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ACCOUNTANTS

AN EMPLOYERS GUIDE TO AUTOMATIC ENROLMENT

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About this guide

In October 2012, new pension laws were introduced affecting all employers across the UK. In short, this change requires that every employer provides access to an employer sponsored pension scheme and begins contributing towards the pension pots of eligible workers. On top of this, the rules require that an employer communicates the changes in a prescribed way and that existing pension arrangements be reviewed to ensure compliance. Failure to meet these obligations could result in significant financial penalties.

The new employer duties and resultant consequences of non-compliance are available from the Pensions Regulator, in a document entitled: Automatic Enrolment Detailed Guidance. Our guide provides an overview of this document, highlighting the key areas an employer should consider and answering common client queries.

What is in the guide?

- The background and importance of the reforms
- When they will apply
- What you need to do to comply
- How we can help manage your obligations in a cost effective way

How long have I got?

The Pensions Regulator (tPR) recommends that employers begin preparations at least 18 months prior to their staging date. Our experience suggests that most pension providers will be unwilling to consider a new scheme where an employer has less than 6 months to go until staging.

Supporting you from start to finish

Who is Enrolme?

Enrolme is an independent group of auto enrolment specialists, with the right information from you, we can help assess, implement and manage your ongoing employer duties. It is an administrative function lead by qualified pension professionals.

We help;

- Build a project plan, identifying key tasks, your duties and the timescales needed
- Coordinate your auto-enrolment project by working with the key stakeholders
- Deliver you with the right solutions, in the right timeframe, to ensure readiness for your staging date
- Manage new joiners, leavers and the requirements of active members
- Help you satisfy your regulatory reporting requirements

Overview

What it is:

- Auto enrolment is the process of automatically enrolling eligible workers into a company sponsored pension arrangement

- The largest employers began auto enrolling all eligible workers into a qualifying workplace pension scheme and contributing to their plans in October 2012, with smaller businesses following suit at pre-determined intervals, until the start of 2018

- Auto enrolled workers will have the choice to opt out. They will have one month in which to do this, if they leave the scheme after this opt-out period, their contributions up to that point will be held within their pension until retirement

Can I 'opt-out' as an employer?

No. Employers cannot opt out of their obligations.

Unlike the existing Stakeholder pension framework, employers will be required to contribute to their worker's pensions. Most employers will have to automatically enrol some or all of their workers into a qualifying scheme, that meets a minimum standard, and pay contributions on their behalf.

There are minimum levels of contribution that must be made, which include both employee and employer contributions. These minimum levels will increase in 'phases' over the coming years, as more worker's accustom themselves to saving for their retirement.

The new duties affected the largest employers first, followed by medium-sized employers and finally, during 2015, 2016 and 2017, small and micro employers will also need to follow suit. The size of an employer's largest PAYE scheme will determine at what point the new duties affect their organisation.

In order to comply with the new legislation, additional processes will need to be established in HR, payroll and finance departments. The new legislation is not solely a matter of cost, but also internal changes to process and employee communication.

Why it has been introduced:

Few people today are making adequate provision for their retirement.

The percentage of individuals making contributions into a workplace pension has been declining year on year for at least the past decade.

With life expectancy continuing to rise, and increased pressure on state benefits, the government has responded by introducing the auto enrolment initiative to encourage employers and individual workers, to take responsibility for their own retirement planning.

When will the changes come in to effect?

Auto enrolment is the process by which an eligible worker is automatically enrolled into a workplace pension. The requirement for the largest businesses to begin automatically enrolling workers began in October 2012, with smaller businesses following suit at pre-determined intervals, until the start of 2018. You should receive a letter from the Pensions Regulator confirming your 'staging date'.

Capacity Crunch?

This term refers to the sheer volume of employers due to reach their staging dates in and beyond 2015 and the expected 'lack' of advisers and support staff available to cope with this demand. In the first quarter of 2015, approximately 17,100 employers will be staging and this will rise to over 110,000 in quarter four. Quarter four of 2016 sees over 215,000 employers reach their staging dates.

The good news? Enrolme was designed for this legilsation, we believe we can provide support to meet the needs of you and your workers!

Staging dates have been calculated using an employers' PAYE scheme size:

PAYE scheme size	Staging date
Under 60	By April 2015*
Under 50	By October 2015*
Under 30	By April 2017*
New Employers	By February 2018*

**The above should be considered as a guide only. All companies can find their own staging date by visiting: www.thepensionsregulator.gov.uk*

Source: DWP – The above dates were correct at the time of publication, however, are subject to change.

