

PENSION AUTO-ENROLMENT

A quick guide to pension auto-enrolment

December, 2013

What is Pension Auto-enrolment?

In order to ensure workers save adequately for retirement, the Government has introduced pensions auto-enrolment. Under the Pensions Act 2008, employers are obliged to auto-enrol specified workers into qualifying pension schemes and make employer contributions.

The obligation started in October 2012 with the largest employers and will be rolled out over a six year period and phased in according to numbers of workers with smaller employees.

Once enrolled into a qualifying pension scheme, workers are entitled to opt out of the scheme. However, they cannot choose to opt out of being enrolled into the scheme.

From the point that the auto-enrolment duties apply to it, an employer is obliged to auto-enrol both new workers and existing workers who are not already in a qualifying pension scheme.

What happens if you don't comply?

Safeguards have been put in place to ensure that employers comply with their pensions auto-enrolment duties. The Pensions Regulator will impose fines of up to £10,000 per day for non-compliance.

"I'm in!"

- Theo Paphitis, Entrepreneur

"I'm in!"

-Karren Brady, Businesswoman

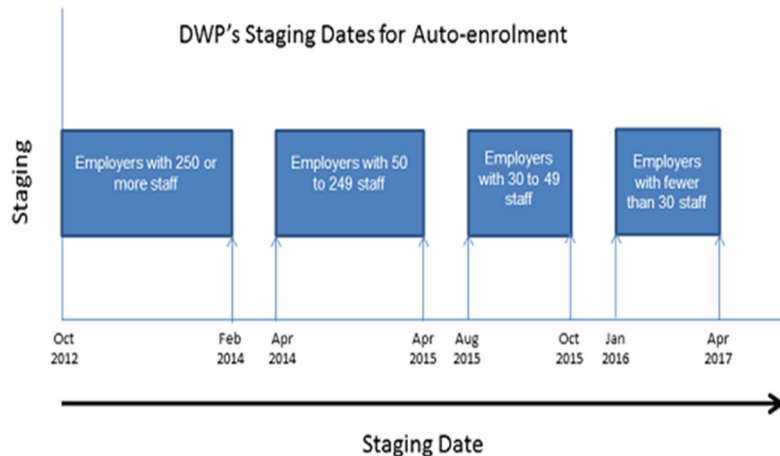
We've all seen the advertisements but what does this mean to the SME?



Ensuring workers save adequately for retirement

In This Issue

- A step-by-step guide through the process of auto-enrolment
- How to find out your staging date
- What you the employer has to contribute
- What happens if you don't comply
- How Isosceles can help with all stages including ongoing administration



Staging dates

Confirm staging date

The staging date is the date on which the pensions auto-enrolment duties will apply to you. All you need to confirm your staging date is visit the Pension Regulator's website www.pensionregulator.gov.uk and enter your PAYE reference number.

The employer has one month from its staging date to complete auto-enrolment for eligible workers. There is an option to bring the staging date forward in order to avoid a particularly busy or inconvenient period for the business. You cannot delay your staging date, however in some circumstances you can apply postponement which will allow an employer to postpone automatic enrolment for up to three months.

Analyse the workforce

An analysis needs to be carried out well in advance of the staging date to get a good idea of how many workers will be classed for auto-enrolment. This will help to determine what preparations are needed, the likely cost in terms of increased pensions contributions and administrative expense and which pension scheme will be most appropriate.

Decide on the right pension scheme

To be a 'qualifying scheme' for the purposes of auto-enrolment, minimum quality standards must be met.

If there is already a scheme in existence, does it qualify or can it be changed to meet the requirements? You may decide to look for an alternative scheme that offers more to employees.

You may not have a pension scheme and have to start from scratch.

Pensions schemes are complex and before choosing your scheme you should work with an IFA (Independent Financial Advisor) to ensure you receive the correct advice.

What do you have to do?

There are eight stages which begin 12-18 months prior to your staging date. Responsibilities span HR, finance and payroll.

1. Confirm your own staging date
2. Analyse workforce
3. Decide on the right pension scheme
4. Put the administrative procedures in place and prepare required data, set up within payroll
5. Communicate with workers
6. Enrol eligible jobholders, manage opt-outs and opt-ins
7. Register with The Pensions Regulator and keep records
8. Establish a process for the ongoing management and administration of the scheme



Administration of records is vital

Impact on the business

The administration will fall across different areas—HR, payroll, finance

It will also involve working with new third parties, e.g. an IFA, the pension scheme provider and The Pensions Regulator.

Some employers will have individual systems and software supporting their different functions. Where this is the case, an employer will need to ensure that the relevant systems and processes can interact and communicate with each other.

This may involve changes to business software. Business software providers have already been made aware of the changes they will need to make so that their products are able to support the new employer duties.

Making changes to software and processes can take time so employers should plan ahead. Working with third party suppliers such as payroll software providers and the pension provider or administrator to ensure any necessary changes are made on time.



Analyse the workforce to determine what preparations are needed

Put administrative procedures in place and prepare required data, review and set up payroll software

Once the scheme has been decided, there are a number of administrative steps to ensure that duties are fulfilled.

Ensure you have procedures in place to deduct and pay contributions to the pension scheme, monitor the ages and earnings of workers.

You should review your payroll software and consider introducing a software solution to help with the administrative burden.

Communicate to workers

The Pension Regulator advises following a communications plan to raise general awareness of auto-enrolment prior to your staging date and to keep your workers fully informed throughout the process.

Enroll eligible jobholders, manage opt-outs and opt-ins

You will need to provide the pension scheme with all the information they require to get all eligible jobholders active membership.

You will need to manage the process of opting out//opting in.

All eligible jobholders must be enrolled but have a right to opt-out if they choose, there is a one month window following auto-enrollment to process any jobholders electing to opt-out.

You will need to process jobholders entitled to opt-in into the pension scheme if they choose.

| Date | Total minimum contribution | Minimum employer contribution | Minimum difference to be made up by employee % (including tax relief) |
|--------------------------------|----------------------------|-------------------------------|---|
| October 2012 to September 2017 | 2% | 1% | 1% |
| October 2017 to September 2018 | 5% | 2% | 3% |
| October 2018 | 8% | 3% | 5% |

What will I need to contribute

Register with The Pensions Regulator and keep records

There is a legal requirement to submit information to The Pensions Regulator within four calendar months of your staging date. There is also a legal requirement to keep certain records usually for six years.

Establish a process for the ongoing management of the scheme

This will include, paying contributions to the pension scheme, processing opt-outs and opt-ins, monitoring ages and earnings, assessing new starters.

How can Isosceles help?

Isosceles has purposely developed a simple solution to support you in meeting your duties as an employer under auto-enrolment and ensure that your employees understand the benefits that you are providing

We can support you throughout the implementation of your company pension scheme, providing a tailored solution that gives you as much or as little involvement as you and your business require.

We can assess your entire payroll for you, identifying all eligible and non-eligible job-holders and entitled workers and will gladly contact all categories of job holders to ensure that you are fully compliant with your communications obligations.

We can automatically enroll everyone you need us to so that you have the comfort that you have met your auto-enrolment duties. We can also liaise with any non eligible jobholders who wish to join.

We can provide you with all of the information you need to fulfil your reporting obligations to the Pensions Regulator.

Contact Us

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Visit us on the web at
www.isoscelesfinance.co.uk