

The essential guide to automatic enrolment

Information
for
employers

Automatic enrolment and you

The law on workplace pensions has changed. All employers are legally required to automatically enrol certain staff into a pension scheme and make contributions. You will also have to tell your staff about the scheme you put them in and allow other staff to join if they request to do so.

The Pensions Regulator is the UK regulator of work-based pension schemes. This leaflet contains information and guidance to help you comply with the law.

Find out how to prepare for automatic enrolment with this step-by-step guide to your new legal duties.

Automatic enrolment: the main steps



- First steps
- Before your staging date
- At your staging date and beyond

First steps

Know when you need to be ready

You must be ready to start enrolling staff from your **staging date**. This date will appear on letters from us about automatic enrolment. If you don't have a copy of our letter, you can find out your staging date by entering your PAYE reference into the tool on our website.

Find out your staging date: www.tpr.gov.uk/staging-date

Provide a point of contact

There are several things that you need to do to be ready for automatic enrolment. Sign up to our emails to receive help and guidance over the coming months. To make sure that this help gets to the right person in your organisation you should nominate someone to receive these email updates.

Let us know who to contact: www.tpr.gov.uk/nominate-contact

Develop your initial plans

Employers have found that they needed to start preparing up to a year prior to their staging date, so you should start making plans in good time. There is an automatic enrolment planner on our website to help you prepare. It shows you what you should do and by when as your staging date approaches.

Don't leave it until the last minute. If you do, it could be more costly and complex to prepare.

Create your plan: www.tpr.gov.uk/planner

You will need to pay a regular contribution into the pensions of your eligible staff. To get an idea of the amount, you may find our online calculator useful.

Calculate your contributions: www.tpr.gov.uk/calculate

There may be other costs to consider, such as setting up your scheme, getting the right software to manage automatic enrolment and any independent advice you might decide to take. Continue reading for more on these topics.

Before staging

Find out who to enrol

You will have to assess all your staff for eligibility but you may not have to automatically enrol all of them. The table below outlines your duties depending on the salary of your staff member.

Monthly earnings	Age		
	From 16 to 21	From 22 to SPA*	From SPA to 74
£486 and below	Has a right to join a pension scheme		
Over £486 up to £833	Has a right to opt in		
Over £833	Has a right to opt in	Automatically enrol	Has a right to opt in

Figures correct as of 2015/2016. * SPA = state pension age

It's against the law to take any action to induce anyone to opt out. Examples of this could include persuading or forcing staff to opt out by offering them a cash bonus to do so, or by withholding a pay increase until they opt out.

Visit the link below to find out more about assessing your staff.

Evaluate your workforce: www.tpr.gov.uk/evaluate

Choose your software and check records

You'll need to know who has to be automatically enrolled and who can ask to join your pension scheme.

Payroll software which is specifically tailored to automatic enrolment will help you keep track of the ages and earnings of all your staff and will tell you what you need to do for each of them. If you run your own payroll, you may already know whether this is built in. If someone else manages your payroll for you, you will need to ask them. To check, ask your payroll provider the questions found on the link below. You need to make sure your software supports automatic enrolment and you should test it well ahead of your staging date, to make sure it works.

Help with software: www.tpr.gov.uk/software

Taking the time to get your staff and payroll records in order ahead of your staging date is essential. You must be able to provide information to your pension scheme in the correct format. Make sure the necessary records are easily to hand and that you have correct information about your staff before your staging date, including:

- dates of birth
- National Insurance numbers, and
- latest contact details.

Choose a pension scheme

If you have an existing scheme for your workforce (perhaps called a 'stakeholder scheme') you should check with your pension provider to see if you can use it for automatic enrolment.

If you need to open a new scheme, make sure you approach a pension provider in good time because they will be taking on thousands of employers in the coming months. Don't leave it too late.

The Government has set up a pension scheme called the National Employment Savings Trust (NEST) to accept all employers wishing to use the scheme for automatic enrolment. This is one option, and there are other providers available.

