

Briefing note

Coronavirus – Workplace Pension and Employee Benefits Implications

As we are in unprecedented times and a rapidly changing social and business environment, many employers are considering the commercial challenges and their options.

Continuing to support employees and their financial and mental wellbeing is paramount to ensuring a committed and productive workforce, and helping to ensure the business can resume operations as seamlessly as possible in due course. A People Management and CIPD poll shows employers are concerned about staff wellbeing and employees not being able to work from home during the outbreak. This survey, which polled over 390 employers, found nearly two-thirds (63 per cent) of respondents cited general anxiety as their organisation's main challenge currently. (Source: <https://www.peoplemanagement.co.uk/news/articles/staff-anxiety-biggest-coronavirus-challenge-businesses-survey-finds>)

And, of course, one major cause of anxiety for employees is regarding their financial situation. The Government has moved quickly to introduce radical measures to support employers and their employees during this difficult period by introducing the Coronavirus Job Retention Scheme (CJRS) for employers who furlough some or all of their workers.

Guidance on CJRS is being updated as the Government rapidly seeks to launch – <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

Whilst furloughing employees offers a "safety net" for wages, the employer also has to consider the other benefits which contribute towards employees' overall financial and mental wellbeing.

Your workplace pension scheme

CJRS provides grant funding from HMRC to cover the lower of 80% of an employee's regular wage or £2,500 per month, plus the associated employer National Insurance contributions and statutory minimum automatic enrolment employer pension contributions on that subsidised wage. Fees, commission and bonuses should not be included.

Many employers though provide pension contributions that exceed the current automatic enrolment minimum requirement based on qualifying banded earnings only, and employers can choose to continue these and to provide top-up salary in addition to the 80% grant.



However, employer National Insurance contributions and automatic enrolment contributions on any additional top-up salary will not be funded through this scheme. Nor will any automatic enrolment contributions above the statutory minimum employer contribution of 3% of income between the lower and upper limits of qualifying earnings (lower earnings limit is £512 per month until 5th April and will be £520 per month from 6th April 2020 and upper earnings limit is £4,167 per month until 5th April and will remain at that level from 6th April 2020 onwards).

The pension legal team at corporate law firm Blake Morgan LLP, notes that the requirements in legislation for employers to consult affected members about certain pension scheme changes do not apply in all circumstances and, where they do, they contain scope which employers might be able to take advantage of to reduce their risk when changing pension contributions. That said, employers should also be mindful of pension clauses in contracts of employment.

Should you wish to review your current pension contribution structure you should consider:

- budget implications – cost modelling, etc
- contracts of employment and consultation requirements, as noted above
- how to maintain a qualifying workplace pension scheme
- salary sacrifice pension contributions – what are the implications?
- what do you need to tell your pension provider?
- what instructions does your payroll provider need to implement any changes?

Trustees and employer sponsors of occupational DC schemes would have other additional considerations, for example, a revised schedule of contributions would also need to be established to cater for any new contribution category.

Other employee benefits

There are potential implications of the use of CJRS on other employee benefits which require consideration. Whether employees will retain their existing benefits, or if an employer wishes to impose or seek voluntary reduction in employees' pay, as at least a temporary measure during the current economic crisis, we have outlined below a brief overview on the impact on protection benefits and possible options you may wish to consider.

With protection benefits (Group Life Assurance, Group Income Protection and Group Critical Illness):

- If cover is based on ongoing employees' basic salary as opposed to basic salary at renewal date, then a contractual reduction to the employee's salary would normally reduce the cover.
- If salary for cover purposes is wider, such as P60 earnings in the previous tax year, or total earnings in the previous 12 months, there will be little immediate impact on cover levels but the cover will normally reduce over time.

If you wish to maintain benefit cover levels this may be possible, if the salary changes are being implemented as a temporary measure and particularly if this is for a fixed period, by agreement with the insurer, basing cover to a degree on a 'notional' salary/earnings figure. If you are content for benefit coverage to reduce, reflecting employees' revised salaries/earnings, most policies contain a clause requiring notification where significant changes to the membership and/or cover levels occur. You should check with your group protection providers as to what options are available on your particular schemes and if there are any Policy notification or other requirements the insurer may have. Employers might want to revisit the processes they use for delivering payments under trust-based life assurance arrangements to dependants and other beneficiaries to ensure these can be made quickly and smoothly.

In addition, many employers will offer their employees access to an Employee Assistance Programme, which is often a complimentary benefit under group protection policies which can sometimes be forgotten about, but is an important benefit in times like these. It is important that employers remind their employees of the benefits of such arrangements and how support can be provided.

Contact us to discuss further

There are many options that you may want to consider and explore and we can assist you during these challenging times – please contact your usual PS Aspire consultant or use the contact details below.

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