

WORKPLACE PENSION REFORM AUTO ENROLMENT

This is **NOT** something you can ignore and assume will happen automatically. You, as an employer, have to actively engage in the process.

- Know your staging date.
- Nominate a contact and develop a plan.
- Assess your workforce.
- Make sure your software can cope with the process.
- Review your pension arrangements.
- Communicate with your staff.
- Enrol, register and comply.

At the core of the Government's workplace reforms is a requirement for employers to automatically include certain employees in a qualifying pension scheme within a defined time scale without the employee having to provide information or make any choices, nor should the employee be required to i) apply to join the pension scheme ii) choose contribution levels iii) decide on how their contributions are invested. Employees can opt-out of a scheme but there are rules governing automatic re-enrolment.

Employers who do not currently offer their employees a pension scheme will need to find a pension provider that can offer an automatic enrolment scheme. The scheme must meet legal requirements and should be of good quality. Those employers who already have a pension scheme in place and wish to use their existing scheme should check with their pension providers that it meets the defined quality standards.

The new employer duties were introduced from 1 October 2012. The starting dates are staggered through what are known as staging dates broadly based on the size of the employer and using their PAYE records as at 1 April 2012. Most employers with less than 30 employees will have a staging date between 1 January 2016 and 1 April 2017. Those with more employees will have an earlier date. New employers who set up businesses between 1 April 2012 and 30 September 2017 have different staging dates.

You can find out your staging date from www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx using your PAYE reference (i.e. 123/AB1234C).

To assess your workforce you will need to know their ages and earnings. You will have to automatically enrol anyone who is:

- Over 22 and under state pension age.
- Earning over £10,000 a year.

Staff aged 16 to 74 earning over £5,772 up to and including £10,000 a year have the right to opt into your automatic enrolment pension scheme. This is a similar process to automatic enrolment. Those in this age group earning less than £5,772 have a right to join the pension scheme but they can only do this after your staging date.

If all your employees earn below the lower level £5,772 you do not need a pension scheme. However, you will have to have an auto enrolment pension scheme if any employees' earnings go over the limit. It may be advisable to set one up now whilst the big pension providers still have capacity.

If you are a director of a company and the company has no other employees and you are not a worker (as defined) being an office holder without a contract of employment or personal service contract, the company is not within the auto enrolment regulations. However, this is a technical matter and careful consideration is required.

There are minimum contributions that employers must pay into their auto enrolment schemes which will start at a low level and increase as shown below:

Transitional period	Duration	Employer minimum contribution	Total minimum contribution of employee plus employer.
1	Employer's staging date to 30 September 2017	1%	2%
2	1 October 2017 to 30 September 2018	2%	5%
3	1 October 2018 onwards	3%	8%

These contributions are calculated on earnings between £5,772 and £41,865.

There are differing options based on different elements of calculated earnings. This is also something upon which you need to make a decision.

There is a lot that you will have to consider, not only the cost to your business going forward of the minimum contributions but also the compliance cost and how you will keep records and continue to monitor your workforce including automatic re-enrolment of those who have opted out. This must take place every three years.

The pension regulator website www.thepensionsregulator.gov.uk/employers contains a lot of information and various tools to assist you.

The pensions regulator is responsible for regulating compliance within this new regime and they will write to you some six to twelve months before your staging date setting out your duties. You should watch out for this letter and ensure that you allow yourself sufficient time to get everything ready.

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