- 5 th April 2018	1%	2%
6 th April 2018 to 5 th April 2019	2%	5%
6 th April 2019 onwards	3%	8%

4. Options

There are a number of options available for you to take in order to meet your employment requirements. In each case our recommendation is that you begin this process as soon as possible as it generally takes much longer to complete all the preliminary work for deciding on and setting up a scheme than you anticipate. It is your responsibility to explore the various options as GC is not offering advice on pension schemes.

1. You could appoint an IFA to find a scheme that is suitable for you. This could be very time consuming.
2. Enter a scheme that is already set up – there are a number of options here but I'll restrict examples to:
 - i.) The Peoples Pension <http://thepeoplespension.co.uk/> there is no IFA advice and the Annual Management Charge is 0.5% of fund value.
 - ii.) NEST <http://www.nestpensions.org.uk/> this scheme has no IFA advice with fees of 0.3% on total fund value and 1.8% on annual contributions.
3. The GC Group Personal Pension Plan with Zurich
<http://www.globalconnections.org.uk/services/member-benefits/pensions>

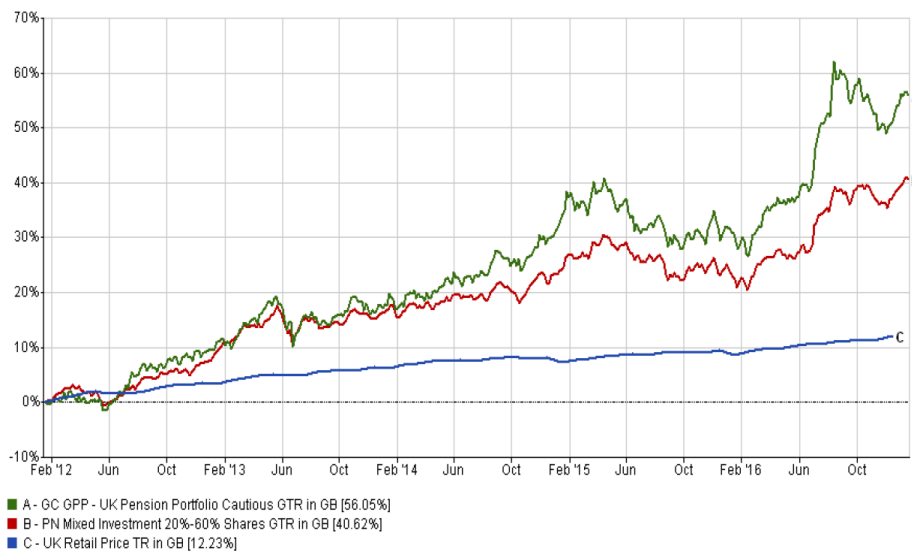
5. Zurich Group Pension Plan offered by Global Connections

Further details of the Zurich Group Personal Pension Plan can be found at the end of this document, or downloaded separately from:

<http://www.globalconnections.org.uk/services/member-benefits/pensions>

Performance of Zurich Scheme

The performance of the portfolio over the last 5 years, against the benchmark is as follows:



This five year performance graph highlights the outperformance of the GC default portfolio when compared to the benchmark and RPI.

The following table outlines the possible pension benefits that your GC GPP could possibly provide in 25 years time on the basis of a £100 monthly contribution increasing with RPI, when compared to a pension with Nest. The illustration uses the mid projected growth rate of 2.4% per annum and allows for the charging structures of the two schemes as outlined.

Estimated Pension Benefits, Mid-rate Investment Return

Plan	Investment basis	Projected maturity values
GC GPP	£100 per month	£34,200
Nest	£100 per month	£34,700

As you can see from the above table, the projected maturity value is slightly better with Nest than the projection of the GC GPP pension plan. However, this does not tell the whole story as we also need to consider other factors other than the charging structure of the plan. The actual performance of the GC GPP default fund is as follows:

GC GPP Fund Performance Vs Sector Average

Fund	1 Year	3 Years	5 Years
GC GPP Zurich Portfolio	4.06%	21.87%	45.53%
Sector Average	0.79%	13.00%	28.92%

The table illustrates the significant outperformance of the Zurich fund portfolio over the long-term

Adviser fees:

GC has appointed Prosperitas Financial Solutions Limited (PFS) as the Independent Financial Adviser for the Global Connections Group Personal Pension Plan. The key point to note is, **that as a member agency of GC, you will benefit from an appointed IFA to the pension arrangement.** PFS can assist you in the initial AE process and provide an ongoing service as selected (see options below).

