



Transitional period for DB and hybrid schemes

Delaying automatic enrolment for eligible jobholders who meet certain conditions

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The Pensions
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About this guidance

- This guidance is aimed at employers and professional advisers who will support employers to comply with the new employer duties.
- It contains essential information that will help them to ensure they are compliant with the new employer duties and safeguards.
- This guidance is the third in a subset of guidance on the assessment of a worker. The process of making the assessment is described in **Detailed guidance no. 3 – Assessing the workforce**. In conjunction with this guidance, employers should also read the following guidance:
 - **Detailed guidance no. 1 – Employer duties and defining the workforce**
 - **Detailed guidance no. 3 – Assessing the workforce**
 - **Detailed guidance no. 4 – Pension schemes**
- If an employer chooses to use postponement to postpone automatic enrolment, in effect they postpone the assessment of their worker for a period of up to three months. An employer considering using postponement should read **Detailed guidance no. 3a – Postponement**.
- Regardless of when the assessment is carried out, an employer will know, as a result of the assessment, whether the worker is an eligible jobholder, non-eligible jobholder or entitled worker. **Detailed guidance no. 3c – Having completed the assessment** describes the next steps for an employer once they have completed the assessment process. Employers should read **3c** in conjunction with this guidance.
- We recognise that many employers will already have pension provision for their workers, and that this will often match or exceed the minimum requirements contained in the duties.
- In these cases, such employers may just need to check that the minimum requirements are covered in their existing processes.
- We have identified **7 steps to prepare for automatic enrolment**, which summarises the main steps towards achieving compliance. Employers may find this helpful when navigating this guidance: www.tpr.gov.uk/7-steps
- It will be helpful to employers to be familiar with the different categories of workers. These are explained in detail in **Detailed guidance no. 1 – Employer duties and defining the workforce** or a quick reminder is available in **Key Terms** on page 13.
- The Department for Work and Pensions (DWP) has announced that it will be consulting on proposed changes to some staging dates, which will affect the length of the transitional period. We will be updating this guidance when the revised staging profile and phasing timescales are published.

'7 steps to prepare for automatic enrolment' may be helpful

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Key points

- The transitional period for defined benefit (DB) and hybrid pension schemes allows the employer to choose to delay automatic enrolment.
- It is only applicable to employers who provide a DB or hybrid pension scheme and can only be used in respect of eligible jobholders who meet certain conditions.
- The way they exercise their choice is to give notice to the eligible jobholder who meets the conditions.
- If, at any point, the conditions for the transitional period stop being met, the employer must automatically enrol the eligible jobholder straight away.



**An employer
must assess
each member
of their
workforce**

Introduction

1. The transitional period for defined benefit (DB) and hybrid pension schemes allows the employer to choose to delay automatic enrolment. This is only applicable to employers who provide a DB or hybrid pension scheme and can only be used in respect of eligible jobholders who meet certain conditions (listed in paragraph 12).
2. If an employer chooses to apply the transitional period, the automatic enrolment duty is modified for that eligible jobholder. The employer is required to make arrangements by which the eligible jobholder becomes an active member of an automatic enrolment scheme which is a DB or a hybrid scheme, with effect from the end of the transitional period (unless the eligible jobholder is already an active member of a qualifying pension scheme with that employer on that date).
3. The length of the transitional period will be set in 2012. The DWP has announced that employers with fewer than 50 persons in their PAYE scheme will not be brought into the employer duties until June 2015 at the earliest. This means that although the staging date for many employers could change, employers with 250 or more persons in their PAYE scheme will be unaffected and will be staged between October 2012 and February 2014. Because staging has been extended, the length of the transitional period is subject to change. This section will be updated when DWP publishes the revised staging dates.
4. Practically, the transitional period removes the original automatic enrolment date and delays automatic enrolment for these eligible jobholders until after the end of the transitional period.
5. This means that an employer cannot then choose to automatically enrol these workers at an earlier date during the transitional period.
6. During the transitional period, the employer must monitor that the conditions (listed in paragraph 12) continue to be met because, if they do not at any time, the modification falls away and the transitional period ends.
7. An employer should note that the transitional period does not delay automatic enrolment for all their eligible jobholders; it can only apply to those that meet the conditions, if the employer chooses to apply it.
8. The eligible jobholder is able to opt in to any automatic enrolment pension scheme during the transitional period, if they wish. More information on opting in is in **Detailed guidance no. 6 – Opting in, joining and contractual enrolment**.

