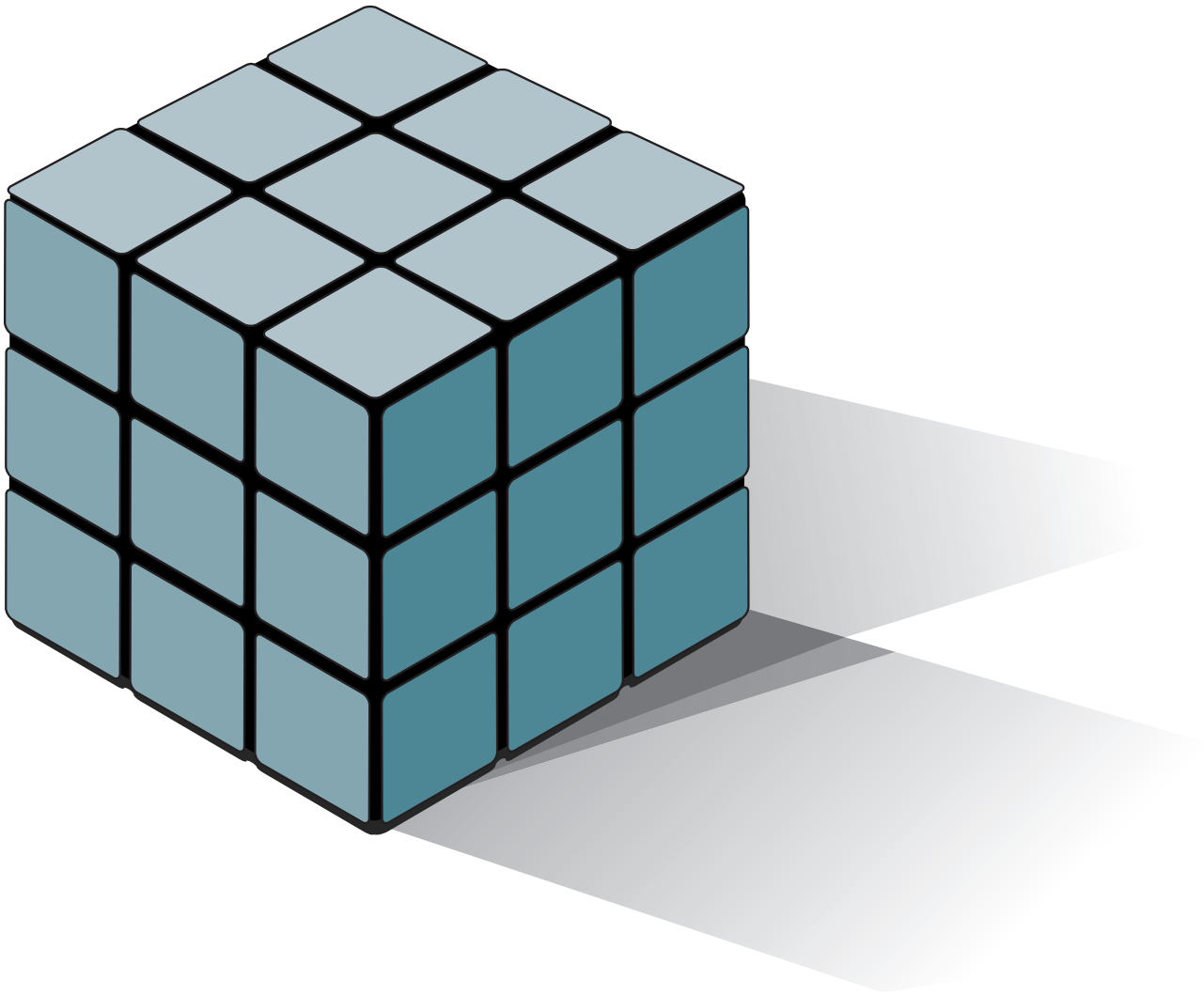


Auto-enrolment

The complete solution



Xafinity has the complete solution
for auto-enrolment.

