

# The Definitive Guide to Pension Auto Enrolment for Your Business



## About Business First Network

Business First Network is a nation-wide organisation. Our primary purpose is to help our business Members gain fast, immediate and free access to probably the best Legal, Tax, Health and Safety and Employment Advice and Support available in the UK. It means when trouble strikes - be it the taxman, a staff issue, legal challenge or more, you're no longer alone. You have the full weight of the Business First Network's resources behind you, acting on your behalf, protecting your business, securing your future and giving you that peace of mind which is so important in business.

By bringing together a network of like-minded business owners both locally and nationally Business First Network has been able to create a unique suite of benefits that provides for its members not only free assistance auto enrolment compliance and implementation but also:

- Advice and assistance with business regulation and compliance.
- Access to essential business services at a competitive and business efficient advantage.
- The opportunity to meet and do business with like-minded business owners.
- Rewards for you, your family and friends.

At Business First Network we are committed to working with our Members, Membership Partners, suppliers and the business community to realise our vision of a Robust, Sustainable, and Effective Commercial Business Membership Organisation for the 21st Century.

## Introduction

We have prepared this easy-to-follow Guide to auto enrolment to help you prepare for your responsibilities as an employer, undertake the necessary steps and understand the solutions that are available to you.

## How Auto Enrolment Affects You

The law on workplace pensions has changed. The Government has introduced new legislation making it compulsory for all employers to enrol eligible workers into a qualifying workplace pension scheme and make contributions. This is known as auto enrolment.

All businesses are now required to automatically enrol their employees into a workplace pension scheme and make a minimum contribution towards it. This law has already come into force for large businesses and smaller employers will follow.

## Why Auto Enrolment?

People are living longer, with healthier lifestyles. In 1901 there were 10 workers for every 1 pensioner. In 2010 this had dropped to 3 workers to every pensioner. By 2050 it is estimated to have dropped to just 2 workers to every pensioner.

As a result the ratio between the workforce and those at a pensionable age is decreasing. People are also planning and saving less for their retirement. The current state pension cannot sustain this change so as a result, workers are being encouraged to save for their retirement through workplace pension schemes.

Auto enrolment is designed to ensure all eligible employees are automatically enrolled for qualifying pension schemes to top up their state pensions when they retire.

## What Are Your Responsibilities

As an employer you have a number of responsibilities to make sure you comply with the new regulations. These have been defined by The Pension Regulator as follows:

- Provide workers with information about the duties.
- Automatically enrol all eligible jobholders (those who are above the earnings threshold and aged between 22 and state pension age) into the automatic enrolment scheme.
- If requested, allow all entitled workers to join a pension savings scheme.
- Provide written confirmation that the eligible jobholder has been automatically enrolled and how they can opt out.
- Complete your declaration with The Regulator to give details such as the number of eligible jobholders enrolled.
- Put into the qualifying scheme those non-eligible jobholders who have decided to opt in.
- Remove from the scheme anyone who has decided to opt out within the opt out period and promptly refund their contributions.
- Automatically re-enrol and notify those eligible jobholders who opted out of the scheme and did not join another scheme every three years.
- Renew your declaration after re-enrolment.
- Keep records of what you have done to comply and make contributions to the scheme for jobholders.

Further to this The Pension Regulator has defined a number of things **you must not do** including:

- Induce your workers to opt out or cease their membership of the qualifying pension scheme.

- Do or fail to do something which results in the worker ceasing to be in active membership whilst still employed by you.
- Indicate during a recruitment process that a worker's decision to opt out of automatic enrolment will affect the outcome.

## Steps to Auto Enrolment

It is important to ensure you understand auto enrolment now as well as the impact it will have on your business in the future. Every employer must act to fulfil their new legal duties for the new workplace pensions law.

- Plan early - know when you need to be ready and know when to act (your staging date).
- Define your automatic enrolment plan and choose how your automatic enrolment process will be managed.
- Assess your workforce for eligibility.
- Review your current pension arrangements and choose a pension scheme if you haven't got one.
- Communicate the changes to all your workers.
- Automatically enrol your eligible jobholders.
- Complete your Declaration of Compliance with The Pension Regulator.
- Contribute to your workers' pensions.
- Manage ongoing auto-enrolment responsibilities.

## Knowing Your Staging Date is the Most Important Thing

The staging date is based on the number of people who were employed in the business in April 2012.

