

# Secondary Pensions – Key Facts for Business owners, Directors and Managers

- From July 2024 employers will need to offer their employees a 'Qualifying' pension scheme see page 2 for the different start dates, depending on the size of your business
- Employers must adhere to the minimum contribution levels required see page 2
- All employees over the age of 16 and under their normal States Retirement Age are eligible to join if they earn over the minimum earnings levels for Social Security deductions
- New employees to be enrolled within 7 days of their employment date or by a later date, no later than 3 months after they commencement employment
- All employees are to be provided with a 'Notice of Immediate Enrolment' or a 'Notice of Deferred Enrolment' prior to joining the pension
- An employee may opt out prior to their enrolment date.
- An employee that has opted out must be offered the option to re-enroll every 3 years
- Employers must permit employees to keep all employer contributions after 3 months of their enrolment
- · After this date, a 'member leaving service' must be offered see page 4

#### The remainder of this document will give you more detail on the rules.

Gower are experts in the creation and formation of qualifying schemes and can offer financial advice to both you and your employees on the secondary pension legislation. Please contact Scott Rowe on 700200 or by email at scott.rowe@gower.gg for further information.

# A Guide to Auto-Enrolment and Approved Schemes

Under the Secondary Pension scheme rules, all employers are required to auto-enrol their employees into a Qualifying Scheme by their appropriate operative date.

Your operative date is dependant on the number of employees you have. The following table will outline when you need to ensure that all your employees are enrolled into a Qualifying Scheme.

### **Statutory Enrolment Operative Dates for Employers**

Employees	26+	11-25	6-10	2-5	1
Enrolment Date	1/7/2024	1/10/2024	1/1/2025	1/7/2025	1/10/2025

# **Eligible Employees**

Your employee is eligible to be auto enrolled into a Qualifying Scheme if the following applies to them:

- They are over the age or 16 and under their pensionable age
- · They are located and resident in the Bailiwick of Guernsey during their time of employment
- They are likely to earn over the minimum wage for Social Security deductions per annum.
- · They are not in full-time education

#### **Contributions Levels for Eligible Employees**

Category	Statutory minimum contributions for the applicable year										
	Commencement date	Jan 26	Jan 27	Jan 28	Jan 29	Jan 30	Jan 31	Jan 32			
Employee	1%	1.5%	2%	3%	4%	5%	6%	6.5%			
Employer	1%	1%	2%	2%	3%	3%	3%	3.5%			
Total:	2%	2.5%	4%	5%	7%	8%	9%	10%			

There is no set requirement should the employer wish to exceed these contribution levels or if the employer already makes sufficient levels of contribution that collectively achieve these levels of contribution. The above table is the minimum guide to contributions to ensure that compliance to the rules is met by both the employer and employee.

## **Rules of Auto-Enrolment**

Employers are required to enrol all their eligible employees immediately into a pension on one of the following dates.

- 1. On the relevant pension operative "Start" Date for the employer
- 2. On the commencement of the employee's employment with their employer

Once the relevant date has passed, employers have a seven-day window to enrol employees into a Qualifying Scheme.

Employers do have the option to defer employees' enrolment dates into a Qualifying Scheme. If they choose to do this, then the employer must advise the employee of their future enrolment date. This enrolment date cannot be any later than three months after employment commences.

The employer must provide a Notice of Immediate Enrolment or a Notice of Deferred Enrolment to the employee on the commencement of their employment. For existing employees, notice must be given prior to the employer's Operative Date.

The employee has the right to opt out of enrolment prior to reaching the employer's operative date, or the employee's subsequent enrolment date. However, any decision to opt out must be made in writing to the employer. If no opt out notice has been provided, the employee must be enrolled into the pension within seven days of their enrolment date.

For those employees that opt out, a Notice of Automatic Re-enrolment must be given to the employee within 3 months of the third anniversary of their written decision to opt out. If no further written decision to opt out is provided, the employee must be re-enrolled into the pension no later than seven days after their third anniversary to enrol.

## **Notices**

The following notices to employees must follow the agreed format issued by the Director of Guernsey Revenue:

- 1. Notice of Immediate Enrolment
- 2. Notice of Deferred Enrolment
- 3. Notice of Automatic Re-enrolment

Gower will provide you with appropriate Notices to use within your Qualifying Scheme.

# **Qualifying Scheme Rules**

An employer must enrol and start making contributions to an employee's Qualifying Scheme after three months of their employment. Additionally, a Qualifying Scheme must give employees the option of "opting-out" of the scheme within six weeks of enrolment. After three months the employer must permit a "Member Leaving Service" to any employee who is leaving employment.

