Auto-enrolment

guidance for employers

Johnson Fleming

Group Pensions | Group Risk and Healthcare | Service Provision
Introduction

No matter what size your business Johnson Fleming is able to support you through your auto-enrolment journey; we understand that for some the cost may be prohibitive so we’ve produced this guide to help you on your way.

Auto-enrolment legislation has been introduced to ensure everyone in the UK has made some provision for retirement; every employer will have to offer a workplace pension and make regular contributions - even if they employ just one person.

“My advice is to not leave things to the last minute and risk non-compliance.”

Tasha Fry
Consultant
You will have received a communication from The Pensions Regulator (TPR) confirming your staging date, this is the date from which your auto-enrolment duties apply. There are very few exceptions; so don’t ignore your duties and ensure you comply with TPR requirements otherwise you may be subject to fines.

Here are a few reasons why your company may be exempt from auto-enrolment:

- You are self-employed or the sole director with no other staff
- The company is only directors and none of them have a contract of employment
- Your company has ceased trading, gone into liquidation or has been dissolved
- You no longer employ people in your home (cleaners, nannies, care assistants etc.)

If you’re unsure if you are affected, you can use our Comply service to help determine which auto-enrolment duties apply to your business.

TPR issued 4,673 fixed penalty notices of £400 for automatic enrolment non-compliance to employers in the first three months of 2017, up from 2,919 the previous quarter – the largest total issued to date.
Fulfilling your duties

Research from The Pensions Regulator (TPR) suggests that employers with between one and four workers will spend around 10 hours carrying out all their auto-enrolment tasks, and that’s before reaching their staging date, but the actual time it takes will vary from business to business.

While you can carry out the automatic enrolment tasks yourself, you may choose to seek extra support. Johnson Fleming offers a range of services that you may find helpful, particularly if you don’t have much time or require more help to make the right choices.

What you pay and the amount of time you spend on setting up auto-enrolment will depend on various factors, including how you run your payroll and, which solution you choose. There’s a higher risk of paying more if you miss your staging date. Our advice is to make sure you prepare early to avoid any unnecessary costs.

If you use a specialist third party you need to understand and agree who will be completing which tasks so that nothing is missed.
Selecting a pension scheme

You’ll need to have a qualifying workplace pension scheme that is set-up for auto-enrolment. You and your employees will pay into this scheme. From April 2018 both employer and employee contributions will be increasing so this places even more importance on you selecting a high-quality pension scheme from the outset. The Regulator recommends that you allow sufficient time to look at different schemes before deciding which is suitable for you and your staff.

There are a limited number of pension schemes designed for micro employers. You should ask the provider what they will charge based on how many employees you have and decide which method is best for you.

You should also ask what charges your scheme members will pay. It’s important that you weigh up the costs for both you and your employees against the service that the scheme provides – some may make running auto-enrolment easier for you over the long-term.

For help sourcing a qualifying workplace pension scheme visit: www.johnsonfleming.com/pensionselectionservice
Payroll set-up

Whether you manage payroll yourself or someone does this for you, you’ll need to find out which auto-enrolment tasks payroll can help you with, and whether it will provide all the information that your pension scheme provider needs.

If you manage payroll yourself using payroll software, you need to find out if it is compatible with auto-enrolment, if not, you may face increased costs to make sure it is. If payroll is run by your accountant, bookkeeper or payroll agency you’ll need to check if they will include auto-enrolment in their current charges or if you will have to pay extra.

Remember, not all payroll software or services fulfil all of your auto-enrolment employer obligations so make sure you are clear about who is performing which duty.
Your auto-enrolment checklist

Over the following pages we’ve broken the auto-enrolment process down into 3 simple stages, each looking at a different aspect of the project:

1. **Before** your staging date

2. **At** your staging date

3. **After** your staging date
1. Before your staging date

a. Communication
- Establish what information and data is required for auto-enrolment
  - Establish who needs/holds the information required:
    - Payroll
    - HR
    - Accountant
    - Legal
    - Advisers
  - Confirm what you can and cannot say to employees
  - Communicate auto-enrolment to employees
  - Confirm timescales for the delivery of your project

b. Assess your own workforce
- When is your staging date?
- Should you bring your staging date forward?
- Will you have multiple staging dates?
- Establish Eligible Jobholders
- Establish Non Eligible Jobholders
- Establish Entitled Workers
- Establish a budget to deliver auto-enrolment for your business
  - Decide on the contribution level(s) and your definition of pensionable salary:
    - Qualifying Earnings
    - 7% of total pay
    - 8% of basic pay if at least 85% of total pay
    - 9% of basic pay
  - Should you consider Salary Sacrifice?
  - Will there be a contribution for Entitled Workers opting in?
  - Will you be using Postponement to assess all your jobholders/workers?
  - Will you be using Postponement to assess only certain jobholders/workers?
  - Will you be using Postponement on age / earnings trigger?
c. Choose a pension scheme