Bringing forward or delaying your staging date:

You are able to bring forward your staging date, but in most circumstances, you are not able to delay it. You may wish to bring your date forward to align it with a more convenient point in the year, for example, to avoid a structural business change.

You may postpone enrolment of your workers for up to three months. This can help ease the cost of contributions, and help with:

- Seasonal workers
- One-off ' peaks' in earnings e.g. bonuses
- Workers on short-term contracts

Using postponement can also help ease your payroll administration. For example, if you have two new workers starting on different days in the month, you can adjust their waiting period to ensure they are enrolled on the same day.

Who needs to be automatically enrolled?

You will need to assess your entire workforce and break it down into three categories; eligible jobholders, non-eligible jobholders and entitled workers. Each category of worker has its own set of employer obligations as set out below.

The table below outlines the categorisations:

Earnings	Age		
	16 - 21	22 - State pension age	State pension age - 74
Less than or equal to £5,824	Entitled worker		
Over £5,824 and up to £10,000	Non-eligible jobholder		
£10,000	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

The above figures are based on the 2015/16 tax year.

What does each category mean?

Eligible jobholders
On your staging date or on becoming eligible, these workers need to be automatically enrolled into your company pension scheme within six weeks.

- You will need to make minimum contributions to their pension plan if they decide to stay in the pension scheme.

Non-eligible jobholders
These workers do not need to be automatically enrolled, but may apply if they wish to join the pension scheme, either by writing to you or completing an opt-in notice. You must then follow the same process to enroll them as you would for eligible jobholders.

- You will need to make a minimum contribution in addition to theirs.

Entitled workers
These workers are not entitled to employer contributions, however, they may still ask to join your pension. You must then make arrangements for them to join a pension scheme.

- You do not have to use the same pension scheme that you use for your eligible and non-eligible jobholders
- You do not need to contribute to their pension pot.

Other Types of Worker

Agency workers
The party responsible for the contract of employment for agency workers, is responsible for the auto enrolment duties.

Self-employed contractor

An individual working for your company as part of their own business is not normally a worker for auto enrolment purposes. If you are in any doubt whether an individual is self-employed or not, you should seek legal advice to clarify the situation.

Sole Director

If this is you, you are exempt from auto enrolment legislation. For more information please see the regulators detailed guidance.

The Contributions

Qualifying Earnings - Auto enrolment has introduced a concept known as qualifying earnings or 'band' earnings, a concept not traditionally used. This is earnings between £5,824 and £42,385 of pay, which includes at least basic pay and the option to include other forms of remuneration such as bonus and overtime. Putting this in context, this means that an employee with a salary of £20,000 will pay a percentage of only £14,176 and not the full £20,000 i.e. A 1% per annum employee contribution for an employee on a basic salary of £20,000 per annum, will be £141.76, not £200 per annum as would have traditionally been the case.

Employers may have used differing definitions of 'pensionable pay' for their workers, often incorporating a worker's pay from the first pound earned.

An employer may use other definitions to 'certify' their pension scheme, as long as it meets one of the following:

1. A minimum of 9% of pensionable pay, where this is equivalent to basic pay (including 4% employer)

2. A minimum of 8% of pensionable pay provided pensionable pay equates to at least 85% of total pay (including 3% employer)

Or

3. A minimum of 7% of pensionable pay, where all pay is pensionable (including 3% employer)

Contribution Phasing Summary

To help employers deal with the costs incurred by auto enrolment, the levels of contribution are being phased in over a number of years. The table below sets out these increases.

Period	Set (Tier) 1	Set (Tier) 2	Set (Tier) 3	Qualifying Earnings
	Employer / Total Contribution	Employer / Total Contribution	Employer / Total Contribution	Employer / Total Contribution
From staging date to 1st October 2017	2% / 3%	1% / 2%	1% / 2%	1% / 2%
From 1st October 2017	3% / 6%	2% / 5%	2% / 5%	2% / 5%
From 1st October 2018	4% / 9%	3% / 8%	3% / 7%	3% / 8%

Jargon Help:

The models above have been referred to in tPR literature as 'Tiers 1, 2 & 3' or more recently, 'Set 1, 2 & 3'. This is regulatory 'jargon' for which of the models your pension uses to certify as compliant.