It's important that the scheme you choose is well-run and offers good value for money for you and your staff. Our website has information to help you choose a pension scheme.

Choosing a pension scheme: www.tpr.gov.uk/scheme

Your staff are likely to have heard about automatic enrolment in the media, and may want to know more. If you haven't done so already, this is a good time to start raising awareness. We have a range of materials to help you. These can be found at the link below.

Raising awareness with your staff: www.tpr.gov.uk/awareness

At staging and beyond

Automatically enrol your staff

At your staging date you will need to identify which members of staff to automatically enrol and which will have a right to join your pension scheme on request. Payroll software will help you with this.

By this point you will already know what information your scheme provider wants from you, so make sure you send this to them promptly.

Make sure you pay the contributions across to the pension scheme before the deadline your provider has given you.

Enrolling your staff: www.tpr.gov.uk/enrolling

Tell your staff

After your staging date, you must write to your staff about how automatic enrolment affects them. We have template letters that you can use for this on our website.

Writing to members of staff about automatic enrolment:
www.tpr.gov.uk/writing

Complete your declaration of compliance (registration)

You must complete your declaration of compliance when you've automatically enrolled your members of staff. This confirms to us that you have fulfilled your legal duties.

You may find it helpful to track your progress by starting your declaration early. It must be completed up to five months from your staging date. To help, we have a checklist of the information you'll need to provide, found at the link below.

Automatic enrolment declaration of compliance:
www.tpr.gov.uk/declaration

Maintain records

As with real-time PAYE, you must keep records of your automatic enrolment activities. This will include the information you sent to your pension provider, and copies of any opt-out requests you receive.

Record-keeping: www.tpr.gov.uk/records

Fulfil ongoing responsibilities

For automatic enrolment there are minimum contributions you must pay in order to comply with your duties. These are a percentage of earnings and are shown in the table below.

Date	Employer minimum contribution	Total minimum contribution
Before 30/09/17	1%	2%
01/10/17-30/09/18	2%	5%
01/10/18 onwards	3%	8%

Your worker may also pay pension contributions, which you will need to make sure you deduct and pay to the scheme on time.

Automatic enrolment is not just something that happens at your staging date – it is an ongoing duty. You’ll need to check every payday to see whether any of the members of staff who weren’t automatically enrolled are now entitled to be put into the pension scheme (for example if they have reached their 22nd birthday).

After you have automatically enrolled your staff members, they may ask to ‘opt out’ of the pension scheme. You must then stop deductions of contributions and arrange a refund of any contributions they have paid to date. Staff who have not been automatically enrolled may ask to join the scheme. If you receive such a request, your software should help you process this.

Automatic enrolment will be ‘business as usual’, just like real-time PAYE or filing your employer return with HMRC.

Ongoing automatic enrolment responsibilities:
www.tpr.gov.uk/ongoing

Next steps

Let us know who to contact: www.tpr.gov.uk/nominate-contact

Create your plan: www.tpr.gov.uk/planner

Subscribe to our e-newsletter: www.tpr.gov.uk/subscribe

www.thepensionsregulator.gov.uk

This guidance is designed to assist employers in complying with their duties. This guidance is not intended to be a definitive way of complying with the duties of the Pensions Act 2008 and the regulations made under the Act. The Pensions Regulator cannot provide a definitive interpretation of the law; only the courts can do this. If you have any doubts of your legal rights or obligations please seek legal advice. Any alternative approach to that appearing in this guidance will nevertheless need to meet the underlying legal requirements.

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A quick guide to

selecting a pension scheme for automatic enrolment

Information
for
employers

Changes to the law on workplace pensions mean that every employer in the UK has to automatically enrol certain members of staff into a workplace pension scheme.

What you need to do

You will need to start preparing for automatic enrolment soon, if you haven't already. If you need to get a pension scheme for automatic enrolment, this guide provides information on the options available to you and the areas that you should focus on when selecting a pension scheme.

How does a workplace pension scheme work?