A Member Leaving Service should permit:

- · A transfer to another Qualifying Scheme, or
- Deferred benefits

Once the three-month window has closed, a Qualifying Scheme must NOT allow any of the following options (regardless of pension value at the time):

- · A refund of that member's contributions
- · A transfer to a non-Qualifying Scheme
- Triviality to be taken on any contributions made since the scheme became qualifying
- The commencement of benefits, unless the member has reached an age where they qualify for benefits under the rules of the scheme

Finally, a Qualifying Scheme will permit members additional options where one or more of the following apply:

- The commencement of benefits is permitted under the rules of the scheme and the member has now reached the age of 50
- The member attains the age of 50, and under the rules of the scheme, the commutation of benefits is permitted i.e. Triviality
- The member has not been a resident of the Bailiwick of Guernsey for two full calendar years, and is still not a resident. In this case, the member may request a transfer or a commutation of benefits

The Gower Horizon Guernsey Pension Plan is a Qualifying Scheme when used as an Occupational Pension Scheme. For members wishing to use the Scheme on an individual basis, in order to receive employer contributions, the employer will be required to provide their agreement to its continued use.

## **Guidance Summary on Grandfathering Provisions**

#### **Grandfathering Provisions for Qualifying Schemes**

If an existing pension scheme chooses to become a Qualifying Scheme, then it will need to change its rules to ensure it complies with the new secondary pension legislation before 1st July 2024. To avoid disadvantaging existing scheme members, grandfathering provisions, or concessions, are to be applied to the Qualifying Scheme criteria.

This will mean that Qualifying Scheme rules will apply to the value of contributions made after the date on which the scheme became qualified. It will be possible to apply for some concessions on contributions made prior to that date.

The following are some areas to consider.

#### Transfers into a Qualifying Scheme

 Transfers into a Qualifying Scheme after the date on which the scheme became qualified will not benefit from grandfathering provisions

### Triviality rules where the fund value is less than £15,000

- A Qualifying Scheme must not allow a member under the age of 50 to take triviality regardless of the fund value except in relation to the grandfathered funds
- Whilst triviality may be taken in respect of grandfathered funds (funds held before the scheme was approbated), it will be the total Qualifying Scheme fund value of the member that will be considered – not just the value of contributions made since the scheme was approbated
- In other words, the total fund value must still be under £15,000 for triviality to be considered and a 20% tax deduction will still apply against any trivialised funds

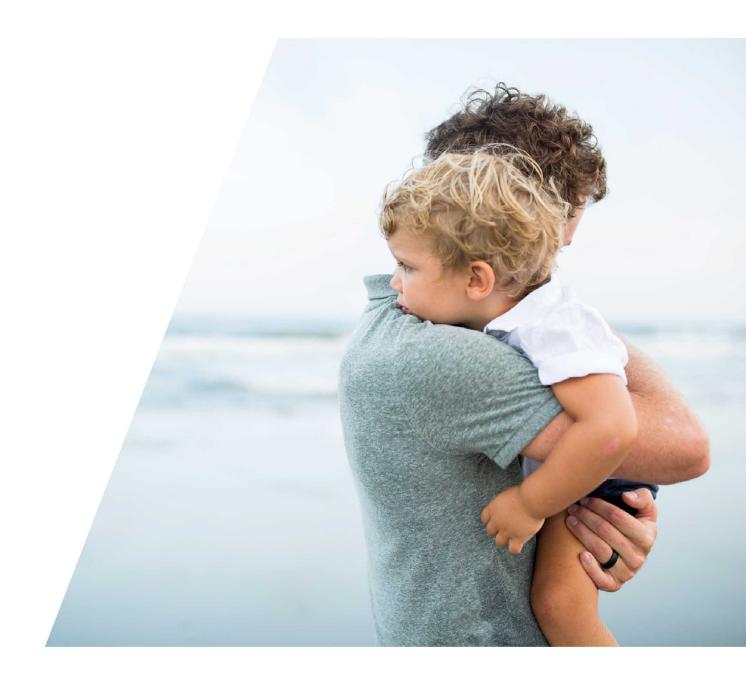
## Loans to Members

A Qualifying Scheme may not permit loans to members unless it is for the purpose of purchasing, extending, or renovating the member's principal residence.

The member must certify that the purpose of the loan is for these reasons to their pension provider.

Loans that are already in place at the time the scheme becomes qualified will not affect it being a Qualifying Scheme.

Qualifying Schemes that are approved under Section 150 of the Guernsey Income Tax Law, 1975 do not permit loans at any time.



## **Contact details**

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## **IMPORTANT NOTICE**

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