A GUIDE TO

AUTO ENROLMENT

IS IT TIME TO START YOUR WORKPLACE PENSION JOURNEY?

FINANCIAL GUIDE

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The Government's flagship scheme to encourage more people to save towards their retirement is well underway – but there's still a distance to go.

The Government estimates about seven million people are either not saving at all for retirement or not saving enough. Life expectancy is increasing and people are living longer in retirement, so the size of their pension pot will need to be greater to fund this. In addition, the Government may not be able to afford to keep State Pensions at their current level in the longer term.

EMPLOYER DUTIES

New legal duties, from October 2012, require employers to automatically enrol their eligible jobholders into a qualifying pension scheme. The reform is being 'staged' over a six-year period, depending on the size of the employer.

PENSION REFORM

Under the workplace pension reform, also known as 'automatic enrolment', all UK businesses will legally have to offer pensions to workers eligible for auto enrolment by 2018. Employers will also have to contribute towards their workers' retirement savings, although workers can choose to opt out of the scheme.

ELIGIBLE EMPLOYEES

Automatic enrolment is a set of duties to make sure all eligible employees automatically become members of a qualifying pension scheme with a high enough level of contributions.

This means new responsibilities for the employer such as:

- Workforce assessment
- Provision and automatic enrolment into a qualifying scheme
- Facilitating opting out and refunds
- Record keeping

TIME FRAMES

- Any employer with a PAYE scheme registered before 1 April 2012 will have enrolled their staff by April 2017

- Any employer with a PAYE scheme registered from 1 April 2012 will have enrolled their staff by February 2018

- Smaller businesses with between 50 to 249 employees have between 1 April 2014 and 1 April 2015 to automatically enrol all eligible workers into a workplace pension.

EMPLOYER CHECKLIST

Every employer will have to act to fulfil their new legal duties. If you are an employer, it is vital that you understand your new responsibilities.

Your first three steps are as follows:

1. Know your staging date – when to act
2. Assess your workforce
3. Review your pension arrangements

KNOW YOUR STAGING DATE – WHEN TO ACT

The date that the new law applies to your company is known as your 'staging date'. This date is determined by the size of your largest PAYE scheme on 1 April 2012.

ASSESSING YOUR WORKFORCE

Workers who will need to be automatically enrolled in a pension scheme are called 'eligible jobholders'.

An eligible jobholder is:

- Aged between 22 and State Pension age
- Working or ordinarily working in the UK
- Earning above £10,000[2]

You will need to assess who in your workforce is an eligible jobholder. You must automatically enrol eligible jobholders into a qualifying pension scheme and make contributions on their behalf to that pension scheme.

Workers who are not eligible jobholders will still have a right to opt into a pension scheme or a right to join one.

EMPLOYERS NEED TO REVIEW THEIR PENSION ARRANGEMENTS

If you have an existing pension scheme for your workers, you may wish to consider enrolling all eligible jobholders into this scheme. To do this, your existing scheme will need to qualify as an automatic enrolment scheme.

If you do not have an existing pension scheme or you cannot use your existing pension scheme(s) for automatic enrolment, you will need to choose another pension scheme. In this case, all eligible jobholders will need to be automatically enrolled in your new pension scheme.

If you need to select a qualifying pension scheme, you can choose from a number of pension providers, including the National Employment Savings Trust (NEST) which has a public service obligation to accept all employers that apply to join it.

To be a qualifying scheme, minimum contributions or above must be made or it must provide a minimum rate at which benefits will build up.

ONGOING ASSESSMENT

The need for employers to identify eligible jobholders and enrol these individuals onto a qualifying pension scheme is one distinct activity of automatic enrolment. In addition to this, there are also ongoing responsibilities and key activities. Employers should assess circumstances for employees on an ongoing basis, to determine where circumstances have changed and enrolment to a qualifying pension scheme is due.

These circumstances could include but are not exhaustive of:

- The deferral date for the worker if using worker or eligible postponement
- The first day of employment

Employers' seven-step process to enrolment

1. Know your staging date – when you act
2. Assess your workforce
3. Review your pension arrangements
4. Communicate the changes to all your workers
5. Automatically enrol your eligible job holders
6. Register with the Pensions Regulator and keep records
7. Contribute to your workers' pensions

> If you have an existing pension scheme for your workers, you may wish to consider enrolling all eligible jobholders into this scheme.

- The worker's 22nd birthday
- The first day of a pay reference period

Each event is considered to be an assessment date, the date on which employers must assess the status of their worker to establish if they are considered to be an eligible jobholder and must be automatically enrolled in a qualifying pension scheme.

OPT OUTS AND CONTRIBUTION REFUNDS

The ultimate goal is for every employee to be a member of a qualifying pension scheme and actively saving for their future and retirement. For certain individuals this isn't always possible, and the time of automatic enrolment may come at a difficult period or they may have alternative methods of saving available to them. For such individuals, there is the option to opt out of a pension scheme.

POSTPONEMENT

Postponement is an additional flexibility for employers that allows you to choose to postpone automatic enrolment for a period of your choice of up to three months.

Employers need to take action sooner rather than later

If you are an employer, preparing for automatic enrolment means familiarising yourself with automatic enrolment sooner rather than later and making sure you understand the potential impact on your business. To find out more about auto enrolment and your responsibilities, please contact us to discuss your particular situation.

Source:
[1] Automatic enrolment: commentary and analysis 2013 published: July 2013.

[2] Automatic enrolment earnings thresholds for 2014/2015. These figures are expected to change each tax year.

EMPLOYERS NEED TO TAKE ACTION SOONER RATHER THAN LATER

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