

Automatic Enrolment – are you ready?

The Government has introduced changes under workplace pensions reform legislation that are designed to enable more people to save for their retirement. The main aim of which is to combat the issues surrounding the ageing population and the limited nature of State pension provision. The Government estimates that around seven million people are currently under saving for retirement. More than six million people have already been automatically enrolled into workplace pensions since 2012.

You can prepare now by gaining a thorough understanding of the legislation and its potential impact upon you and your company. The aim of this communication is to bring to your attention the important issues surrounding workplace pension reform and automatic enrolment. It sets out the options you can consider and the actions you must take, but does not make any recommendations.

When will you be affected by the legislation?

The effective date for compliance with automatic enrolment is being phased in between 1st October 2012 and 1st February 2018. Your 'staging date' for compliance is generally determined by the number of employees in your largest PAYE scheme (i.e. number of employees in your largest payroll) as at 1st April 2012.

What are you required to do as an employer?

You'll need to automatically enrol all eligible employees into a 'qualifying workplace pension scheme' from your allotted 'staging date'. The scheme you use for automatic enrolment could be your own company scheme (if it meets certain criteria), the National Employment Savings Trust (NEST) or a similar alternative such as The People's Pension.

You'll be required to contribute a minimum of 3% (phased up to April 2019) of each employee's qualifying earnings which is intended to incentivise them to join. Their own personal contributions and tax relief will be added to this to meet a minimum 8% total contribution rate by April 2019.

The Government recognises that these reforms continue to place employers at the heart of pension provision. They are therefore proposing key measures designed to minimise the burden on you:

- Compulsory employer and employee contributions will be phased in from your staging date, starting at a minimum 1% employer and 1% employee (of which the employee will receive tax relief).
- Simple, straightforward qualifying criteria for existing Company Schemes, meaning many existing schemes should qualify.
- A 'light-touch' but effective compliance regime for new employer duties such as automatic enrolment.

Who will we have to automatically enrol?

Employees eligible for automatic enrolment will be:

- those who aren't already active members of a qualifying scheme; and
- are aged between 22 years and the State Pension age; and
- whose earnings are in excess of £10,000; and
- who work, or usually work, in the UK

Key considerations for your business

Throughout your automatic enrolment project you will have some key considerations to digest. The decisions you make can have a substantial bearing on how easy your processes are to manage as well as the overall cost of implementation including systems, time and of course increased contributions. Areas you may need to consider include:

- **Contributions:** What contributions basis will you use for automatic enrolment?
- **Salary Sacrifice (exchange):** Will you operate salary sacrifice for your auto enrollees? Is this on an opt in or an opt out basis, either way how will you communicate this with your staff?
- **Auto Enrolment Strategy:** Do you wish to use postponement periods? If so, will this be applied to all staff or certain sections of your workforce? How will you deal with opt-ins and joiners?
- **Assessment:** How will you manage the assessment process for your workforce every pay period (pay reference period)? Do you need any additional resources (people / systems / expertise)?
- **Pension Scheme:** Occupational, contract based or master trust solution? How do you intend to make the important decision of choosing your automatic enrolment scheme? Will you offer a split scheme solution?
- **Communication:** How will you produce and distribute the legislated communication requirements and be able to prove you have done so? How do you plan to engage with employees? Do you wish to provide them with advice?
- **Systems:** Does your current mix of systems (HR, Payroll, Pension Provider) offer a complete solution to help you fulfil your requirements? If not, do you have sufficient resources to work around this or will you need to consider a 'middleware' solution to link up to your existing systems.
- **Governance and Audit Trail:** How are you going to capture the information needed to satisfy your reporting requirements to The Pensions Regulator (TPR)? If TPR pays a visit are you confident that you can prove you are meeting all the requirements?
- **Compliance:** Are you confident that all your registration requirements have been / will be fulfilled and that any such salary sacrifice scheme is HMRC compliant?

Assessing your workforce

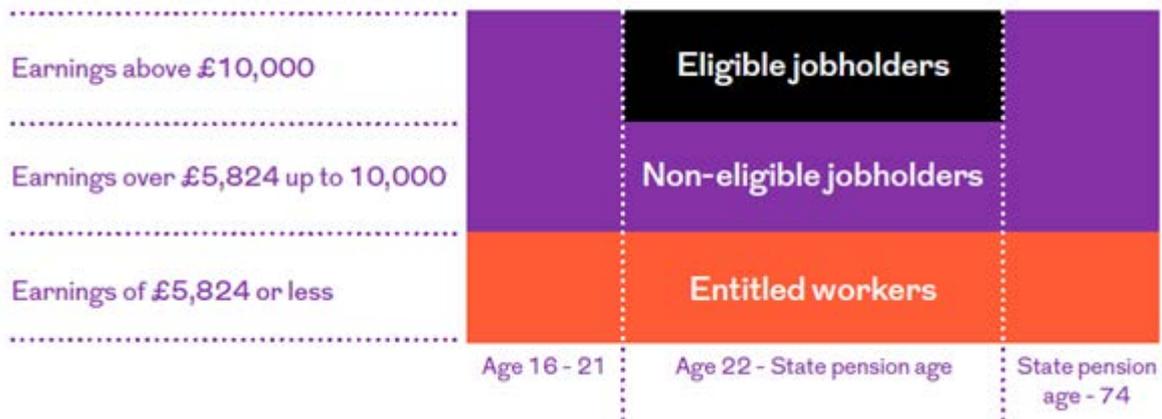
The way in which the workplace pension reform legislation will affect your organisation depends on whether you employ someone that the legislation classifies as a 'worker'. The term 'worker' is specific and does not relate to the working population as a whole. A worker is defined as any individual who:

- Works under a contract of employment (an employee)
- Has a contract to perform work or services personally (i.e. cannot be sub-contracted) and is not undertaking the work as part of their own business.

A contract does not have to be in writing and can include implicit terms of employment.

There are three different categories of worker, determined by their age and how much they earn:

- **eligible jobholders** – must be automatically enrolled into an automatic enrolment scheme
- **non-eligible jobholders** – have the right to opt in to an automatic enrolment scheme
- **entitled workers** – have the right to join a pension scheme



How we can help

Ernest Grant provide realistic solutions for clients to help comply with the legislation and take the sting out of the potential costs surrounding it. Whilst helping build solutions we can also deliver effective process and communication, turning the complex and costly legislation into a valuable employee benefit.

The information within this brochure is for informational purposes only and is based on our understanding on current HM Revenue & Customers guidelines as of the 2016/2017 tax year.

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