

## Auto -enrolment: Employers' responsibilities and decisions at each stage

### Getting started

#### Your responsibilities

- ✓ Nominate a main point of contact
- ✓ Identify your PAYE reference and keep a record
- ✓ Identify your staging date
- ✓ Create your action plan/timeline for AE – see the TPR website for help – start at least 12 months before your staging date
- ✓ Identify your letter code and keep a record
- ✓ Identify who in your workforce needs to be enrolled.

### Getting Ready

#### Your responsibilities

- ✓ Select your earnings definition
- ✓ Review any existing pension arrangements to see if they can be used for AE
- ✓ Check your records and payroll process – see separate guidance if you do your own payroll
- ✓ Work out your costs

#### Your decisions

- Who in the business should receive updates and communications?

#### Your decisions

- Decide on the contribution terms you want to offer – so AE compliant or better?
- Are you keeping the administration in-house or outsourcing?
- Decide on the systems you are going to use if processing AE in-house
- Do you want to adopt postponement of initial staging date?
- Do you want to adopt postponement for new employees post staging date?
- Do you want to offer salary sacrifice?

## At staging date and beyond

### Your responsibilities

- ✓ Set up a qualifying pension arrangement
- ✓ Assess your workforce
- ✓ Provide your pension/payroll provider with the required information
- ✓ Provide compliant postponement communications to staff if applicable
- ✓ Provide compliant communications to eligible job holders within prescribed time limits
- ✓ Provide compliant communications to non-eligible job holders within prescribed time limits
- ✓ Provide compliant communications to entitled workers within prescribed time limits
- ✓ Automatically enrol all eligible jobholders
- ✓ Accept applications from non-eligible jobholders and entitled workers opting in
- ✓ Comply with opt in requests from non-eligible jobholders
- ✓ Comply with joining requests from entitled workers
- ✓ Deduct contributions from employees pay
- ✓ Pay contributions on behalf of eligible employees
- ✓ Pay contributions to the pension provider within prescribed time limits each pay period
- ✓ Re-assess non-eligible jobholders and entitled workers each pay period
- ✓ Have a process for Opt outs
- ✓ Register with The Pension Regulator and certify the scheme within the prescribed time limits
- ✓ Keep statutory records – minimum 6 years
- ✓ Assess new staff
- ✓ Every three years re-enrol any eligible jobholders who have previously opted out

### Your decisions

- Is your pension scheme a net pay or relief at source arrangement?

## **Auto- enrolment : Immediate considerations if you do your own payroll processing.**

You need to decide if you want to continue to do the payroll in-house?

- The monthly/weekly administration will be significant and most likely double the payroll processing time currently required.
- The initial set-up time will be significant
- Do you have the resources available to deal with this additional administration?
- The payroll staff will need to be trained on Auto Enrolment and maintain up-to-date knowledge.

We recommend you obtain “Middleware” (the name used for software which supports the AE administration function). Middleware should ideally:

- Hold the information required for AE
- Generate the correct worker contribution and data in a format that pension providers require
- Assesses employees each pay cycle to see who needs to be automatically enrolled
- Produce compliant communications required

Middleware can be provided by :

- Your pension provider, often at a monthly cost
- Purchased as a separate software package
- Purchased from your payroll provider to form part of your payroll function –  
**Rostrons recommended option.**

For further information please refer to The Pension Regulator a quick guide to setting up payroll included in this pack.

***Alternatively you could outsource your payroll processing and pension administration to a specialist.***

***At Rostrons we provide a full payroll and AE administration service – please see our service proposition.***

## **Auto- enrolment : Sharing our learning**

### **Hints and Tips we have prepared for you**

#### **At a top level..**

Keep it simple - have a complete solution that will manage all of your key tasks automatically or outsource to a professional that can do it for you.

Use this opportunity to streamline your processes – review your existing payroll processes and consider alternatives.

Decide if you want to manage the AE process in-house or outsource early. With the number of employers reaching their staging date increasing heavily during 2016 and 2017 you might find they are not able to help or want to charge significant fees – supply and demand.

#### **At a process level...**

Payroll is central to AE success. Payroll has access to employees PAYE information, and runs calculations which must be completed before employee assessment can occur. It makes sense that the assessment process should also take place within payroll, to make the process as efficient as possible.

Check whether there is a standard output file for your chosen pension provider or if a bespoke file will need to be created. Additional time will be required for a bespoke file.

Payroll periods and your staging date – understand how they interact.

You can bring your staging date forward – you can do this online and will be given a choice of alternative dates by the TPR.

Don't forget your declaration of compliance must be completed within 5 months of your staging date and then every three years.

Postponement and payroll periods – don't get caught out.

Pension Salary sacrifice – decide at the outset if you are going to offer PSS and if you are make sure you allocate enough time to complete the extra admin.

Childcare voucher schemes – make sure you have accounted for the fact that employer contributions for AE are based on salary before childcare vouchers. (Employees contributions are calculated after the childcare voucher is deducted).

## **Regarding your staff..**

Make sure your staff know that the contribution levels are increasing in stages, so that there are no surprises in 2017 and 2018.

Be ready for staff reactions to AE – it's like marmite, some will love it and some will hate it!

Don't provide your staff with Opt Out forms to complete – this is an absolute no no per TPR. We can provide your staff with a form on request if we are dealing with your administration.