Which eligible jobholders can the transitional period apply to?

9. An employer can choose to apply the transitional period for DB and hybrid pension schemes to all their workers who meet the criteria to be an eligible jobholder on the employer's first enrolment date and provided certain other conditions, described in paragraph 12, are met.
 10. The way they exercise their choice is to give notice to the eligible jobholder who meets the conditions, within a prescribed period, of their intention to defer automatic enrolment.
 11. An employer must issue the notice before the end of the period of one month from the first enrolment.
 12. The conditions that must be met are that:
 - the eligible jobholder has been employed by that employer for a continuous period before the employer's first enrolment date, and
 - at a point before the employer's first enrolment date, the eligible jobholder was entitled to become an active member of a DB or a hybrid pension scheme, and
 - the eligible jobholder is, and always has been since that point, entitled to become an active member of a DB or a hybrid pension scheme, and
 - the DB or hybrid pension scheme is a qualifying scheme, as is any such pension scheme of which the eligible jobholder is entitled to become an active member, on or after the employer's first enrolment date.
 13. For an employer who is considering using the transitional period for defined benefit and hybrid pension schemes, understanding and identifying their first enrolment date is a key task.
- ## Employer's first enrolment date
14. An employer's first enrolment date is the date that they first have an eligible jobholder. This will either be:
 - their staging date, if the assessment of their workers on this date identifies at least one eligible jobholder, or
 - the automatic enrolment date of the first eligible jobholder identified after this date.
 15. In most cases, an employer will have been able to identify their staging date as their likely first enrolment date, from their initial assessment of their workforce, as part of getting ready. **Detailed guidance no. 2 – Getting ready** has more information.
 16. If an employer intends to use postponement on their staging date in respect of all their workers, and is also considering using the transitional period for defined benefit and hybrid pension schemes, they will need to take care.
 17. Postponement is an additional flexibility for employers which enables them to postpone automatic enrolment for a period of their choice up to three months after:
 - the day after their staging date, in respect of any workers employed on their staging date
 - the day after the first day of employment, in respect of any worker starting employment after the employer's staging date
 - the day after the first day a worker employed by them meets the criteria to be an eligible jobholder after the employer's staging date.
 18. Postponement is described in **Detailed guidance no. 3a – Postponement**.

19. Postponement operates by either postponing the assessment of the worker or workers, or requiring an assessment at the start and end of the postponement period. Which one of these applies depends on the date in respect of which it is being used, and which postponement notice the employer chooses to issue to the worker or workers. There are three options of postponement notice: general notice A, general notice B or the tailored notice, which are explained in **Detailed guidance no. 3a – Postponement**.
20. Using postponement at staging where general notice A or B is used has the effect of moving the assessment of the workers to the end of the postponement period (the 'deferral date').
21. In this case, the employer is not required to assess their workers involved and consider what category of worker they are until this date.
22. If the employer does not assess all of their workers until the end of the postponement period, the possibility exists that one of their postponed workers will meet the criteria to be an eligible jobholder for the first time during the postponement period. Therefore, the employer would miss their first enrolment date.
23. Because the employer only has until one month after the first enrolment date to provide the notice to the eligible jobholder in order to be able to apply the DB or hybrid transitional period, they may therefore be unable to use the transitional period.
24. An employer who wishes to use postponement and the transitional period for DB and hybrid pension schemes in relation to their workers has three options:
- A. They can use postponement but use the tailored postponement notice. This will mean that they need to assess their workforce on the staging date for postponement. If they identify any eligible jobholders who meet the conditions, they can apply the transitional period to these workers and apply postponement to the remainder of their workforce.
 - B. They can use postponement and general notice A or B but assess their workforce on their staging date, and on the first day of each pay reference period during the postponement period, even though they are not required to do so. This would mean they could identify their first enrolment date. Any eligible jobholders on this date who meet the conditions could have the transitional period applied to them.
 - C. They can choose to assess their workforce on the staging date to identify those who are eligible jobholders and consider whether any meet the conditions. They may use postponement in respect of the remainder of their workforce. This is similar to (A) above, but allows the employer to use general notice A or B.