For more information please go to
www.xafinity.com/autoenrolment

About us:

Xafinity is one of the UK's leading specialist providers of pension and employee benefit solutions and our experience and award winning solutions speak for themselves.

We are part of the Equiniti Group, a leading provider of complex financial business process outsourcing solutions, professional services and software. We carry out critical, complex and financially sensitive processes on behalf of many of the UK's leading businesses and organisations.

The Equiniti Group leads the market across a range of disciplines, providing services to over 55% of the FTSE100 and is the leading provider of share registration, investment services and employee share plans in the UK.

We're the people
behind our
nation's pensions

Key facts:

We have over

3,000

employees

in 20 locations

We support

2,200

clients

Our services benefit

31m

people

We administer

£38bn

in payments



Planning for auto-enrolment – are you ready?

October 2012 sees the introduction of major pension reforms in the UK. From this date, new regulations will require every employer, not only to automatically enrol the vast majority of their workforce into pension schemes, but also to make contributions on their behalf.

Auto-enrolment is not just a pension issue; it will impact HR, payroll, pensions and finance functions. For many organisations the process will be costly and resource intensive. Being ready to comply with auto-enrolment could take over 18 months; the impact is more than just extra pensions' costs.

Early preparation is essential to ensure the changes required to systems, processes and communication materials are identified and effectively addressed. Xafinity is uniquely able to deliver a comprehensive auto-enrolment solution to help you mitigate the cost and risks that you face.

Phases	Month																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
Planning <ul style="list-style-type: none"> Outline requirements and discuss objectives Draft and agree project plan Identify and attribute tasks to key stakeholders 	Planning																			
Financial Analysis <ul style="list-style-type: none"> Collect and assess prospective employee data Model various scenarios and take-up rates 		Financial Analysis																		
Scheme Design <ul style="list-style-type: none"> Review design options against corporate objectives Consider default investment strategy Review potential providers 			Review of Scheme Design																	
Administration Process <ul style="list-style-type: none"> Consider impact on existing payroll and HR systems Establish processes (and responsibilities) for auto-enrolment, re-enrolment, opting-out and opting-in 			Administration Process																	
Communications Strategy <ul style="list-style-type: none"> Ensure that format of member communications are compliant, engaging and fit for purpose Optimise return on employer investment 							Communications Strategy													
Implementation <ul style="list-style-type: none"> Certify scheme is compliant Go live! 																Implementation				

Understand your requirements...

Once your Staging Date is reached, all eligible employees will have to be auto-enrolled into a suitable workplace pension arrangement and contributions paid on their behalf. All employees will be able to opt-in and opt-out, but if they do opt-out, you will have to re-enrol them every 3 years.

Assess your workforce

Identify your duties in relation to each of your workers. You will need to provide your employees with information, which will be identified by this assessment. In particular, you should find out whether you are likely to have an automatic enrolment duty, as this will require preparation.

You will be obliged to conform to auto-enrolment requirements from your 'Staging Date' which will depend on the number of employees on your PAYE payroll at April 2012. You will be allowed to commence auto-enrolment ahead of the planned start date if you wish.

Identify who to automatically enrol

Employees who need to be automatically enrolled are called 'eligible jobholders.'

The location of the employer is not relevant when considering if a worker is an eligible jobholder. Neither is the

worker's nationality or the length of their stay in the UK. What is relevant is whether the employee is working, or ordinarily working, in the UK. When considering an employee's earnings, salary, overtime, commission, bonuses, sick pay, maternity, paternity and adoption pay need to be considered.

All employees aged between 22 and State Pension Age (SPA) will have to be auto-enrolled if they have earnings above a level known as the auto-enrolment threshold. The auto-enrolment threshold is to be increased and aligned with the income tax personal allowance (£7,475 for the tax year 2011/12).

Consider eligibility

Workers aged between 16 and 22, and those who have attained SPA, but are under age 75, who have earnings above the auto-enrolment threshold may opt to become members of a Qualifying Scheme, requiring employer contributions.

