

7 Steps to Pension Auto Enrolment

Pension auto enrolment, requires employers to automatically enrol eligible workers into a qualifying pension scheme, and has been described as the biggest shake-up of workplace entitlements for decades. Auto enrolment applies to all organisations that employ people, regardless of the number of people they employ.

From October 2018 all businesses will need to contribute at least 3% of qualifying pensionable earnings for eligible workers. Compulsory contributions will be phased in over a number of years. Employers are also required to make contributions for non-eligible workers who choose to opt in to the pension scheme.

[Click here for a timeline of actions to help you prepare for pension auto enrolment.](#)

1. Know your staging date & develop a plan

Your 'staging date' is the date from which your auto enrolment duties first apply. It is determined by the total number of people in your largest PAYE scheme, based on HMRC's records as at 1 April 2012. You can find out your staging date by visiting the [Pensions Regulator website](#).

2. Assess your workforce

You will need to identify any eligible workers working for you.

Auto enrolment is required for those who:

- ✓ Are aged between 22 years and the state pension age (SPA).
- ✓ Have qualifying earnings above the earnings trigger for automatic enrolment (£10,000 in 2015/16).
- ✓ Are not already a member of a qualifying pension scheme.

You will also need to consider whether you have an employer duty in relation to other types of workers including non-eligible workers and entitled workers. For employees aged under 22 or over SPA, should they wish or request to be part of enrolment then an employer must allow them to do so. There is no requirement for the employer to pay minimum contributions if such employees earn less than £5,832 in 2015/16.

3. Review your pension arrangements

Decide on the type of pension scheme you will offer. Do you have an existing scheme that meets (or can be changed to meet) the Government's requirements, or will you need to set up a new one?

- There are a number of different types of pension schemes available and different types of providers offering these schemes: The National Employment Savings Trust (NEST), has a public service obligation to accept all employers that apply to join it, this is regardless of employee numbers or the overall value of contributions.
- The type of scheme most likely to be available to SME's are those schemes run by large, specialist providers that are designed to be used by many different employers.

4. Communicate the changes

Employers are required by law to write to workers explaining what auto enrolment into a workplace pension means for them. There are different information requirements for each category of worker.

Make sure you have a strategy in place for briefing employees and plan how you will manage any queries that arise.

5. Automatically enrol eligible workers

Under the new regulations, employers are required to provide information to the pension scheme about the eligible worker; give enrolment information to the eligible worker; and make arrangements to achieve active membership for the eligible worker. This should be carried out within the 'joining window' (the one-month period from the eligible worker's automatic enrolment date).

6. Ongoing duties

Other than introducing the scheme itself, the biggest impact on the organisation will be that on its payroll procedures, processes and record keeping.

- As part of planning for auto enrolment you will no doubt have to look at your payroll software and processes to ascertain if they are robust enough to deal with the new guidelines. One key aspect will be the need to have records of those workers that have been informed of the pension scheme and have been given the option to opt out, with records kept of those choosing to opt out.
- In considering the implementation of auto enrolment in your organisation, you may want to consider how you manage your payroll. If you currently manage it in-house, it may, given the increased compliance and burden of Real Time Information (RTI) and auto enrolment, be appropriate to look at outsourcing payroll. Outsourcing payroll can be more cost effective and give you peace of mind that you are compliant with the new regulations.

7. Register with the Pensions Regulator & keep records

- ✓ All employers will need to register online with the Pensions Regulator and complete the declaration of compliance within five months of their staging date.
- ✓ Employers must also keep specific records about their workers and their pension scheme(s).
- ✓ The employer's declaration of compliance to the Pension Regulator is a legal duty. If it is not completed within five months of your staging date you could be fined.
- ✓ Whatever your staging date, it is important to prepare for auto-enrolment in good time.

For more advice and to find out more about Stafford & Co's auto enrolment services, please contact us on 0845 33001 03.