Considerations in the lead up to your staging date

What you must do

1. Assess workforce

You need to assess your workforce to determine which types of worker (as previously explained) you employ and the employer duties you have for each group.

2. Review your current scheme

You will need to review your current pension scheme and compare it to the new requirements to identify any changes needed.

3. Consider your options

Different options should be considered to see the impact of different scheme designs on your business and workforce. This could include the use of multiple pension providers.

4. Agree a design

Designing the right solution means getting the balance between cost and administration support in equal proportion.

5. Review internal processes

Internal systems and processes such as payroll and HR will need to be reviewed to ensure they comply with the new requirements.

6. Implement changes / Communication Strategy

This involves agreeing the detail of how the scheme will operate in practice with minimum disruption to your business.

You are also obliged to inform workers about changes that will affect them, within given timescales.

What you must not do

- Inducement – An employer cannot induce workers not to join or to opt-out of a pension.
- Recruitment Conduct – An employer cannot make any statement during the recruitment process which may imply that the worker should not join the pension or that an offer of employment is subject to them opting out.
- Advice – An employer cannot give advice and may only provide information to a worker about the company pension scheme.
- Inaccurate Records - An employer's staging date is just the beginning, records must be kept on an on-going basis and your staff continually assessed.

Failure to comply

If an employer does not comply with the new legislation, tPR reserves the right to take the appropriate action against that employer. Where a failure to comply is wilful, the employer could face a fine or imprisonment of up to 2 years.

Failing to comply is expected to be met with a fixed penalty of £400 to any given employer, plus an escalating daily penalty based on the number of workers an employer has as follows, between £50 per day and £10,000 per day.

Common Questions:

When should I start Planning?

Suggested preparation time varies from one professional group to another, but most insist on between 12 to 18 months.

Less than 6 months to go? It will mean playing catch up, but there is still time. With the right professional help, you can be 'auto enrolment ready' in time.

I have a pension scheme, can I use it for auto enrolment?

As long as your existing scheme meets the minimum criteria, this is certainly a possibility. However, you will need to ensure:

- The scheme itself permits and supports auto-enrolment
- That workers can be enrolled within the stated time frames
- Members need not make any decision regarding investment choice to join the scheme
- That minimum benefit levels are met

My payroll provider offers an 'auto enrolment' solution, should I just use this?

Many payroll providers are offering an 'auto enrolment package', often for an additional charge as a 'bolt-on' to your usual payroll software. These tools will often conduct an assessment of your workforce and identify the individuals that fall in to each category. They rarely hold any management information specific to the pension legislation and are not able to answer your worker's pension queries or support you with your regulatory returns.

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Getting the right support:

By planning ahead, you have the opportunity to deliver a cost effective, well thought out process, which can be integrated into your 'normal' business routine with minimal disruption.

Enrolme has been designed with SME's at the heart of what it does. Enrolme allows you to cap the indirect costs and ensures that, as far as possible, direct costs are aligned with your businesses ambitions.

Our key functions:

1.

Planning

- Analysis of your current pension provision
- Workforce assessment
- Design a project plan tailored to your business
- Cost mitigation

2.

Communication

- Bespoke pre-staging staff communications
- Statutory communication design and implementation

3.

Payroll Integration

- Payroll analysis and process design
- Integration of existing payroll software/reports to mimic auto enrolment requirements

4.

Staging

- Workforce assessment
- Statutory communication
- Data management and record keeping (MI)

5.

Monitoring & Reporting

- Regulatory reporting guidance and data capture
- Ongoing communications
- New joiner processing and leaver communications
- Employee Helpline

A transparent, cost effective solution:

So, how much does it cost?

We are confident that you will see value in our professional fees and have therefore adopted a 'fixed fee' approach.

Geoghegans Payroll Clients

Employees Min.	Employees Max	Upfront	Monthly
1	5	£450	£35
6	10	£450	£40
11	20	£450	£45
21	30	£450	£65
31	50	£450	£100

Non Payroll Clients

Employees Min.	Employees Max	Upfront	Monthly
1	5	£450	£75
6	10	£450	£75
11	20	£450	£75
21	30	£450	£75
31	50	£500	£100

Bespoke Work

POA

Our fees are ALL INCLUSIVE, meaning we support you every step of the way!

Further information can be found on our website:

www.enrolme.co.uk

For more Information or to arrange an exploratory meeting to discuss the needs of your business please contact:

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