Every company in the UK has been issued staging date by the pension regulator. If you don't know it, the best way to get it is to go onto The Pension Regulator website.

[www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx](http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx)

Go into the auto enrolment section and enter your PAYE reference and you will be told your exact staging date.

It is really important to know the staging date.

If you provide the staging date to the Business First Network, we will make sure that in the 4-6 months leading up to the staging date we talk you through exactly what you need to do.

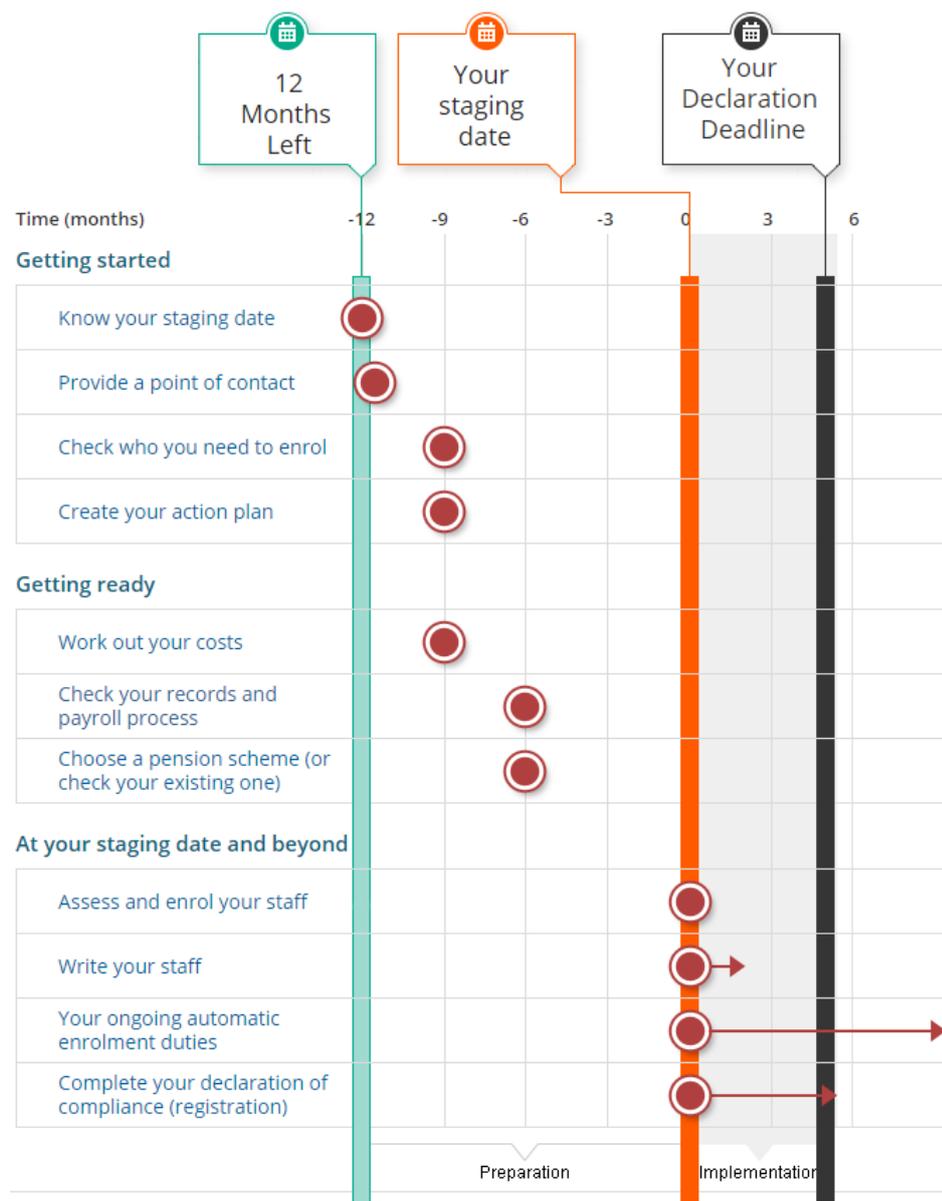
We issue you with a time planner, leaflets, posters, template letters and everything you need to communicate with your employees.

We will help you through the process until you get to your staging date because that is the date that you need to make sure all your job holders need to be auto enrolled.

The Pensions Regulator is contacting all employers to notify them of their duties and their staging date, which is the date when the law comes into effect for you.

