Workplace pension review

5 things to consider if you’ve started auto-enrolment
Introduction

For many, fulfilling your auto-enrolment duties was about getting ready for your staging date and complying with the new legislation. Now you have reached your re-enrolment date the market and suppliers working within it have had time to adapt to the requirements of auto-enrolment delivery.

For some this has proved to be a smooth transition, whilst others have not lived up to their promises, resulting in a far more onerous task than auto-enrolment should have been.

Now presents the ideal time to take stock of your scheme and how it compares to your early expectations. Do your earlier scheme decisions remain the best choices and the right fit for your business when compared with the options available now?

Within this guide I identify 5 key areas that you may wish to consider when assessing your scheme.
1. Process and protocols

The systems and processes you have in place may mean your employee’s salary and pension contributions are being paid, but how confident are you that the data you are processing each month is 100% accurate. Even the smallest error in your data could lead to a significant problem, particularly if you are reliant on software to process auto-enrolment.

Evidence from the Pensions Regulator (TPR) suggests that over 58% of cases they investigated highlight inaccuracies in compliance*.

Did you document your categorisation of workers?

If you chose to exclude any category of worker from your auto-enrolment obligations, make sure you’ve documented the facts and reasons behind your decision for each case. Failure to auto-enrol employees could have future consequences should they challenge your decisions. Please note: a worker is not just those on PAYE.

To date over 200,000** businesses have met their staging date and TPR focus has been reminding them of their duties pre-staging. We predict this focus will shift to making sure their compliance and governance procedures are as they should be.

Ensure you conduct an audit

Carrying out an audit represents good governance and we place great importance on this. Good governance demonstrates your commitment to due diligence and also acts to re-assure you that you’re doing everything right.

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2. Data accuracy

We’ve been lucky enough to administer pension schemes for some of the UK’s largest companies and the reality is that when we receive data each month, it’s very rarely 100% accurate.

Before auto-enrolment, an incorrect address or date of birth wasn’t such a big problem but now these smaller data issues can have a huge impact.

In a recent submission to the Parliamentary Work and Pension Committee, the Chartered Institute of Payroll Professionals (CIPP) estimate 25% of employers make incorrect uploads***. Through our own experience we would estimate that figure to be significantly more.

Remember: software only processes what you tell it to. Your pension provider will process the data you provide and won’t take responsibility for what you send. Make sure to validate your data, each and every time you process it.

Providing records
You have a statutory duty to produce your records on demand should the Regulator require. How easy would it be for your business to provide these records if requested to do so?

Make sure your data is readily available and accurate.

3. Time and resource

Now you have reached your staging date and the dust has settled, it is worth taking a step back and calculating how much time auto-enrolment is costing your business each month. Is it a productive use of your time?

Three questions you need to ask yourself:

- Are there any issues that commonly occur with monthly auto-enrolment?
- How often do you audit the delivery and processes of auto-enrolment?
- Would outsourcing auto-enrolment be more efficient for your business?
4. Reviewing your pension scheme decision

Evidence from the Department for Work and Pensions suggests many employers failed to take adequate due diligence in selecting an appropriate scheme for their employees and could face potential problems for their business in years to come.

By April 2019 you will be contributing 8% or greater of an employee’s wages into your chosen scheme and for many this is likely to grow to one of the largest assets they own.

How are you going to protect your business should one of your employees challenge why you enrolled them into your chosen pension scheme?

You may have previously operated pension schemes and may have also used these for your auto enrolment project, or set up new ones to address this need. What is different now is that employees are now automatically enrolled into a scheme, not invited to join, so there is a greater emphasis on scheme selection.

What was your selection process? Do you have you a clear audit trail for your selection; the options considered and crucially how you determine it was appropriate for the needs of your employees?

YOU are responsible for selecting and appropriate auto-enrolment scheme and you are free to choose any qualifying workplace pension scheme in order to comply with your automatic enrolment duties. In doing so you will address your statutory obligations but that does not mean the scheme is the most appropriate for your employees.

Many employers are already concerned about future legal action against them by employees if it appears they selected an inappropriate scheme or cannot demonstrate they had taken sufficient steps to choose one.

NEST is not guaranteed

Whilst NEST meets your statutory obligation to provide a qualifying scheme it does not offer any guarantees against potential future claims from your employees. You must still demonstrate why it was selected as the most appropriate scheme and how it compared to other options available.
And finally, here’s my list of the key areas you need to consider when calculating the true cost of auto-enrolment to your business.

**Internal resource**
If you’re managing auto-enrolment internally, whoever is tasked to deliver your responsibilities requires sufficient time and appropriate training to ensure a compliant delivery, as well as the need for further monitoring and governance.

**Software and support**
You will need some form of software, what was the overall set-up charge and what is the ongoing cost of this each month? If you outsource your duties to a specialist service provider, when was the last time you conducted a review and comparison of their services?

**Risk & liability**
Automatically enrolling your employees is one thing but making sure you’re fully compliant is another. Over reliance on software or incorrectly set-up processes could lead to serious issues in the future. Even if this doesn’t lead to action from The Pensions Regulator it could mean significant costs in addressing historic issues and rectifying. We recommend investing time to ensure compliance, and to minimise the risk of any penalties.

The greatest risk you’ll potentially face as an employer is from potential future claims from employees who believe they were disadvantaged by the choices you made or allege that you failed to follow the correct process.

Have you compared the costs and risks of running auto-enrolment internally to outsourcing?