

Auto Enrolment

Group Life Guide For Advisers



# 1. What is automatic enrolment?

From October 2012 regulatory changes affecting pension linked group protection arrangements were introduced. All UK based employers must automatically enrol their eligible jobholders into a qualifying workplace pension scheme.

Eligible jobholders are:

- Aged between 22 and State Pension Age
- Not already in a workplace pension
- Earning above the income tax personal allowance (£9,440 2013 – 2014 increasing to £10,000 for tax year 2014 – 2015)
- Working (or ordinarily working) in the UK

All employers must contribute to the cost of the scheme. The government also introduced a new low-cost pension scheme, the National Employment Savings Trust (NEST). Employers can use their existing scheme, set up a new scheme and/or use NEST to meet their obligations.

The employer is required to:

- Automatically enrol new and existing employees when they meet the eligibility requirements and
- Re-enrol eligible employees who have opted out of the scheme every 3 years.

When an employer has to start this exercise depends on their number of PAYE employees and is known as the staging date. The Pension Regulator will write to all employers before their staging date. Staging dates can be obtained from the following website:

<http://thepensionsregulator.gov.uk>

## Important note for employers who have employees with enhanced or fixed protection

Employees who have enhanced or fixed protection will lose their protection if they join a pension scheme and accrue further pension benefits. As there are currently no exceptions to automatic enrolment, these employees will therefore be automatically enrolled into an employer's pension scheme. To avoid losing their protection these employees must opt out of the scheme within the 1 month opt-out period defined in the legislation. This will ensure they are treated as never having joined the scheme. If they opt out later than this they will lose their protection.

## Which group life policies will be affected by automatic enrolment?

Only policies where benefits and / or membership are linked to pension scheme membership will be affected by automatic enrolment. Our terms will apply to all such policies insured with us.

## Will the group life policy insured with Optimal be affected if the automatically enrolled members join the NEST?

Where our group life policy refers to a specific pension scheme then employees joining NEST will not be eligible to join our group life policy.

Where our group life policy refers to members of any employer sponsored pension scheme then NEST members will be eligible to join.

## 2. The impact of automatic enrolment of group life benefits linked to pension scheme membership

### Joining and leaving

Anyone who has been automatically enrolled can elect to opt-out of the pension scheme at any point in the future.

- If they opt-out within the 1 month opt-out period (defined in the legislation) they are treated as if they had never been a member of the pension scheme.
- If they choose to stop contributing to the pension scheme after the 1 month opt-out period, they are not legally entitled to a refund of pension contributions and their contributions will remain in their pension fund.
- An employee who has opted out or left can re-join at a later date, in any event employers will need to perform a complete re-enrolment exercise every 3 years for eligible jobholders.
- Employees who opt out of the auto enrolment pension and subsequently opt back in on a date other than a re-enrolment date will be treated as discretionary entrants of the group life scheme and their inclusion in the scheme will be subject to medical underwriting.

### Can ineligible employees join the employer's pension scheme?

Yes, they still have the right to join the pension scheme if they ask provided they are under the age of 74. The employer does not need to make contributions if their earnings are below the income tax personal allowance.

We will treat these employees in exactly the same way as eligible employees providing the employer chooses to automatically enrol them at the staging date. If they are not included within the automatic enrolment exercise but become eligible at a future point we will include them as a standard new entrant on the date they become eligible for automatic enrolment.

### Entry requirements on the staging date

The scheme's policy schedule will state whether Actively at Work (AAW) fulfilment is a scheme requirement for new joiners.

Actively at work means that a person:

- is present at their place of work or is absent for reasons other than sick leave that have been authorised by their employer; and
- has not received medical advice to refrain from work; and
- is mentally and physically capable of performing fully the normal duties associated with their job; and
- is working their normal contracted hours at their normal place of employment or at such alternative location as may have been agreed in writing with the employer.

The first time an employee is auto enrolled	Employee joining pension scheme for the first time AND it is their first opportunity to do so	Automatically covered* as a standard new entrant (subject to AAW if this is a scheme requirement)
	Employee joining pension scheme for first time, but could have done so previously	Automatically covered* (subject to AAW if this is a scheme requirement) unless they are an LTA in which case we reserve the right to medically underwrite them
Employee joining at re-enrolment	Employee joining at re-enrolment date and it is their first opportunity to do so	Automatically covered* as a standard new entrant (subject to AAW if this is a scheme requirement)
	Employee joining at the re-enrolment date who could have done so previously (so has previously opted out)	Automatically covered* (subject to AAW if this is a scheme requirement) unless they are an LTA in which case we reserve the right to medically underwrite them
Employee joining after the first date eligible and NOT part of an auto enrolment or re-enrolment exercise	Medical underwriting required	

\*Up to the free cover limit. Benefits above the free cover limit are subject to medical underwriting.