A workplace pension is a way of saving for retirement which is arranged by an employer. Contributions to this pension scheme can come from three places:

1. The employer contributes a percentage of the member of staff's salary
2. The member of staff contributes a percentage of their salary
3. Tax relief from the government

The amount of income that members of a pension scheme get at retirement will depend on:

- ▶ how much has been paid into the scheme
- ▶ how investments perform
- ▶ the age at which members retire and how long they have been members of the scheme

What types of pensions are available?

There are two main types of pension scheme:

- ▶ **Defined benefit (DB) pension scheme.** These are sometimes called 'final salary schemes'. A DB pension scheme is one where the amount paid to the member of staff is based on the number of years they've worked for you and the salary earned rather than the value of investments.
- ▶ In **defined contribution (DC) pension schemes** (sometimes referred to as 'money purchase schemes'), the employer and member of staff pay in a set amount each month which is invested to build up a retirement fund. The majority of employers are likely to use a DC scheme for automatic enrolment.

Which type of pension scheme should I choose?

DC schemes are increasingly used by employers as they offer a cost effective way to enrol their staff into a pension scheme. The type of scheme most likely to be available to you is a scheme run by a large, specialist provider that is designed to be used by many different employers. This may be known as a 'group personal pension' or a 'master trust'.

There are a number of different providers and options available to you when choosing a DC scheme. This section explains what these are and where to find more information.

Government scheme

The National Employment Savings Trust (NEST) is a pension scheme that has been established by the government and has a public service obligation to accept all employers that apply to join it.

You can find more information at www.nestpensions.org.uk.

Master trusts and group personal pensions

Master trusts and group personal pensions are types of DC schemes that are designed to be used by many different employers. They tend to be run by large specialist pension providers. Because of their size and the way they operate, they generally cost less and require less involvement from employers compared to other schemes. Master trusts are run by a board of trustees and group personal pensions are run by financial service companies, eg insurance companies and investment managers.

Schemes with master trust assurance

The trustees of some master trusts have had their pension schemes independently reviewed to help them demonstrate that they meet certain standards of governance and administration. This review is known as the 'master trust assurance framework', which was developed by the ICAEW (Institute of Chartered Accountants in England and Wales) in association with us.

A list of trustees who have said they have master trust assurance and are open to small employers looking for a scheme can be found on our website at www.tpr.gov.uk/finding-a-provider.

Schemes listed by other industry bodies

Other schemes are available and information about pension schemes run by trustees can be found on the National Association of Pension Funds (NAPF) Pension Quality Mark website at www.pensionqualitymark.org.uk/pqmreadyschemes.php.

Group personal pensions are regulated by the FCA. The Association of British Insurers (ABI) has a list of insurance companies that belong to its organisation who provide schemes, at www.abi.org.uk/Insurance-and-savings/Products/Pensions/Saving-into-a-pension/Automatic-enrolment/Providers.

What do I need to look for in a pension scheme?

If you currently have a pension scheme (perhaps called a stakeholder scheme), you should check whether you can use it for your existing members. You should ask your scheme or you can use our tool to check, at www.tpr.gov.uk/qualifying-schemes. If you can't use your existing scheme, you'll need to choose a new one that meets the requirements of automatic enrolment.

Whether you are intending to use your current pension scheme for automatic enrolment or choose a new one, there are a number of aspects that you will want to consider:

Can the scheme be used for automatic enrolment and will it accept you?

To be used for automatic enrolment the scheme has to meet certain criteria, eg it does not require members to do anything to become active members of the scheme or to make investment choices.

Other requirements that the scheme should meet include being an occupational or personal pension scheme and being tax registered. In addition, there are minimum requirements regarding the level of contributions that must be paid into the scheme. These requirements depend on the type of scheme it is.

Some schemes offered for automatic enrolment may only accept employers with a minimum number of staff or who have staff above a certain level of earnings. Check with the provider if they will offer a pension scheme for all your eligible staff.

Will the pension scheme work with my payroll?