## Define Your Automatic Enrolment Plan

How will your company prepare? Leading industry experts advise beginning this process 12 months before your staging date.



## Assess Your Workforce for Eligibility

You will need to do this every pay period after your staging date.

Workers who need to be automatically enrolled in a pension scheme are called ‘eligible jobholders’. Every time you run your payroll you need to check to make sure that anyone who is eligible, aged between 22 and retirement age and over the earning threshold of £10,000 a year (this figure is reviewed periodically) which equates to £192 a week or £833 a month.

Auto enrol eligible jobholders into a qualifying pension scheme and make contributions on their behalf. Workers who are not eligible jobholders still have the right to opt into a pension scheme or to join one.

You also need to monitor employees that are not auto enrolled. Once they turn 22 or reach the £192 per week earning limit you will need to write to them, keep a filed copy of the letter and trigger auto enrolment. You will have to do this manually if you don't have a payroll system that will automate it for you.

We have already got hundreds of customers on board using many different payroll systems, they all integrate really easily.

Age	16-21	22 – State Pension age	State Pension Age – 74
Earning Less than £5,824	Can join	Can join	Can join
Earning £5,824 - £10,000	Can opt in *	Can opt in *	Can opt in *
Earning £10,000 and over	Can opt in *	Auto-enrol *	Can opt in *

\* Employer must also contribute

Earnings amounts are subject to change

Eligible Jobholder	Someone you must automatically enrol
Non-Eligible Jobholder	Someone who can opt in
Entitled Worker	Someone who can join

## Review Your Current Pension Arrangements

Do you have an existing pension scheme? If you do you can enrol all eligible jobholders into it – as long as it qualifies as an 'auto enrolment scheme'. If it doesn't qualify, you'll need to choose a different scheme.

For advice on this speak to your existing pension provider or an independent financial advisor.

## Communicate the Changes to All Your Workers

We help you communicate these changes smoothly to your workforce with emails and letters.

You will need to communicate to your workforce

- How the changes affect them
- When the changes will occur
- What to expect next

You must communicate to your workers, in writing, all the changes that affect them – either through a printed letter or via email. This must be provided in writing and must be personalised. As the employer this is your responsibility, but we can help guide you through the process.

## Integration With Payroll

It is really your payroll system that will run the process after your staging date.

### **How we can help**

As an example, if you have 10 employees and 8 of them are eligible, we provide a template of the information we need. You upload that file onto our system. Then every month when you run your payroll, you just create a simple csv file. Upload it onto our system, then a week later we take a direct debit for the required amount.

## Register with The Pensions Regulator and Maintain Records

Records must be maintained for 6 years.

You must register online with The Pensions Regulator after your staging date to inform them that you have auto enrolled. On an on-going basis, you must maintain records about workers on the scheme.

## Contribute to Your Workers' Pensions

The minimum contributions begin at 1% for the employer and 1% for the employee this will rise to 3% for the employer and 5% for the employee by October 2018.

Transition Period	1	2	3
Duration	Staging Date to 30 Sept 2017	1 Oct 2017 to 30 Sept 2018	1 Oct 2018 Onwards
Employer Contribution	1%	2%	3%
Employee Contribution	1%	3%	5%
Total Contribution	2%	5%	8%

## How to Pull it All Together

You will have to juggle The Pension Regulator, the pension scheme, the payroll system that integrates everything and keeping your employees informed. Business First Network will be able to assist and help you manage the process of pulling everything together. Making sure that you do not miss something important. Helping protect you and your business against against prosecution and hefty fines.

## On-going Responsibilities

### Contributions

The minimum level of pension contribution that employers will be required to make is due to increase from 1% to 3% by 2018 as shown in the table below:

Employees will receive tax relief on their pension contributions through a net pay arrangement. In this example contributions are deducted from gross qualifying earnings i.e. all earnings between £486 and £3,532 per month (2015/16).

You are obligated to calculate and pay your own contributions to your pension scheme on behalf of your employees, as well as calculating, deducting and paying their contributions. You should agree the rates and when to pay them with your pension provider, but you must at least pay the minimum amount set in law.

## Changes in employees' age and earnings

You need to monitor your employees' age and earnings to determine whether they are eligible jobholders. On the day that an employee becomes an eligible jobholder, they must be automatically enrolled in a qualifying pension scheme.

## Opt-outs

Anyone uninterested in auto enrolment can opt-out of your pension scheme. Employees have one month to opt-out from the date of receiving their auto enrolment letter or from the date they become active members of the scheme. After opting out, you must stop deducting their contributions.