The automatic enrolment date is a key piece of information

Applying the transitional period

25. Once satisfied that the worker is an eligible jobholder and the conditions are all met, an employer can apply the transitional period to that eligible jobholder. They do this by giving notice to the eligible jobholder, within a prescribed period, of their intention to defer automatic enrolment.
26. An employer must issue the notice before the end of the period of one month from the first enrolment date.
27. The table below contains the information that must be included in the notice:

Mandatory information to be included in the notice for the transitional period for DB and hybrid pension schemes

The employer must provide the following information in the notice. This information is prescribed in regulations.

- A statement that the employer intends to defer automatic enrolment in respect of that jobholder until the end of the transitional period for defined benefit and hybrid schemes.
 - A statement that the jobholder may, by giving written notice to the employer, require the employer to make arrangements for the jobholder to become an active member of an automatic enrolment scheme and that the employer will make contributions.
 - A statement that a written notice from the worker must be signed by the worker or, if it is given by means of an electronic communication, must include a statement that the worker personally submitted the notice.
 - A statement where further information about pensions and saving for retirement may be obtained.
28. The information must be provided in writing. This can include information sent by email, but does not include merely signposting to an internet or intranet site or displaying a poster in the workplace.
29. Someone acting on the employer's behalf, such as an independent financial adviser or benefit consultant can send the information, but it remains the employer's responsibility to make sure it is provided, on time, and is correct and complete.
30. Guidance (including templates) will be available on: www.businesslink.gov.uk/workplacepension in 2012 to help employers communicate with their workers in advance of automatic enrolment being introduced.

During the transitional period

31. During the transitional period, the employer must monitor that the conditions continue to be met for that eligible jobholder because, if they stop at any time, the modification falls away and the transitional period ends.

When the transitional period ends

32. The transitional period ends on one of these dates:

- A. The date to be set in law, or
- B. The date any of the conditions cease to be met, where that is earlier than (A) above.

33. The action an employer must take at the end of the transitional period in respect of that eligible jobholder differs, depending on when it ends:

A. On the date set in law

34. At the end of the transitional period, the employer must automatically enrol the eligible jobholder into either a DB or a hybrid automatic enrolment scheme (providing they still work for that employer, still meet the criteria to be an eligible jobholder, and are not already a member of a qualifying pension scheme with that employer).
35. This means that the day after the end of the transitional period becomes the assessment date for that worker, and the employer must run the usual assessment of whether they are an eligible jobholder on that date.
36. If the worker meets the conditions as an eligible jobholder, then they must be automatically enrolled into a DB or hybrid automatic enrolment pension scheme.

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B. The conditions stop being met

37. If, at any point, from the employer's first enrolment date to the end of the transitional period, the conditions for the transitional period stop being met, the modification falls away and the automatic enrolment duty changes again.
38. The employer must automatically enrol the eligible jobholder into either a DB or hybrid automatic enrolment scheme, or a defined contribution (DC) automatic enrolment scheme. The action required of the employer differs, depending on the type of pension scheme the employer chooses to fulfil their automatic enrolment duty.


In a DB or hybrid automatic enrolment pension scheme

39. If an employer chooses to fulfil their duty using a DB or hybrid automatic enrolment pension scheme, the duty becomes that the employer must make arrangements so that the eligible jobholder becomes an active member of such a pension scheme, with effect from the day after the conditions stopped being met.
40. Practically, this means that the employer must run the assessment of eligible jobholder status in the usual way, with a new assessment date of the day after the conditions stop being met. If the worker is an eligible jobholder on that date and is not already an active member of a qualifying pension scheme with that employer, automatic enrolment into a DB or hybrid automatic enrolment scheme is triggered.

