



shift to automatic

what you need to know about automatic enrolment

As a UK employer, you should now be gearing up for automatic enrolment. This is the new requirement under workplace pensions law for every employer to help their workers save for retirement. It means that they must automatically enrol certain workers into a qualifying workplace pension scheme and make contributions towards it.

It is your responsibility to ensure that your organisation is ready to implement the change in accordance with the legislation. To make this prospect less daunting, we provide here a simple checklist of what you will have to do.

STEP 1 – NOMINATE A POINT OF CONTACT

You will receive a letter from the Pensions Regulator around 12-18 months before your staging date (your staging date is the date on which the law is 'switched on' for your organisation). By nominating a single point of contact, you can make sure that any subsequent updates go to the right person. You can set up this contact online after you receive the initial letter.

STEP 2 – KNOW YOUR STAGING DATE AND DEVELOP A PLAN

Number of employees	Likely staging date
500+	During 2013
59 – 499	During 2014
58 and less	Between January 2015 and April 2017

Don't forget that there will be thousands of other employers

sharing the same staging dates after October 2013. Make sure you have planned your approach to automatic enrolment in good time.

STEP 3 – ASSESS YOUR WORKFORCE

The legislation recognises three different types of worker:

- Eligible jobholders
- Non-eligible jobholders
- Entitled workers

You need to be able to identify which of these types you have in your own workforce, as you will have particular employer duties in relation to each type. You will need to assess their earnings and ensure that all 'qualifying' earnings are included. If you wish, you can apply postponement of up to three months – essentially this means postponing the assessment of the worker, and therefore of whichever employer duty may apply. This can give you some breathing space, but if you choose postponement there will be further employer duties to fulfil.

STEP 4 – REVIEW YOUR PENSION ARRANGEMENTS

If you have an existing scheme, you may be able either to use or adapt this for automatic enrolment. You will need to assess whether it meets the minimum criteria. If your existing scheme is considered to be a ‘qualifying scheme’, you may continue to use it for employees who are Eligible Jobholders. If you do not have a scheme, or if it cannot be suitably adapted, then you will need to set up a new one. Remember that the legislation requires that the pension scheme you choose must deliver ‘good outcomes’ for your workers’ retirement savings.

STEP 5 – COMMUNICATE THE CHANGES TO ALL YOUR WORKERS

You have a legal requirement to write to all your workers (except those aged under 16, or 75 and over) explaining what automatic enrolment into a workplace pension means for them. There are different information requirements for each category of worker, and you must ensure that these are covered accordingly.

STEP 6 – AUTOMATICALLY ENROL YOUR ELIGIBLE JOBHOLDERS INTO YOUR PENSION SCHEME

Once your staging date arrives, you need to follow a specific process to automatically enrol your eligible jobholders. You must also provide specific communications and appropriate information to the different types of workers. There are further processes that you must follow with regard to the opt-out procedures.

STEP 7 – REGISTER WITH THE PENSIONS REGULATOR AND KEEP RECORDS

You must register your pension scheme online with The Pensions Regulator once your staging date has passed and you have fulfilled all your automatic enrolment duties. Make sure that you retain the required records for your workers and your pension scheme.

FINALLY...

You must of course continue to make ongoing contributions to your workers’ pension schemes. The minimum contribution amounts are set out in law, although you can introduce them gradually (known as phasing).

Always bear in mind the safeguards that are in place for individuals. Certain conduct is prohibited for employers, both during recruitment and once an individual is employed. Fines of up to £50,000 can be imposed by The Pensions Regulator on employers who breach the codes on recruitment conduct (e.g. inducing employees or prospective employees to opt out of the scheme, by stating or implying that it is a condition of their employment).

It is essential that you fulfil all the automatic enrolment regulations. Failure to do so can incur anything from fixed penalty fines of £400 to escalating penalties ranging from £50 to £10,000 per day, depending on the size of the PAYE scheme(s) and the seriousness or persistence of the breaches.

TAKE ADVICE NOW

Implementing and maintaining an automatic enrolment pension scheme will not be an easy or simple task. It is important to address the issues and make the relevant decisions as soon as possible, so that you are fully prepared for your staging date. The processes will involve numerous departments within your organisation including Finance, HR, Payroll and IT, so do not expect to do it in a hurry.

This is only a brief summary of the changes coming into force. Talk to us to find out how your organisation may be affected and what you can do to prepare. Our extensive services in this area include a health check of your existing pension arrangements, to see where action may be required, along with advice on your specific circumstances.

For a free, no-obligation discussion of your own particular circumstances, please contact **Pannells Financial Planning Ltd** and ask to speak to a member of our Employee Benefits team. Alternatively simply email employeebenefits@pannellsfp.com and one of our advisers will get back to you.

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