☐ Will you use your existing scheme or will you need a new one?
☐ Will your existing provider allow you to use your existing scheme for all employees?
☐ Is your current pension scheme qualifying?
☐ Do you need advice on which scheme to use?
☐ Will you need more than one scheme for all of your employees?
☐ How suitable will your existing or new provider be for your employees, e.g. will National Employment Savings Trust (NEST) restrictions pose a problem for high earning employees?
☐ Will your chosen pension provider offer an auto-enrolment software hub and will there be an additional cost?
☐ Will this auto-enrolment hub work with more than one pension provider?

d. Choose a default investment fund(s)

☐ Do you offer one fund for all employees?
☐ Do you offer different defaults based, for example, on age or attitude to risk?
☐ How do you manage the governance regime of your chosen default(s)?
☐ What costs will members pay through these funds?
☐ What additional costs will members pay for advice and support?
☐ What additional costs are you prepared to pay as the employer?
☐ Are you getting value for money from your service providers?
☐ Are your employees getting value for money?
☐ Do your employees understand their investment options?
☐ Does it continue to meet your employees needs?

e. Engage with your payroll provider/HR Team

☐ Confirm who holds the data you need
☐ Confirm what format you need it in and who can provide it
☐Establish the frequency of your reporting (weekly, monthly etc)
☐ Will you need more than one report if you have more than one pay reference period (weekly, fortnightly, monthly etc)?
☐ Establish the cost of providing this data
☐ Complete documentation and declare compliance with TPR (The Pensions Regulator)
☐ Register your scheme with:
☒ a. TPR (The Pensions Regulator)
☒ b. QWPS (Qualifying Workplace Pension Scheme) - Clarify scheme is qualifying
☒ c. PQM (Pension Quality Mark)
f. Check HR issues, employment contracts for compliance with auto-enrolment legislation

- Will current employment contracts allow Salary Sacrifice?
- Do current contracts have any contractual pension sections which may cause a problem for your HR/payroll teams?
- Are you planning any acquisitions/mergers in the near future or have you made any recently?
- How do any acquired employees contracts compare with your existing employees?
- Do you need to comply with TUPE legislation which provides for any minimum pension obligations?
- Establish a policy on how your employees opt-out of your scheme to avoid confusion/delay and accusations of inducement
- Set up working committee to deliver auto-enrolment on time and on budget
- How will you deal with agency workers and self employed contractors?
2. At your staging date

a. Communicate with your workforce about auto-enrolment
- Provide a general letter to all employees making them aware of what is about to happen - if using postponement
- Provide separate letters for each classification of workers explaining their options and obligations - if using tailored notices (no longer compulsory)
- Deliver the correct communications in a cost effective, reliable method to each employee
- Provide a method by which employees can reply/respond to your communications and then record them:
  a. Telephone
  b. Email
  c. Internet
  d. Intranet
  e. Face to Face
  f. Letter
- Have a robust pension policy on opt-out process and ensure it is published

b. Enrol appropriate jobholders
- Automatically enrol Eligible Jobholders
- Automatically enrol Non Eligible Jobholders who elect to join the scheme
- Join Entitled Workers who request membership and deduct their contributions as requested

c. Manage the opt-out process
- Direct your employees request to the pension provider when appropriate
- Refund any premiums deducted from salary but not yet invested
- Refund any premiums deducted from salary and invested with the pension provider
- Explain any difference in the refunded amount due to market fluctuations or pension fund charges during this period
- Update your records and re-enrol any individual who opts out, every 3 years, excluding those who opted-out in the 12 months previous
3. After your staging date

**a. Declaring compliance with The Pensions Regulator**
- You have up to 5 months from your staging date to achieve registration
- Ensure forms have been completed correctly
- Check that TPR have received and checked your submission
- Obtain a receipt acknowledging your application(s)

**b. Maintain records**
- Record all correspondence for 6 years
- Set task reminders e.g. re-enrolment in three years, phasing of contributions 2017 / 2018
- Continue to assess all employees at the end of each pay reference period for changes
- Communicate with employees when changes occur with appropriate correspondence
- Entitlement checks if certification not completed for SETS

**c. Check that your scheme(s) continue to comply with the legislation**
- Do your contributions continue to match the legal minimums?
- Have you paid the correct amounts for all concerned at the right time?
- Manage any opt-outs and refunds as they become due
- Re-declare compliance with the regulator to tell them how they you complied with your automatic re-enrolment duty
- Update payroll and HR team with any changes in the legislation to ensure that you continue to meet your obligations under legislation
- Update payroll and HR team with any changes you wish to make to the scheme(s) and ensure that you continue to meet your obligations under legislation
- If you are not using Qualifying Earnings, certify your pension scheme at least every 18 months
Here to help

If this all sounds like too much work and you just want to focus on your business, we are here for you and are happy to help. Get in touch and speak with one of our pension experts:

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