If you use payroll software you should check that it is designed to carry out all the automatic enrolment tasks. If it doesn't, you should consider updating your software. Ask your payroll or pension provider if they have a checklist of the information they require and the tasks they will carry out for you.

Speak to your payroll provider and ask them if your chosen pension scheme will work with your software.

For more information on checking your payroll go to www.tpr.gov.uk/payroll.

Will the scheme generate letters for my staff?

You have to write to your staff to tell them what is happening and how automatic enrolment affects them. Some pension schemes may offer to do this for you. If the pension scheme doesn't do this, we have letter templates which you can use, at www.tpr.gov.uk/writing. Alternatively, your payroll provider may offer this service.

If English is not the first language of your staff, you may want to consider whether the scheme will be able to provide communications in other languages.

What level of information and support will the pension scheme give me and my staff?

Pension schemes may offer you administrative support services such as processing opt-ins on your behalf, assessing your staff for automatic enrolment or providing dedicated support for your ongoing duties.

For your staff, it's important that the pension scheme you choose provides them with information about their pension savings. The scheme should regularly send communications to you and your staff. Some schemes may offer more online services too. If this is the case it should clearly explain:

- ▶ how much money they have saved
- ▶ how their investments are being invested and how they have performed
- ▶ what their projected savings will be at retirement
- ▶ how much of their contributions will be taken in charges
- ▶ whether the desired retirement income can be achieved at the current rate of contributions

Without this information, your staff will find it difficult to understand whether or not they are saving enough to give them the income they would like when they retire. Annual statements and other communications should help them understand how they are progressing towards their desired pension income.

How is money invested?

Any scheme that you use for automatic enrolment must have a default investment arrangement. This contains the investments that will be automatically selected if your staff don't make a choice about them. You may need to consider whether the scheme offers investment options that suit your particular staff needs, such as ethical funds or funds that are compliant with Sharia law.

What about costs and charges?

There will be a charge paid by scheme members. Charges paid out of member savings in default investment arrangements are capped at 0.75% per annum of the member's fund.

Some schemes may charge you for the cost of setting up a pension with them. The charges should reflect the services provided.

It is important that you weigh up the costs and charges paid by you and scheme members with the level of services provided by the scheme, as some of the services may make running automatic enrolment easier for you over the long term.

How do I know that the pension scheme is being well run?

The skills, knowledge and processes of the provider running your pension scheme are critical. If they are making decisions about investments for the scheme they will be under legal duties to ensure they have the knowledge and competence to do their jobs.

Group personal pension providers are regulated by the FCA and need to be approved to offer pensions and other financial products.

Trustees of master trusts are regulated by us and need to meet minimum standards of knowledge and understanding. Investment managers who work on behalf of group personal pension providers or the trustees of master trusts are regulated by the FCA.

When running your pension scheme, the provider will sometimes use a third party, eg an external investment manager or administrator. The pension provider, or the trustees in a master trust, retains ultimate accountability for the work that third parties carry out on their behalf.

Need help choosing a pension?

You could speak to a financial adviser about finding a scheme. The following private sector organisations may be able to assist you with finding a financial adviser. Please note that these organisations are not endorsed by government and the links to their websites are provided for information only.

- ▶ www.unbiased.co.uk
- ▶ www.vouchedfor.co.uk/auto-enrolment

If you have an accountant or employee benefit consultant (EBC), they may be able to help you to find a scheme or an adviser that can help.

How to contact us

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customersupport@tpr.gov.uk
www.tpr.gov.uk

www.trusteetoolkit.com
Free online learning for trustees

www.pensionseducationportal.com
Free online learning for those running public service schemes

A quick guide to **selecting a pension scheme for automatic enrolment**
Information for employers

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A quick guide to

setting up payroll

Making automatic enrolment easier

Information
for payroll
professionals
and business
advisers

Employers in the UK are now required by law to automatically enrol certain staff into a pension scheme. If their payroll system is ready for this, they'll find automatic enrolment much easier to implement and run on an ongoing basis.

How can payroll make automatic enrolment easier?

