

Automatic Enrolment Overview

What is automatic enrolment?

A new law means that every employer must automatically enrol workers into a workplace pension scheme if they:

- Are aged between 22 and State Pension age
- Earn more than £10,000 a year
- Work in the UK

This is called “automatic enrolment.”

How does it affect my business?

If you employ at least one member of staff then you will have to take steps to make sure your eligible staff are enrolled into a pension scheme. Even if you already pay contributions into a pension scheme for your staff you will still need to check if it is suitable for automatic enrolment. If it is not suitable then you will need to set up a qualifying scheme.

The following tasks in particular will take you some time:

- Setting up a pension scheme
- Enrolling your staff into the pension scheme
- Completing a declaration of compliance once all of the steps have been completed

Contributions to the scheme come from three places. You will make deductions from their pay, you will make employer contributions and the government will contribute via tax relief. You'll need to make sure you contribute the right amount.

Ideally, you should allow up to 12 months to prepare. Remember, **automatic enrolment is your legal duty** and if you don't act you could be fined.

Owner managed businesses

A director of a company is **not** classed as a worker, **unless**

- The individual works for the company under a contract of employment, and
- There is **at least one other** person working for the company under a contract of employment

A director who is **not** working under an employment contract is **never** classed as a worker.

The exemptions can apply to more than one director working for the same company.

If you receive a letter from The Pensions Regulator and you believe that automatic enrolment doesn't apply to you because you are a director only company, then you have to inform The Pensions Regulator accordingly.

If your circumstances change so that automatic enrolment duties do apply to your business, we will need to inform The Pensions Regulator of this as soon as possible. This would happen if you took on a member of staff other than a director, or if at least two directors started working for the business under contracts of employment.

Businesses with employees under a contract of employment

Where you have at least one other person working for the company as an employee you will need to comply with the requirements of automatic enrolment. The initial steps to follow will include:

- Find out your staging date (we can provide this to you if we currently run your payroll)
- Provide a secondary point of contact
- Check who you need to enrol
- Create your action plan

When assessing who you will need to automatically enrol, there are three different categories of staff to consider based on their ages and how much they earn, regardless of how many hours they work for you.

What if I don't comply?

There are certain employer duties you must comply with. If you fail to comply with your duties, The Pensions Regulator may take enforcement action. Enforcement action starts with statutory notices and is followed by penalty notices.

A fixed penalty notice will be issued if you don't comply with statutory notices. This is fixed at £400 + VAT. The Pensions Regulator can then issue an escalating penalty notice for failure to comply with a statutory notice. This penalty has a prescribed daily rate of £50 to £10,000 depending on the number of staff you have.

How can we help?

1. If you are an owner managed business where the director(s) is(are) the sole employee(s), and you have received a letter from The Pensions Regulator informing you that you have new automatic enrolment legal duties, then we can inform The Pensions Regulator that you are not an employer

COST: £50 + VAT

2. If you have at least one other person working for the company we can provide you with your staging date. We can also be nominated as a secondary point of contact

COST: £0 where we manage your payroll

£25 + VAT where we do not manage your payroll

3. We can then work on an initial assessment report which will assess who you need to enrol, the potential cost, and provide an action plan

COST: £250 + VAT

4. You can then use the initial assessment report to work with an Independent Financial Advisor to work through the best pension options for your business, OR we can provide a one-stop-shop solution to:

- a. Check staff records (including dates of birth, salaries, National Insurance numbers, contact details)
- b. Manage the communications with employees
- c. Ensure that your payroll software fully supports automatic enrolment
- d. Make sure your payroll system can generate a report or file in the correct format for your pension scheme provider's system
- e. If you already have a pension scheme for your staff, check with your pension provider to see whether it qualifies for automatic enrolment
- f. If required, set up a pension scheme
- g. Calculate employer and employee contributions
- h. Review whether it would be beneficial to postpone automatic enrolment
- i. Complete the declaration of compliance, including filling in the pension scheme details

COST: To be advised once the initial assessment has been completed, up to a maximum of £1,150 + VAT (**to be discounted by 10%** where we manage your payroll)

5. On staging date, postpone the workforce if required

COST: £150 + VAT

6. Management of the ongoing responsibilities, including:

- a. Advising on the contributions to be paid each month
- b. Keeping records of how you have complied with your automatic enrolment duties
- c. Constantly reviewing staff
- d. Processing new starters
- e. Managing opt out requests

COST: £5 + VAT per month per employee, with a minimum of £20 + VAT per month

Note: If you decide to use a provider, remember that complying with the legal duties of automatic enrolment is still your responsibility. If you fail to complete your automatic enrolment duties, you could be fined.