In a DC occupational or personal automatic enrolment pension scheme

41. If an employer chooses to fulfil their duty using a DC occupational or personal pension automatic enrolment scheme, the duty becomes that the employer must make arrangements so that the eligible jobholder becomes an active member of such a pension scheme, with effect from their automatic enrolment date. The automatic enrolment date is the eligible jobholder's original automatic enrolment date, as if the transitional period had never applied. In practice, this will be the same date as the first enrolment date.
42. This means that the employer must run the assessment of eligible jobholder status in the usual way, with a new assessment date of the day after the conditions stop being met. If the worker is an eligible jobholder on that date and is not already an active member of a qualifying pension scheme with that employer, automatic enrolment into a DC occupational or personal automatic enrolment scheme is triggered.
43. Where automatic enrolment is triggered, the employer's contributions must be backdated to the original automatic enrolment date. This usually has the practical effect of meaning contributions must be calculated and are due from the first enrolment date.
44. If the eligible jobholder would be required under the pension scheme rules (in the case of a DC occupational scheme) or minimum requirements (in the case of a DC personal pension) to pay any contributions, this does not apply between the first enrolment date and the day the conditions ceased being met.

45. The eligible jobholder can, however, choose to pay the contributions that would have been payable in this period, if they wish. If they decide to do this, the employer and the jobholder enter into an arrangement for the payment of these contributions. The amount of the contributions in this agreement is set by the law – the amount of contributions due from the first enrolment date to the day the conditions stopped being met. The period over which these contributions must be paid is also set by the law. The length of the arrangement is either:
- from the next pay reference period after the date the eligible jobholder asked the employer to make the arrangements for them to pay contributions, to the date that is five years after the commencement of the law in 2012, or
 - a shorter period, as agreed with the eligible jobholder.
46. For every pay reference period during the payment arrangement, the employer must deduct these contributions. The employer will need to establish the number of pay reference periods in the payment arrangement and the amount of contributions due, to work out the weekly or monthly (or whatever period the eligible jobholder is paid) payments.



The amount of contributions in this agreement is set by law

What next?

The last guide in this subset Detailed guidance no. 3c – Having completed the assessment contains the next steps for an employer and should be read in conjunction with this guidance.

For employers who know they will, or are likely to have, an automatic enrolment duty, the next step should be to read **Detailed guidance no. 5 – Automatic enrolment**. It contains detailed information on the automatic enrolment process, from identifying who, when and how to automatically enrol, to an employer's ongoing responsibilities once the automatic enrolment process is complete.

Key terms

Summary of the different categories of worker

Category of worker	Description of worker
Worker	<ul style="list-style-type: none">• An employee or <ul style="list-style-type: none">• Someone who has a contract to perform work or services personally, that is not undertaking the work as part of their own business.
Jobholder	A worker who: <ul style="list-style-type: none">• is aged between 16 and 74• is working or ordinarily works in the UK under their contract• has qualifying earnings.
Eligible jobholder	A jobholder who: <ul style="list-style-type: none">• is aged between 22 and state pension age• has qualifying earnings above the earnings trigger for automatic enrolment.
Non-eligible jobholder	A jobholder who: <ul style="list-style-type: none">• is aged between 16 and 21 or state pension age and 74• has qualifying earnings above the earnings trigger for automatic enrolment or <ul style="list-style-type: none">• is aged between 16 and 74• has qualifying earnings below the earnings trigger for automatic enrolment.
Entitled worker	A worker who: <ul style="list-style-type: none">• is aged between 16 and 74• is working or ordinarily works in the UK under their contract• does not have qualifying earnings.

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Detailed guidance no. 3b

Transitional period for DB and hybrid pension schemes

How to identify the different categories of workers

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