Similarly any employee earning between the Qualifying Earnings threshold (£7,228 for 2011/12) and the auto-enrolment threshold will have the right to opt-in and receive an employer contribution.

Those aged between 16 and 75, but earning below the Qualifying Earnings threshold will also be able to demand membership of a pension scheme. However there will be no requirement for their employer to contribute.

The thresholds quoted above reflect the Government's original intentions, but are subject to confirmation.

Consider probationary periods

Employers will be able to wait up to three months before automatically enrolling a new employee into a pension scheme, rather than having to do so straight away.

However, if they prefer, workers can elect to opt-in and receive an employer contribution as soon as they start a new job.

	2012	2013	2014	2015	2016	2017	2018
Minimum Contributions (Qualifying Earnings)							
Employer	1%▶▶▶	2%	3%▶
Employee	1%▶▶▶	3%	5%▶
Staging Date							
Payroll Numbers	50,000+	500+	50+▶	All▶	

Review scheme design

Whilst ensuring legislative compliance is important, optimising the value from your pension spend is crucial if you are to achieve your corporate objectives.

Understand minimum requirements

Xafinity's research indicates that on average 60% of employees generally join their employer's pension arrangement. Auto-enrolment is expected to increase take-up to 80%.

From April 2017, a minimum of 8% of Qualifying Earnings (taxable earnings between the NIC primary threshold and £38,185 (2010/11 terms)) will have to be contributed, with at least 3% being paid by the employer. A sliding scale will apply prior to this date.

Alternatively, an employer will be able to certify that they meet auto-enrolment requirements via one of the following bases.

- 9% of basic pay (at least 4% from the employer); or
- 8% of basic pay (at least 3% from employer) provided that total basic pay is at least 85% the total earnings for all relevant individuals; or
- 7% of pensionable pay (3% from employer) provided that the total pay bill is pensionable.

Set your corporate objective

The minimum contributions required under auto-enrolment will only deliver a retirement income at the very bottom of the range of which most people aim.

Employers should consider total pension costs against what can be afforded and, ultimately, needed to pay to recruit and retain employees. Benchmarking reviews will be important.

Increasing governance requirements, changes to the taxation system, additional retirement flexibility, removal of the default retirement age and impact of the equality legislation should also be considered.

Promote Good Quality Schemes

Employers who want to differentiate their offer will need to ensure that employees understand why their employer's offering is better than those of their competitors. An accreditation such as the Pension Quality Mark (PQM) from the National Association of Pension Funds (NAPF) may assist. The PQM sets standards for contribution levels, charges, governance and member support.

NAPF research shows nearly two thirds of employees would view their employer in a better light if their pension scheme had an independent quality mark.

Understand costs

For many organisations, auto-enrolment will mean that the cost of employing people will rise. In addition to contributions, the work involved with administering, monitoring and effecting auto-enrolment, opt-ins and



opt-outs will also increase costs. Some employers may meet the increased costs by providing salary growth in the form of pension contributions, whilst others may spread current pension spending more thinly. Others may take a different view, wishing to offer all employees access to good quality pension provision.

Whichever approach is adopted, understanding the implications of different approaches from a cost and risk perspective will be key to ensuring that corporate objectives are achieved.

Model Solutions for Auto-enrolment

Model Solutions for Auto-enrolment is a unique tool developed by Xafinity, which enables employers to identify their optimum DC Scheme Design.

It enables key decision makers to precisely model all of the key factors of their schemes, to explore alternative strategies and arrive at the combination of measures that most closely suits their corporate objectives.

The model enables employers to balance the risks and benefits of specific future contribution rates against the costs of various options for change, to create a pension strategy that supports their corporate priorities, requirements and timelines.

Crucially, with Model Solutions all the key players can be involved in developing a solution which balances all the stakeholder needs, in real time.

From this model, Xafinity can prepare a roadmap for implementation.

Model Solutions for Auto-enrolment is a unique tool developed by Xafinity, which enables employers to identify their optimum DC Scheme Design.