Appropriate payroll systems can:

- hold information required for automatic enrolment, including staff name, address, date of birth and earnings, so employers pay the right amount of pension contributions for the right person at the right time
- generate the correct worker contribution and data in the format that pension providers require
- assess staff to see who needs to be automatically enrolled in each pay cycle
- calculate contributions for both the employer and staff, and then deduct the staff contributions from their pay, and
- if possible, produce worker communications like letters to inform workers of their rights.

If the payroll system doesn't do this, and the employer's chosen pension scheme doesn't either, then the employer will have to find alternative methods to complete these tasks. They may want to consider using third party software or service providers, potentially including pension providers.

Getting started

Before reviewing their payroll arrangements, employers should have:

- found out when automatic enrolment will affect them (their staging date)
- nominated a contact for automatic enrolment
- put a plan in place so that they will be ready by their staging date, and
- chosen a pension scheme for automatic enrolment.



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Steps for getting payroll ready

You and your client will need to be ready to follow these steps on their staging date and potentially every pay cycle after staging (where required):

1. Assess staff to find out who to automatically enrol
2. Calculate staff and employer pension contributions and deduct the staff contributions from their pay
3. Send the pension scheme provider the information they require
4. Tell staff about automatic enrolment by letter or email
5. Pay over pension contributions to the pension scheme by the deadlines they have specified
6. Allow staff to opt in or join a pension scheme
7. Manage opt-outs within the opt-out period and promptly refund contributions
8. Complete a declaration of compliance with us
9. Keep records, and
10. Automatically re-enrol all eligible staff every three years.

Testing whether your client will be ready

The following table covers the main areas that your client's payroll system, and the way in which it interacts with their chosen pension scheme, should be tested ahead of their staging date.

Ownership	<ul style="list-style-type: none">• Who will be responsible for handling each of the duties listed above?• What person and/or software inside or outside the employer organisation will do each of these?• If a task is being done by an outside organisation, such as a payroll bureau or accountant, are both they and the employer clear on what they're expected to do and by when?
Staff information	Are the details for all staff correct and up to date? This includes full name, address, email address, date of birth and National Insurance number.
Pay Reference Period	<ul style="list-style-type: none">• Which type of pay reference period is supported by the employer's payroll software or system? Calendar-based or tax period based?• Is that type of pay reference period accepted by the pension provider?

[continued...](#)

Data format	<ul style="list-style-type: none"> • Can the employer's payroll software/system generate data files that are compatible with the pension provider's system? • Has the employer processed a dummy payroll run ahead of their staging date and sent test data to the pension provider? • Has an accountant or payroll specialist checked that dummy payroll run? • Has the pension provider accepted the data? Have they reported any errors?
Assessing staff	Is the payroll software/system set up to identify and flag which pay elements are qualifying earnings?
Contributions	<ul style="list-style-type: none"> • Will the pensionable pay elements have been identified and flagged? This may not be the same as qualifying earnings unless the pension scheme defines pensionable pay as qualifying earnings. • Is the payroll software/system set up to deduct the correct level of contributions?
Tax relief	<ul style="list-style-type: none"> • How does the pension scheme apply tax relief? • Does it use tax relief at source or a net pay arrangement? • Is a salary sacrifice scheme in place?
Telling staff	Has there been a test run of different types of letters that will need to be sent to the different types of staff? (Our template letters can help at www.tpr.gov.uk/writing)
Timing	<ul style="list-style-type: none"> • Will data be sent to the pension provider at the right time? • What day does the provider need to receive the information? • Will payroll need to run earlier in its cycle to allow time to send letters to staff?

Next steps

- Find out when automatic enrolment applies to your clients with our staging date calculator at www.tpr.gov.uk/employers/staging-date
- Guide your clients through the basics with our introduction to automatic enrolment at www.tpr.gov.uk/essential-guide
- Find more information and resources to help your clients get ready for automatic enrolment at www.tpr.gov.uk/help-clients-prepare

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A quick guide to payroll

Information for payroll professionals and business advisers

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