Auto enrolment - are you ready?

You've probably heard more than enough about Auto Enrolment to last you a lifetime – even your home is not a safe place with the 10-foot tall multi-coloured teddy bear 'Workie' appearing on your TV during advert breaks in your favourite programme!

We asked Vicky Quigley from Demna Consulting Ltd to take you through the process step by step.

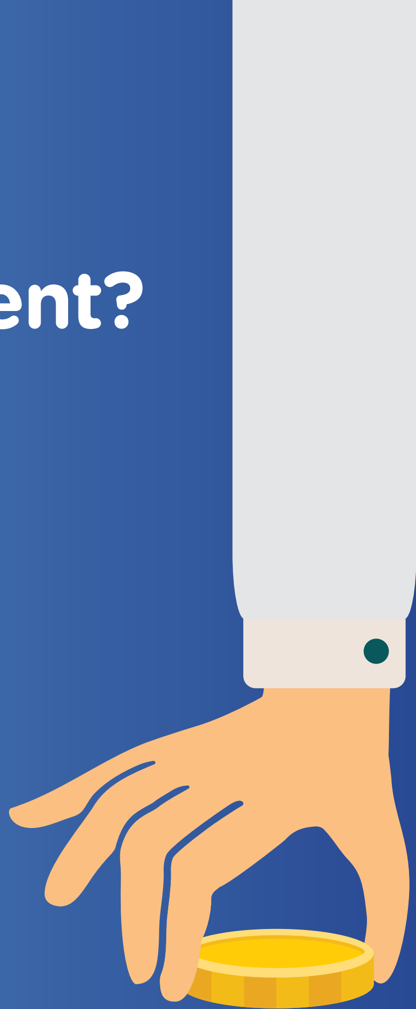
There is no getting away from it, Auto Enrolment is happening, and if you have put it on the 'To Do' list, it's really important that you start planning how your business is going to cope with it sooner rather than later.

Unfortunately, there is no quick fix for dealing with Auto Enrolment, but the sooner you have plans in place to deal with the decisions and changes that need to be made, the better.

Having successfully implemented Auto Enrolment for a number of clients already, it is clear that the more planning done up front, the easier the implementation. In addition to this, a lot of the big pension providers are being very choosy over which schemes they are willing to take on – they are even rejecting schemes that they previously looked after if the contribution structure isn't high enough.

There is a real danger of leaving things too late to find a good scheme for your employees, which will end up being costly for both you and your staff.

What is Automatic Enrolment?



Very simply, Auto Enrolment is the compulsory enrolment of all your eligible employees into a qualifying pension scheme - with compulsory contributions being paid by both the employee and the employer.

The date when Auto Enrolment will begin to affect you depends on the size of your PAYE scheme as at 1 April 2012, with implementation dates staggered from 1 October 2012, for the largest employers, through to 1 July 2017 for the smallest. If you don't already know your staging date, simply visit www.thepensionsregulator.gov.uk/employers/tools/staging-date and input your PAYE Reference to find out.

While the financial costs of making pension contributions for potentially all of your employees is a significant factor to consider, it is also important that you understand the additional administrative and financial burden the regulations will put on your HR, Payroll and Finance teams.

The governance associated with Auto Enrolment is comprehensive to say the least! A vast amount of records will need to be kept, along with evidence of your employee communications, opt out and opt in declarations from your staff and the certification of your pension scheme as being "qualifying".

While a lot of the focus has been on what needs to happen at your staging date, it is probably more important to consider what needs to happen after this – that you have the procedures and expertise in place to handle the on-going monitoring of each employee's earnings over each of their pay periods (whether this is weekly, monthly etc.)

