

Auto enrolment is the commonly used term for the Government's workplace pension reforms for employers announced in October 2012.

The legislation is being introduced in stages between 2012 and 2018.



The exact date is determined by the PAYE reference of the business and from that staging date onwards, employers must meet their new duties under the legislation. It means that firms will have to automatically enrol all eligible staff into a qualifying workplace pension scheme, pay pension contributions and adopt new administration and audit processes to comply with the new regulations.

Once the staging date is known, planning to meet the obligations can start as there is not just a monetary pension contribution to consider, but also the cost of administration. Employers are required to review their workforce, analyse what pension arrangements are already in place and what additional arrangements will be required to fulfil auto enrolment responsibilities.

When reviewing the workforce, it will be necessary to sort employees into three categories – **Eligible Jobholders**, **Non Eligible Jobholders** and **Entitled Workers** – at the staging date, and at each payroll run thereafter.

The Eligible Jobholders must be

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enrolled into a workplace pension scheme and the employer must pay a pension contribution for them. These eligible workers will be over the age of 22 and not yet at state pension age, earn more than £10,000 per annum and work, or ordinarily work in the UK.

Non Eligible Jobholders (who do not qualify for automatic enrolment) may elect to join their employers' scheme and

the employer must pay a contribution. The Non Eligible category is wide reaching, and may potentially include many part time employees or those on variable contracts. These workers may meet the age criteria, but be low earners (between £5,832 and £10,000). Or, they can earn above the income level set out above, but are below age 22, or above state pension age (up to age 74).

The third category is Entitled Workers. They can join the workplace pension scheme and make a personal contribution but there is no requirement for the employer to pay. These workers will be earning £5,832 or less.

Employers will need to establish whether they have a pension scheme in place that can be used for the purpose of auto enrolment, and whether it meets the minimum requirements set out in the legislation. If the existing scheme cannot be used, a new workplace pension scheme will be required. It should be noted that any existing scheme in place may need to be changed and the workforce need to be consulted on the changes being implemented.

By 30 September 2018, the minimum employer

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contribution will be 3% of earnings for each eligible employee, although these contribution rates can be phased in - 1% from the staging date and 2% from 1 October 2017.

Therefore, when reviewing the workforce, thought should be given to how many workers must be auto enrolled, or who may elect to join and equally, how many may decide not to join. Careful budget consideration is required if inertia occurs within the workforce, as members have to opt out, not opt in.

Once the workforce categories have been assessed, this allows the employer to budget for pension contributions. However the cost of implementing the system and setting up the controls required to ensure the legislation is complied with should also be considered.

Who within the company will fulfil this role? Will this be the business owner, a finance manager, the payroll person? Each employee category must be communicated with during their time in the company and there is a need to ensure employees receive the correct communication at the right time, and pension contributions are paid to the pension scheme when deducted.

In summary; the reforms require employers to undertake to pay pension contributions and run a workplace pension scheme in accordance with the legislation. This can be complex and it is vital that expert advice is taken.

For assistance with auto enrolment please contact us by telephone or email as noted below.

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COMMITTED - Our business is all about looking after you, the client - each client has a designated Independent Financial Adviser and support allowing you to build a professional and personal relationship over the years.

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