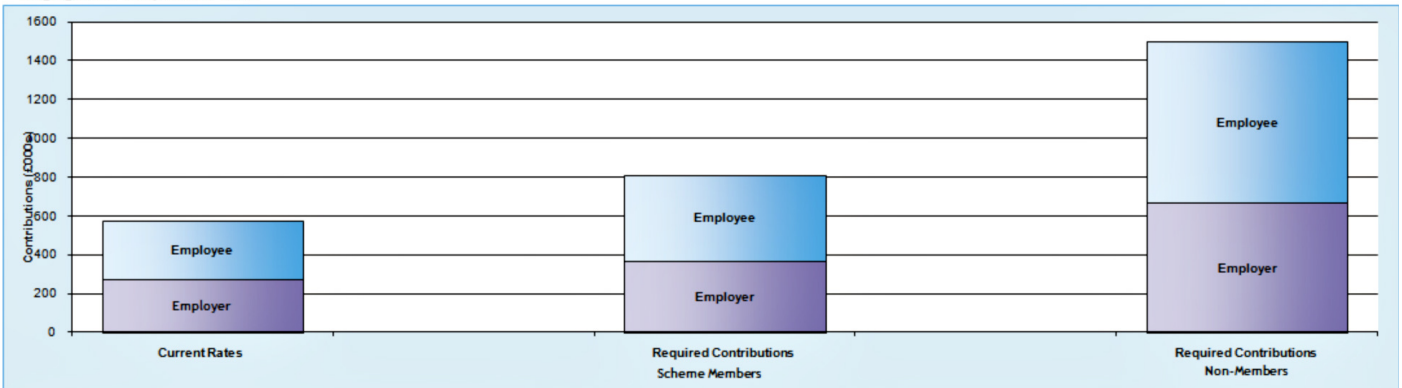
Working with Xafinity, you can be confident that you have modelled all available scenarios and explored all practical options, before choosing the strategy that best suits your organisation.

Scheme Name

Notification Date: 1 June 2013

Staging Date: 1 September 2013

modelsolutions
powered by Xafinity Consulting



	Total Employees	Qualifying Employees	Current Rates		Required Contributions		Additional Cost	
			Employer (£s)	Employees (£s)	Employer (£s)	Employee (£s)	Employer (£s)	Employee (£s)
Eligible Jobholder - Non-Scheme	745	0	0	0	666,103	832,629	666,103	832,629
Eligible Jobholder - Scheme Members	297	51	263,630	294,506	357,689	434,770	94,060	140,264
Non-Eligible Jobholders	67	67	9,428	9,219	9,428	9,219	0	0
Total	1,109	118	273,058	303,724	1,033,221	1,276,617	760,163	972,893
NI Saving			41,900		176,200			
Total (net of NI saving)			231,158	303,724	857,021	1,276,617	625,863	972,893

Assumptions		Assumptions		AE2 - 9%	
Projection Date:	01/10/2017	Salary Escalation pa	0%	Minimum Contribution Rates	
Conditions at (Band Earnings):	Oct 2017	Min Earnings Threshold - inc pa	0%	Employer	4%
AE/PQM Option:	AE2 - 9%	Upper qualifying earnings - inc pa	0%	Total	9%
Reduce Option (employer conts):	Minimum or current rate if higher	Lower qualifying earnings - inc pa	0%		
Participation Rate (Salary Exchange):	100%				

Minimum Age:	22	Opt-Out - non-members	0%	Total Pensionable Salary	25,831,173
Maximum Age:	SPA	Opt-Out - members	0%	Total Pay	25,831,173
				Ratio Pen Salary:Total Pay	100%

Employment, Payroll and Human Resource considerations

Auto-enrolment will impose significant complexity on payroll and human resource functions. Cost, risks and workload will increase and peak around Staging Dates.

Auto-enrol

Once employers have passed their Staging Date they will be required to pay contributions within the requisite timescales, enrol employees when they become eligible and on each subsequent third anniversary re-enrol any employees that have opted-out.