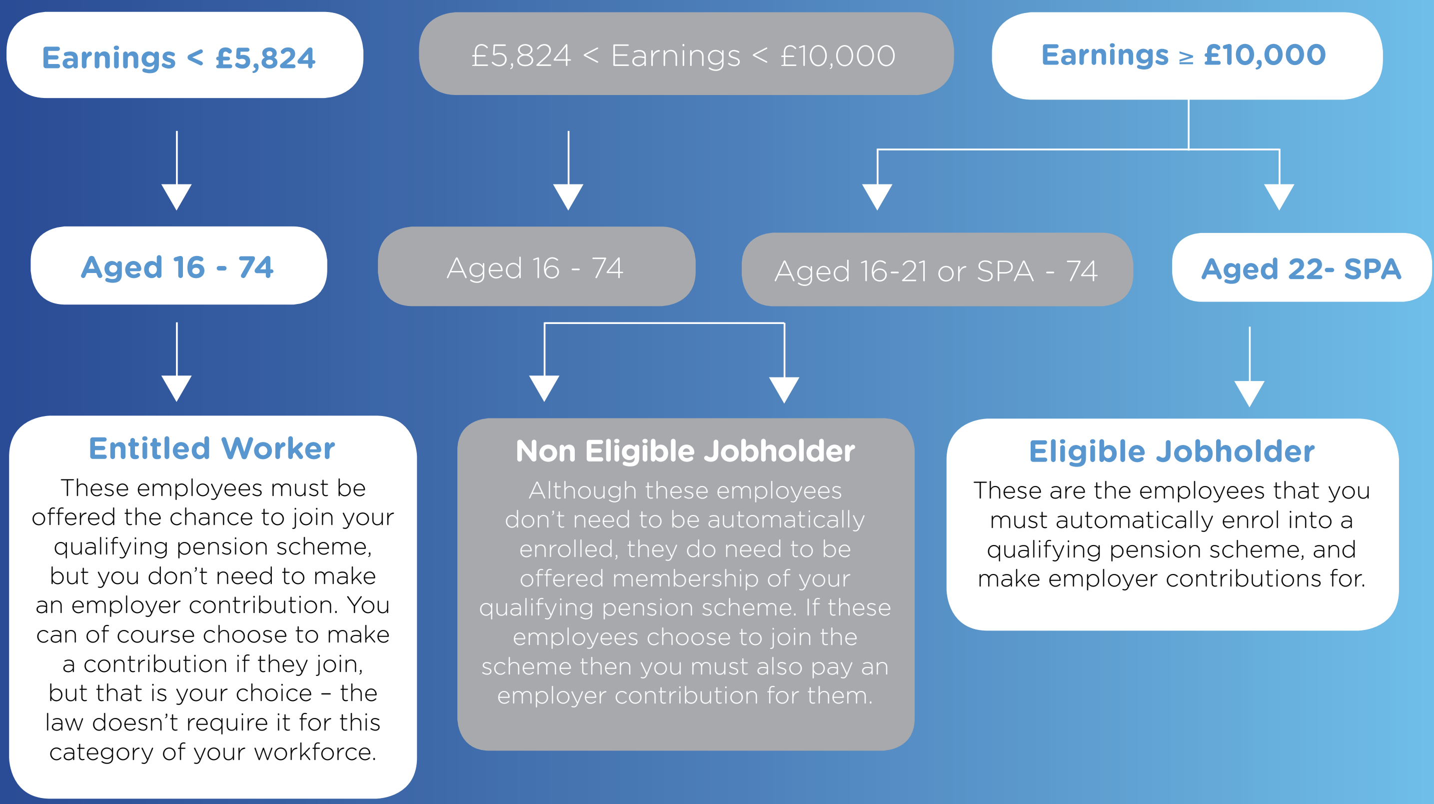
The key factor in putting together your plan for Auto Enrolment is to give yourself sufficient time to tackle each of the requirements – and the sooner you start to plan the easier the whole process will be.

To help you put together a comprehensive plan for how your organisation will tackle Auto Enrolment, there are a number of key areas that you need to fully understand.

Assessing your workforce

Under the new regulations, anyone who personally works for you under a contract of employment is classed as a 'worker'. Your workers then need to be analysed and separated into one of 3 categories which will define exactly what approach you need to take for them.

The criteria for each category are based on the age and total earnings of each employee and can best be illustrated by the following diagram (figures stated refer to the 2015/16 tax year).



Deciding on your contribution structure

Once you have completed the analysis of your workforce, you will be in a much better position to consider what contribution structure you want your qualifying scheme to have. Before making this decision, you first need to consider what your employee's contracts of employment state. If you have an existing pension scheme, then it may well form part of an employee's contractual rights. This in itself isn't an issue, but if you want to change the structure going forward you will need to factor in time to undertake a formal consultation process.

You can choose pretty much any contribution structure you like, but you must at the very least pay the minimum amounts proscribed by legislation. The minimum contributions payable depend on the definition of earnings on which the contributions are based, and although there are four different earnings definitions, the absolute minimum amounts are as follows:-

Contributions based on banded earnings (i.e. earnings between £5,824 and £42,385 for the 15/16 tax year)

	Employer Minimum	Total Minimum
Staging Date to 05/04/2018*	1%	2%
06/04/2018* to 05/04/2019*	2%	5%
06/04/2019 onwards	3%	8%

* The proposed dates are subject to Parliamentary approval.

Please be aware that these are the minimum amounts that must be paid. It is down to you as the employer to decide what contribution structure you want to have, depending on your objectives. For example, if you want to use your pension scheme to help in the recruitment and retention of staff, then higher employer contributions could help you achieve this.

Remember, you don't need to have the same contribution structure for all of your employees. It may be that you want to reward longevity and loyalty with the company, and therefore an employer contribution that increases with an employee's length of service may be an option. Alternatively, you may prefer to keep the same contribution for your entire workforce.

Qualifying workplace pension schemes

As an employer, you must provide your employees with access to a pension scheme that complies with the new Auto Enrolment legislation. A qualifying scheme cannot levy charges on members' funds of more than 0.75% per annum. In addition to this, the contributions must be at least equal to the minimum required, and the default investment fund must fulfil certain criteria.

If you don't already have a pension scheme you need to find a scheme for your employees to join. The NEST Pension Scheme is the only arrangement which cannot turn down an employer who wants to use it. All other pension scheme providers can choose whether to offer you a scheme or not. There are a wide number of pension schemes available at the current time, however more and more of these are implementing employer fees in addition to the charges levied on members' funds. If you don't want to pay an employer fee, then we would strongly suggest you act fast, as in the last few months two of the largest pension schemes have started to charge additional fees!

7 key actions you need to take!

1. Confirm your staging date

2. Assess your workforce

3. Decide on your contribution structure

4. Decide on your pension scheme

5. Communicate with your employees

6. Auto enrol your eligible employees

7. Complete your compliance duties

How we can help

We offer a range of fixed fee services to all employers, no matter what size to give them the good quality advice and assistance they need to ensure they fully comply with the new regulations.

For more information, or a chat about how we can help you and your organisation, please get in touch by calling 0121 240 5378 or by emailing **enquiries@demnaconsulting.com**

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