## Re-enrolment

Every three years, you must conduct a review in order to auto enrol or re-enrol any employees who are not members of the pension scheme or anyone who has opted out. This applies to all employees.

## Record keeping

You must keep up-to-date records about your employees including those that are enrolled and when they were enrolled, information about your pension scheme and the contributions you are paying. These must be kept for a

minimum of six years (except for records of opt-outs which you must keep for four years).

## The Risk of Huge Fines

Failure to comply with the rules set out by The Pension Regulator could result in a £400 penalty followed by an escalating daily fine of between £50 and £10,000, depending on your number of employees. In addition, failure to pay employer contributions will cost you between £5,000 and £50,000 and breaching your compliance duties could cost you £5,000 a day.

The Pension Regulator is able to enforce the payment of backdated employer and employee contributions. These penalty notices are often just the tip of the iceberg when it comes to the financial impact of failing to comply with auto enrolment.

The Pension Regulator has already issued more than 1100 penalty notices across the UK for businesses who haven't complied properly.

If you continue not to comply you can be fined up to £10,000 per day depending on how the regulator views the offence, there is no need to leave compliance to chance at Business First Network we will be able to give you peace of mind allowing you to get on with running your business.

## The Risk to Your Business

The biggest fear businesses have is that they don't understand the complex rules. You get a letter from The Pensions Regulator that looks like a letter from the tax man and you panic. You don't know where to go to find a solution.

We can help any size of business to become compliant. We have helped businesses with 2 employees up to 1,000s of employees so we can talk you through the process no matter what size you are.

## FAQs

### Can I postpone auto enrolment?

An employer can choose to postpone auto enrolment for up to three months from certain dates. One reason you might consider postponing is if you have staff members who you know will stop working for you within three months. You could also use it to align auto enrolment with other business processes. You can only postpone automatic enrolment from:

- Your staging date
- A staff member's first day of employment
- The date a staff member first becomes eligible for automatic enrolment.

Remember, if you postpone your auto enrolment, it doesn't change the staging date itself. You must write to tell the staff who will be postponed within one month of your staging date.

### Won't NEST fulfil my all my employer duties?

NEST is a pension scheme into which pension contributions from auto enrolment can be paid and invested. However, there are employer responsibilities that must be carried out by you the employer. Business First Network will help provide all the support you need to carry out these additional duties.

### Do I still have to comply with the employer responsibilities if I have an existing pension plan?

Yes. You still have employer duties even if you have a pension scheme that meets the minimum requirements.

## Resources

The Pension Regulator website [www.tpr.gov.uk](http://www.tpr.gov.uk) is constantly being updated with information and resources to help you understand your duties and enable you to comply. They also have a helpline and email service to support you. Call 0845 600 1011 or email: [customersupport@autoenrol.tpr.gov.uk](mailto:customersupport@autoenrol.tpr.gov.uk)

## Key Terms and Definitions

**Automatic Enrolment (AE)** –The process in which Eligible Jobholders who are not already a member of a qualifying scheme must be automatically enrolled into a qualifying pension scheme.

**Department for Work & Pensions (DWP)** – Policy owner and responsible for enabling and coordinating activity for the programme. Defines the communication required between employers and employees.

**NEST (National Employment Savings Trust Corporation)** – A pension provider available to all employers who want to use it. NEST is a workplace pension scheme designed for automatic enrolment that is available to any UK employer regardless of the organisation's size.

**Opt In** - A jobholder has the right to 'Opt In' to an automatic enrolment scheme, unless they are:

- An active member of a qualifying scheme with that employer.
- An eligible jobholder for whom the employer has an automatic enrolment duty.

**Opt Out** - It is the employer's responsibility to enrol eligible jobholders into an auto enrolment scheme. Each employee then has the choice to opt out if they choose.

**ORIGO** - An ecommerce standards and services body for the UK financial services industry. Represents several pension providers.

**Postponement Date** – Postponement allows the employer to postpone the automatic enrolment process for up to three months.

**Staging Date** – The date when businesses must be ready to auto enrol.

**The Pensions Regulator (TPR)** – The UK Regulator of work-based pension schemes. Responsible for auditing companies to ensure that employers are compliant with the WPR legislation

**The Pensions Advisory Service** – An independent non-profit organisation that provides free information and guidance on the whole spectrum of company, personal and stakeholder schemes.