Process any opt-out notices

Members will have the right to opt-out, but only after they have been automatically enrolled.

To opt-out, workers must give notice to their employer via a document called an 'opt-out notice'. These notices will usually only be available from the pension scheme and not the employer, so that workers do not feel pressured into opting-out.

If they opt-out within one month any deductions made from their salary will be refunded. The worker can choose to cease membership at any time. However they may not be entitled to a cash refund of contributions after the end of the one month opt-out period (unless contributions have been made to a trust-based scheme).

Process opt in or joining requests

As well as automatically enrolling eligible jobholders, employers must also put certain other employees into a pension scheme, if they request.

Certain employees will have a right to 'opt-in' and the employer will be required to arrange this and make employer contributions. Other workers will have a right to 'join' the scheme, but there will be no requirement for the employer to contribute in respect of these workers; although the employer must set up the deduction of the worker's contributions from pay.

Maintain records

There will be a requirement to keep records about workers and the pension scheme used for auto-enrolment purposes. Electronic or paper filing systems will be permitted, as long as the records are legible or can be produced in a legible way.

Records must be provided to the Pensions Regulator upon request. Most records will have to be kept for 6 years; those that relate to opting-out must be kept for 4 years.

Avoid inducements and prohibited activity

Any employee's decision to opt-out of a scheme, or stop saving for retirement altogether, must be taken freely and without influence by the employer. Employers must not take, or fail to take, any action, with the sole or main purpose to attempt to induce a jobholder to opt-out of a pension scheme.

Equally, an employer must not try to screen out job applicants on grounds relating to potential pension scheme membership, or suggest that a job applicant's success could depend on whether or not they opt-out of a pension scheme.

Payroll requirements

Payroll software is expected to play a key role in accurately assessing employees' earnings and making pension contributions. It is important that employers seek confirmation from their payroll provider (or software provider if payroll is 'in house') about the extent that their existing software will support them in complying with their duties.

Xafinity has developed specialist auto-enrolment software to interface with an employer's existing human resources and payroll systems, avoiding the need for system upgrades, which could be costly and time consuming to deploy.

Employers will need to decide whether to recruit and train resource to address auto-enrolment requirements, much of the workload for which will 'peak' once every three years.

Employee Communication

Employers will be required to communicate with all employees about the steps that are being taken to comply with auto-enrolment legislation. Employers will be obliged to adhere to specific forms of communication for specified events.

The new requirements are prescriptive in the manner in which employees are communicated with, particularly around any 'alternatives' that the employer may offer that could be construed as incentives to opt-out e.g. flexible benefit arrangements that allow members to 'flex down'.

Auto-enrolment will result in many employers contributing millions of pounds to DC pension arrangements. Ensuring employees appreciate the value of these pension benefits will be key if the employer is to attain its corporate objectives.

Outsourcing Auto-enrolment

Payroll provision is one of the most complex and time critical function that a business carries out. Auto-enrolment will make this more complex and introduce new risks. Xafinity's comprehensive auto-enrolment administration service is able to effectively address these risks on an employer's behalf.

Xafinity is able to put in place a solution that continually assesses and analyses your workforce to identify employees who become eligible to voluntarily join, those that should automatically be enrolled and those who may already be a member, but require contributions to be increased to meet the legal minima.

Auto-enrolment regulations will be compulsory for all employers; wilful failure to comply will be a criminal offence. Negligence will result in penalty fines and extra costs, as enrolment and backdated contributions will still be required. If there is too much delay, employers will also have to pay the employee contributions and interest for late payment.

Xafinity can process all communications and activities around opting-in, opting-out, re-enrolling and maintaining records. Xafinity can remove this pressure and risk from your business.

Auto-enrolment compliance will involve a change in process and procedures for all employers.

Employers will need to decide whether to recruit and train resource to address the new requirements, much of the workload for which will 'peak' once every three years. Consideration should also be given to the adequacy of existing human resource and payroll systems.