LTA = long term absentee. A member, who has been absent from work as a result of sickness, ill-health or disablement, including current or pending Group Income Protection claimants, for a consecutive period of three months or more as at the staging date

### Schemes where AAW is a requirement

We will require an actively at work declaration to be completed by the employer confirming those employees who do and do not fulfil our AAW requirement as at the last working day prior to the staging date.

Any person who is not actively at work on the last working day prior to the staging date will not be covered for any benefit until they either:

- complete seven consecutive working days with the employer (excluding days taken as holiday), or
- provide evidence of insurability to us and we confirm our acceptance of the member's benefit.

Confirmation that any actively at work requirement has been met must be provided by the employer in writing.

### Previous late entrants

Late entrants are employees who join the pension scheme after their first opportunity. Late entrants are classed as discretionary members whose inclusion in the group life scheme is subject to medical underwriting.

Where the employer has failed to identify a previous late entrant, we will provide an amnesty and include them on the staging date without medical underwriting, providing they are not a long term absentee, when a company-wide automatic enrolment exercise is completed for the first time. All employees who have been previously overlooked will be included under the automatic enrolment terms at the staging date.

### Future late entrants

Employees who join the pension scheme after the first date eligible and not part of an automatic enrolment exercise will be subject to medical underwriting.

### Adverse medical decisions

Anyone who has previously been medically underwritten as a result of joining the pension scheme who subsequently left, but is being included as a result of automatic enrolment will not benefit from these terms. Cover will not be provided for members for whom we or a previous insurer refused cover, offered cover on non-standard terms or, members who have previously failed to provide us or a previous insurer with medical evidence or any other requirements asked for. Cover for these members may be accepted following medical underwriting.

### Entry requirements on the 3 year re- enrolment anniversaries

The same requirements apply at re-enrolment as those applied during the initial automatic enrolment exercise. However, the late entrant amnesty only applies on the first automatic enrolment date and does not form part of the 3 yearly re-enrolment terms.

### Catastrophe cover

The catastrophe limit is stated on the policy schedule. Our standard event limits are normally set with a 25% margin to allow for future increases.

If it appears that the event limit at a specific postcode will be exceeded please contact us and we can consider granting an increase should it be necessary.

## 3. Premium accounting and general queries

### When will data need to be provided to Optimal?

Following the automatic enrolment date, most employees who are going to opt out will do so within 1 month, however, some could be a little later. Taking this into account, we will look at the increase in pension scheme members 3 months after the automatic enrolment date. We are calling these 3 months the "decision window". This means we will only require the scheme data 3 months after the auto enrolment date. Allowing 3 months ensures that the data provided post-automatic enrolment is a true reflection of the post-automatic enrolment membership. We will reconcile the change in membership using our simplified accounting process.

### How will we cost employees who are automatically enrolled and decide to opt out?

Premiums will not be charged for employees who opt out within 3 months of the auto enrolment date.

### Will we need to re-price the policy?

We will not automatically re-price any group life assurance policy. This means that regardless of the size in change of membership or total sum insured as a direct result of an auto enrolment exercise, all premium rates will be guaranteed until the end of their current rate guarantee period.

However, some employers may wish to review their pension eligibility for auto enrolment. For example, change an annual entry date or remove a long qualifying service period. We will re-price the group life policy where the benefit basis or eligibility is changed which changes the risk profile of the scheme.

### Requirements for changes to be made to the benefit basis or eligibility of the scheme

Please advise us of any changes required in advance of the automatic enrolment date as we do not backdate changes made to policies. Upon receipt of your request we will advise our requirements based on the change requested. Please note: changes made to the benefit basis or eligibility may result in us re-pricing the scheme. Any rate change will be applicable from the date of that change. A separate account will be produced at that date based on totals at that date. The new rate will be guaranteed to the end of the existing rate guarantee period.

### Can the renewal date be changed?

If you let us know before the automatic enrolment date we can amend the renewal date. We will not backdate changes following the automatic enrolment date.

### What will happen if the normal policy anniversary date falls within the 3 month decision window?

We will only require the totals at the end of the 3 month decision window and will apply them from the automatic enrolment date. If the current rate guarantee is due to expire at this policy anniversary, for those members joining as a result of auto enrolment only, we will calculate an adjustment premium based upon the existing guaranteed unit rate for the time on risk between the auto enrolment date and the renewal date.

### What will happen if the normal policy anniversary date and auto enrolment date are the same?

We will use the data applicable at the end of the 3 month decision window for the renewal accounts. We will require full data including long term absentee information as at the renewal date for existing members and long term absentee information for members joining as a result of auto enrolment.

If you have any further questions please contact us at:

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**We will continue to review our approach to auto enrolment to ensure that our solution remains appropriate for customers.**

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2014-010v1