



CHARTERED ACCOUNTANTS

Auto-enrolment and your business

Your questions answered...



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Automatic enrolment is a complex issue. So even though the date when your business is affected may still seem a long way off, it's sensible to start planning for auto-enrolment at an early stage.

By taking action now, when the time does come to start automatically enrolling your eligible workers into a qualifying workplace pension, you will be ready to hit the ground running.

This brochure is designed to answer some key questions you may have about auto-enrolment issues, but professional advice is essential to ensure that you fulfil your obligations correctly and achieve compliance.

How we can help at a glance

- Reviewing systems to help you prepare for auto-enrolment
- Identifying the costs of auto-enrolment
- Assisting with setting up a NEST pension
- Advising on salary sacrifice or certification
- Assisting with the auto-enrolment information you need to send to your employees
- Payroll bureau support for auto-enrolment

Financial Management

- Reviewing existing pension schemes for auto-enrolment compliance
- Advising and assisting with setting up a new, auto-enrolment compliant pension scheme
- Carrying out pension reviews for individual employees



What is auto-enrolment?

Automatic enrolment (or auto-enrolment) is a government initiative to help more people to save for retirement. By 2018, all employers will be legally required to enrol eligible jobholders into a qualifying workplace pension scheme, although workers can opt out. Both employers and jobholders will be required to contribute.

When will auto-enrolment affect me?

Employers join the auto-enrolment initiative on what is known as their staging date, based on how many employees they had in April 2012, although they can start earlier if they wish. The scheme started with the largest employers in October 2012 and is being rolled out to businesses in decreasing order of size.

You can find out your staging date by visiting the Pension Regulator's website at www.thepensionsregulator.gov.uk – remember you need to register your pension scheme four months before your staging date.

What is a qualifying pension scheme?

A qualifying scheme is one that enables auto-enrolment and meets legislative requirements. It can be an existing scheme that has been compliance-checked (and modified if necessary) or a new scheme set up specifically for auto-enrolment.

NEST (National Employment Savings Trust – www.nestpensions.org.uk) is a low-cost scheme that is open to any employer and to self-employed people. It has the advantage that a NEST pension “pot” follows the individual if they change jobs.

Who do I need to enrol?

For auto-enrolment purposes, workers fall into different categories, with different rights. Very simply, these are:

- **eligible:** aged between 22 and the state pension age and earning more than £10,000 – they must be automatically enrolled and both employee and employer contribute
- **non-eligible:** aged between 16 and 22 or between state retirement age and 75 and earning over £10,000 *or* aged 16-75 and earning between £5,772 and £10,000 – not eligible for auto-enrolment but can choose to opt in, with both employee and employer contributing
- **entitled:** aged 16-74 and earning less than £5,772 – they have the right to join a pension scheme, which can be different to the one they use for auto-enrolment. The employer can choose not to contribute.

An eligible jobholder can choose not to be auto-enrolled or, once enrolled, can opt out at any time. If they have previously opted out, they can ask to be enrolled at any time.

How much do I need to contribute?

You must contribute a minimum percentage, based on a band of qualifying earnings (between £5,772 and £41,865 in the 2014-15 tax year, including payments such as overtime and bonuses). Until 30 September 2017, your minimum contribution will be one per cent, rising to two per cent between 1 October 2017 - 30 September 2018 and three per cent from 1 October 2018. You can choose to contribute more if you wish.

Employees will also contribute, with the total (employee and employer) minimum contribution set at eight per cent from 1 October 2018.



So how much could it cost?

Costs will vary from employer to employer, but as a guideline, if you employ ten people with average qualifying earnings of £25,000, your costs would start at £1,933 and rise to £5,799 by October 2018.

Are there any alternatives to the qualifying earnings approach?

Certification may be a useful option. You can use certification when pension contributions are based on a definition of earnings that differs from the qualifying earnings band and/or when total earnings tend to fluctuate.

A salary sacrifice arrangement can be used to make the employee's payments into the scheme, which would reduce both their and your national insurance costs. You would need HM Revenue & Customs' agreement for such an arrangement.

What happens if I don't comply?

The auto-enrolment penalty regime ranges from a requirement to correct a breach (or pay unpaid contributions) within a set time to very substantial financial penalties and even a prison sentence.

How do I know if my existing pension scheme is auto-enrolment compliant?

We can carry out a detailed review of the scheme, including discussing with you what you want from the scheme, looking at the funds available and the ability of the scheme to meet your requirements and your auto-enrolment obligations.

Then we'll provide a written report to confirm our findings and the options available to you.

I don't have a pension scheme for my business. Can you help me put one in place?

Yes, we provide a full service to set up a pension scheme, starting with discussing with you what you want from the scheme and identifying issues that could affect members, such as salary sacrifice and the annual tax-free allowance for pension savings, the number of employees and total contributions payable.

Then we'll research schemes that can meet your requirements and provide a report and recommendations for a new scheme. We can help to set up the scheme and explain options to employees as well as providing annual pension review meetings for employees.





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