The alternative is to outsource this activity to Xafinity, a specialist auto-enrolment advisor and processor; who can undertake all, or part, of the auto-enrolment process on your behalf. Xafinity can take the cost, risk and hassle away from the employer; without requiring expensive or time-consuming changes to existing human resource or payroll software.

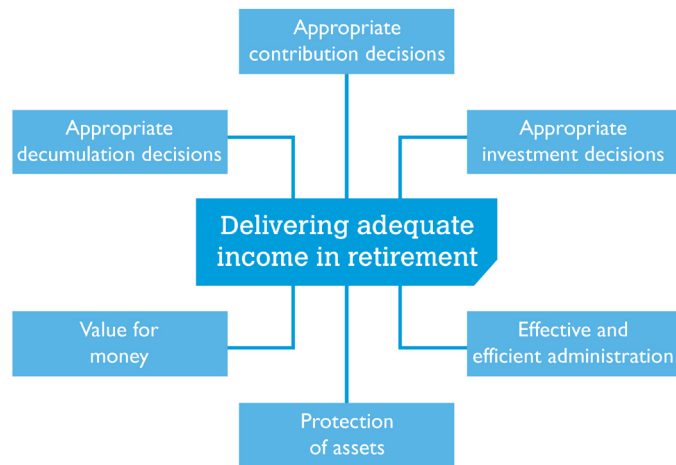


Selecting a delivery vehicle

When selecting a scheme to meet auto-enrolment requirements, employers should not lose sight of the importance of quality if they are to achieve their corporate objectives.

Minimum Requirements

Whether the scheme an employer uses for automatic enrolment is new or not, it must meet certain, specific criteria set out in legislation. A minimum level of contributions must be paid and the scheme cannot impose barriers, such as probationary periods or age limits for members or require staff to take action to join, or remain, in the scheme. But what else should employer's consider? Is quality important?



Is governance important?

The Pension Regulator believes so. In a recent review the Regulator identified six elements of governance which he believes are necessary to support members of DC plans to achieve an adequate income in retirement.

Increased governance requirements

The Department for Work and Pensions (DWP) has stated that employers should ensure that the default investment option that members will be auto-enrolled into, whether a contract- or trust-based approach is utilised, remains appropriate from a governance, design, review and communication perspective.

Effective support

Effective support can double the level of emerging benefits that members receive from pension arrangements relative to those members who are not effectively supported. Trust-based plans have a legal requirement to govern themselves to a high level and provide effective member support.

Contract-based schemes (such as GPPs or Stakeholder plans) can also offer effective governance and support to members. However, to achieve this, employers have to establish and manage governance committees, similar to Trustee Boards. Whilst many employers and employees value the paternalistic approach and control that this approach engenders, others find the cost and management time prohibitive.

Mastertrusts

Mastertrusts are multi-employer occupational pension schemes, written under trust, which can be used by many employers that are not otherwise related. Economies of scale enable high levels of member support to be provided at a much lower cost than would be the case. Mastertrusts are able to reduce the governance burden on employers seeking to offer good quality pension provision.

Both NEST and the National Pension Trust are governed by Professional

Trustees, independent of all service providers, avoiding conflicts of interest and ensuring high levels of objective governance to support members to make appropriate investment, contribution and retirement decisions.

However, not all mastertrusts are the same. Mastertrust arrangements offered by insurance companies typically rely upon the employer establishing, running and being responsible for governance committees to address investment and communication related matters.

The National Pension Trust has been awarded the Pension Quality Mark by the National Association of Pension Funds in recognition of its high levels of governance, communications and member support. Unlike other pension plans, all employers have to do is contribute to provide their employees with access to high quality pension provision.