## **Thinking of the costs...**

Make sure you know your costs and have budgeted – we can help you do the numbers. Costs to consider include:

- Ongoing additional outsourced payroll costs or internal resource
- Payroll software upgrades or additional products
- Other software if not doing through payroll
- Professional fees for Independent Financial Advice if needed to identify a pension provider or review an existing scheme
- Employers pension contributions for eligible employees
- Pension provider charges
- Other professional fees for help and support in setting up a system

## **And finally...**

Don't assume your existing scheme will be AE compliant. The restrictions on charges precludes a large number of existing schemes from being AE compliant.

Give yourselves plenty of time to implement.

TPR helpline is very good – this may not last as the number of employers going live increases.

If you are processing in-house make sure you test new software and have access to good training and on-going support.

There is likely to be a lead time for any new software so make sure you factor that in.

## **Auto Enrolment: Our Service Proposition**

### ***What we can do for you:***

- ✓ Provide fully integrated payroll and auto enrolment administration using Sage payroll and pension module.
- ✓ Assess your workforce – this includes initial letters notifying staff of auto enrolment and ongoing compliance communications
- ✓ Monthly payroll processing and auto enrolment administration – calculating pension contributions and re-assessing relevant employees.
- ✓ All payslips and staff auto enrolment communications sent by email.
- ✓ Use standard TPR templates to ensure compliant communication – we are unable to amend or add business branding.
- ✓ Provide standard opt out forms to staff on request.
- ✓ Process your opt ins, opt outs and refunds.
- ✓ Manage postponement and postponement communications
- ✓ Support the implementation of salary sacrifice.
- ✓ Submit monthly information to the pension provider in the prescribed format.
- ✓ Notify the employer of pension payments to be made and deadlines.
- ✓ Complete The Pensions Regulator compliance declarations.
- ✓ Maintain statutory records.
- ✓ Re-enrol eligible jobholders that have opted out – every 3 years.

***What we don't do:***

- ✘ We can't recommend a pension provider:
  - You will need the advice of an IFA.
  - We recommend Alan Boswell.
- ✘ Use a payroll system other than Sage
- ✘ Take full responsibility for employers duties – you remain responsible.
- ✘ Make payments to the pension provider on your behalf:
  - You will need to do this each month.
  - DDR may be available.

## Auto-enrolment : Key information

### Useful definitions

#### *Eligible jobholder*

- Aged between 22 and State Pension age
- Has gross earnings over £833 per month
- Ordinarily work in the UK

#### *Non-eligible jobholder*

- Aged between 16 and 21 or state pension age and 74
  - Has gross earnings over £833 per month
  - Ordinarily work in the UK
- Or
- Is aged between 16 and 74
  - Has gross earnings over £486 per month and up to £833
  - Ordinarily work in the UK

#### *Entitled workers*

- Aged between 16 and 74
- Has gross earnings of £486 and below per month
- Ordinarily works in the UK

### Qualifying earnings

Qualifying earnings is used to establish if the employee is an eligible jobholder, non-eligible jobholder or entitled worker. It is also the minimum basis for calculating contributions.

Qualifying earnings is a reference to earnings between:

- The lower level of qualifying earnings - £5,824 (2015/16)
- The upper level of qualifying earnings - £42,385 (2015/16)

Qualifying earnings is made up of the following components of pay:

- Salary
- Wages
- Commission
- Bonuses
- Overtime
- Statutory Sick Pay
- Statutory Maternity Pay
- Ordinary or additional Statutory Paternity Pay
- Statutory Adoption Pay



Employers can choose an alternative earnings definition for calculating contributions providing they are happy to certify that it meets the contribution quality requirements stipulated in the legislation. Please ask if you would like more information on the options available.

### Contributions

- Employers will have to make payments into the pension scheme for all staff who are automatically enrolled and all non-eligible job holders who choose to opt in.
- Contributions as a minimum are based on an employees' qualifying earnings (see above) between the lower and upper level
- Contributions are being phased in as follows (all quoted gross):

<b>Transitional period</b>	<b>Duration</b>	<b>Employer minimum Contribution</b>	<b>Total minimum Contribution (So employer plus employee)</b>
1	Employer's staging date to 30 September 2017	1%	2%
2	1 October 2017 to 30 September 2018	2%	5%
1 October 2018 onwards		3%	8%

- Employee contributions will attract tax relief, so a 5% gross contribution would be 4% net.

### Penalties

The penalties for non-compliance with AE are a compelling reason for ensuring you do comply!

There is a three stage process that TPR will follow:

- Compliance/unpaid contributions notice
- Fixed penalty notice - £400
- Escalating Penalty notice – issued if any breach identified is not put right within four weeks of the fixed penalty notice. This depends on the number of employees and ranges from £50 to £10,000 per day!

You can also receive a prohibited recruitment conduct fixed penalty – ranging from £1,000 to £5,000.

## **Auto-enrolment: useful contacts**

### The Pensions Regulator

<https://www.thepensionregulator.gov.uk>

Telephone 0845 600 1011

Email [customersupport@autoenrol.tpr.gov.uk](mailto:customersupport@autoenrol.tpr.gov.uk)

## **Independent Financial Advisors**

IFAs can provide advice to your business about getting the right pension scheme for your business and employees. They can also provide advice to your employees about investing in pension schemes and expected outcomes.

We recommend Alan Boswell



<https://www.alanboswell.com>

Telephone 01603 218000

## **Pensions providers**

Not all pension schemes will be suitable for automatic enrolment so it is important to choose a scheme that meets the legal requirements set up by the TPR. NEST is the pension scheme set up by the government and has a public service obligation to accept all employees onto the scheme.



<https://www.nest.com>

# **Rostrons**

CHARTERED ACCOUNTANTS

Pension providers that are compatible with Sage software (more are likely to come online over the next few years)



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