PFS have recommended Zurich as the provider of the GPP with an annual management charge of 0.57% and a fund performance illustrated in the graph shown previously, against the benchmark and the retail price index.

In line with government guidelines most providers of pension schemes no longer pay any commission to Independent Financial Advisers. So the IFA's have to levy a charge to cover their work in both setting up a scheme and the ongoing advice offered. GC has negotiated the following scale of charges. (We understand that these rates are extremely competitive):

	Initial charge	Annual charge
<u>1 – 5 scheme members</u>		
Service level 1	£612	£244
Service level 2	£1377	£612
<u>6 – 10 scheme members</u>		
Service level 1	£918	£367
Service level 2	£1387	£612
<u>11 – 25 scheme members</u>		
Service level 1	£1377	£428
Service level 2	£1887	£856
<u>25 – 50 scheme members</u>		
Service level 1	£1850	£856
Service level 2	£2499	£1224
<u>50 + scheme members</u>		
	Cost on application	

What is included in each service level?

Service level 1

1. Review and report on Auto Enrolment (AE) obligations and options
2. Provision of Template letters and explanation of when they are to be issued
3. Access to the Zurich Qualifying Work Pension Plan (QWPP), with low charge of 0.57% p.a.
4. Remote Implementation of the scheme
5. Remote access for members on initial questions and ongoing relating to the QWPP via the dedicated support team at EMA@prosperitas.co.uk remote access for the Agency to the above

Service level 2

1. Review and report on AE obligations and options and provide guidance on assessment of workforce into eligible, non-eligible job holders and entitled workers as per AE regulations
2. Provision of Template letters and explanation of when they are to be issued
3. Access to the Zurich QWPP, with low charge of 0.57% p.a.
4. On-site presentation to Staff and Management by a Prosperitas Independent financial adviser.
5. Named IFA support as well as Remote access for members on initial and ongoing questions relating to the QWPP via the dedicated support team at EMA@prosperitas.co.uk
6. Access for the Agency to the above
7. Annual Onsite Finance clinic by a Prosperitas Independent Financial Adviser.

Contact by email or phone is unrestricted.

The onsite finance clinics (service level 2) would cover “all financial advice areas” and therefore they would look at any needs that the individual has. However, the advice for, say, a transfer or on drawing a pension from other than Zurich or Scottish Widows, would be paid for by the individual.

Process for joining the GC scheme through Zurich

1

Service Agreement

This is the agreement by which Zurich are able to provide an auto-enrolment compliant to Global Connections. It sets out the terms, conditions and services that both parties commit to and should be read carefully. This can be downloaded from our website.

2

Deed of Indemnity and Enrolment Agreement

The Service Agreement signed with Zurich provides for certain commitments on GC which rightfully belong to the member agencies. The Deed of Indemnity is the way by which these responsibilities are placed with the agencies, each one taking responsibility for their own actions. This Deed must be signed by 2 Trustees of the charity or 1 Trustee and the Company Secretary. A signed Enrolment Agreement is required by Zurich from the GC office.

3

Once the GC office have received the Deed of Indemnity and Enrolment Agreement they notify Zurich and Prosperitas who then guide through the other documentation that is required. This will also include some webinar training, setting up access to website etc. for uploading member’s details as well as making contributions

4

The fees (as outlined above) will be required by Prosperitas to cover the expenses they incur in giving their advice.

Further details of the Zurich Group Personal Pension Plan are outlined below, or can be downloaded separately from <http://www.globalconnections.org.uk/services/member-benefits/pensions>