SELECTING AN APPROPRIATE SCHEME

	Standalone Trust	Multi-employer 'Mastertrusts'		
		NatPen ¹	NEST	Insurance Company
Default fund selection responsibility	Employer and Member Nominated Trustees	Professional Trustee		Employer Governance Committee
Investment support provided by				
Funding (contribution) support provided by				
Retirement support provided by				
Can communications be branded/tailored?	Yes	No	Yes	
Annual contribution limit	£50,000	£4,300*	£50,000	
Transfer in permitted?	Yes	No	Yes	
Transfer out permitted?	Yes	No	Yes	
Annual Management Charge	Scheme specific	0.3%	Scheme specific	
Allocation charge on contributions	No	1.8%	No	
Can Employer meet part / all fees	Yes	No	Yes	
Lump sum death benefits subject to inheritance tax?	No.Paid under trustee discretion	Yes.Paid via deceased's estate	No.Paid under trustee discretion	
Does Provider have to offer terms and accept contributions regardless of scheme profile?	No	Yes	No	

*In 2011/12 terms

¹ National Pension Trust

Which vehicle?

When selecting which pension's vehicle to use, there is no one right or wrong answer; each employer will have individual requirements that will be best fulfilled by different arrangements. The table above reviews some of the key factors which most employers consider:

Restrictions on the amount of contributions that can be paid and inability to transfer benefits into or out of NEST may make it inappropriate for employers who wish to rationalise pension provision or employ individuals whose total savings exceed £4,300 p.a., now or in the future. The tax status of lump sum death benefits, inability to switch investments or tailor communications and level and format of charges may also be a concern. That said, where an employer may experience difficulties in obtaining terms, perhaps because of a high staff turnover rate, small number of employees or very low levels of contributions being paid, NEST offers a credible option as, unlike other arrangements, it has a duty to offer the same charging basis to all employers.

Xafinity can help employers select which vehicle is most appropriate for their organisation to help them comply with the requirements, and optimise their return on investment in their most important resource; their employees. Further information can be obtained from www.xafinity.com/autoenrolment.

When selecting which pensions vehicle to use, there is no one right or wrong answer; each employer will have individual requirements that will be best fulfilled by different arrangements.

Whichever vehicle is adopted, it is important to remember that compliance with auto-enrolment requirements is the employer's responsibility. Consideration should also be given as to the adequacy of existing human resource and payroll systems.

Xafinity can help you select which vehicle is most appropriate for your organisation to help you comply with the requirements, and optimise your return on investment in your most important resource; your employees.



Xafinity, part of the Equiniti Group, is one of the UK's leading specialist providers of pension, employee benefits and payments expertise, with 170 years' experience. The group provides consulting, software, resourcing, training and business process outsourcing services that enable public and private sector organisations to deliver employee benefits more efficiently.

In 2011 Xafinity was recognised as Third Party Administrator of the Year at the UK Pension Awards and in 2010 won the award for Pension Software Provider of the Year for the fifth time in six years. At the Pension and Investment Provider awards in 2010 Xafinity won Best Pension Administration Software and in 2009 were voted the best Third Party Administration Provider. Xafinity is the accredited software supplier to the UK Principal Civil Service Pension Scheme.



Xafinity Consulting is one of the UK's leading specialists in pensions and employee benefits. Our expertise addresses the needs of both trustees and companies in pensions and actuarial services, flexible benefits, healthcare and training. We are committed to working in partnership with our clients, providing tailored solutions to maximise the returns of their benefit strategies.

Belfast

Arthur House
41 Arthur Street
Belfast
BT1 4GB

Tel: +44(0)289 044 6200
Fax: +44(0)289 044 6330

Leeds

10 South Parade
Leeds
LS1 5AL

Tel: +44(0)113 244 0200
Fax: +44(0)113 244 8532

London

3 Minster Court
Mincing Lane
London
EC3R 7DD

Tel: +44(0)207 469 1880
Fax: +44(0)207 469 1971

Manchester

82 King Street
Manchester
M2 4WQ

Tel: +44(0)161 935 8060
Fax: +44(0)161 935 8161

Reading

Xafinity House
42-62 Greyfriars Road
Reading
RG1 1NN

Tel: +44(0)118 958 3683
Fax: +44(0)118 918 5095

Stirling

Scotia House
Castle Business Park
Stirling
FK9 4TZ

Tel: +44(0)1786 434 300
Fax: +44(0)845 345 9516



www.xafinity.com

