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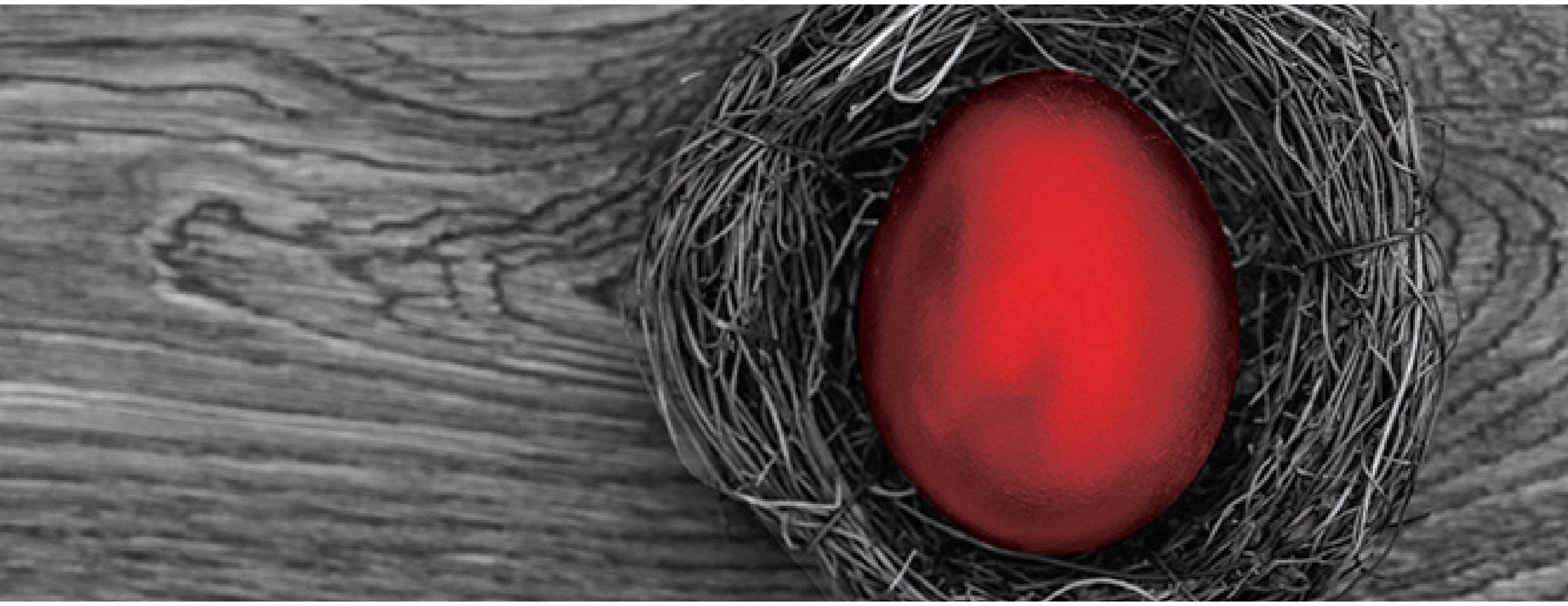

A guide to Auto Enrolment and your duties as an employer

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Getting ready for Automatic Enrolment

The Government has introduced new rules to ensure that all employees have access to a workplace pension so that they can save for their retirement.

Starting from October 2012, every employer will to need to have a qualifying pension scheme in place by their 'staging date' which is the specific deadline set by the Pensions Regulator. You will also have to automatically enrol certain workers into that scheme and make contributions on their behalf.

The new legal duties of employers are detailed within hundreds of pages of legislation which cover what the duties are, when they will apply and what happens if you do not comply with them.

This guide provides a summary of your duties and will help you to understand

- when the changes affect you
- what you need to do
- the employer duties you will have for each type of worker
- earnings and what you and your workers will have to contribute
- what will happen if you do nothing

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When the changes affect you

The date from which the new employer duties will apply is known as your staging date.

You should have already received a letter from The Pensions Regulator (TPR) confirming your staging date along with basic information about your employer duties. You will also receive a reminder three months before your staging date.
They may also send you additional communications by email.

You can check your staging date at **www.thepensionsregulator.gov.uk**

Failure to have a qualifying pension scheme in place by the staging date will result in penalties being charged.

Impact on your business

Employers will also be required to make pension contributions on behalf of their employees. This will be an additional cost to the business. In addition, you will also be responsible for deducting pension contributions from employee wages and paying these over to the chosen pension provider.

What you need to do and when

Here is a summary of what you will need to do before, on and after your staging date.

Before your staging date

- Assess how your workforce will be structured on your staging date to determine what duties you will have for each type of worker.
- Choose a pension scheme for workers who will be automatically enrolled or who wish to opt-in, and agree how this will be set up.
- Engage with your payroll providers.
- Communicate the changes to your workforce.

On your staging date

- Tell your workforce about how automatic enrolment affects them.
- Automatically enrol certain workers into your pension scheme.
- Invite other types of worker to join or opt in to your pension scheme.

After your staging date

- You must complete a declaration of compliance by five months after your staging date at the latest.
- Maintain records to prove compliance with the employer duties.
- Continue to automatically enrol certain workers into your pension scheme.
- Run an opt in/joining process for other workers.
- Ensure the correct contributions are deducted and paid into the pension scheme.
- Manage opt outs, process refunds and re-enrol workers every three years.
- Monitor age and earnings every time you pay a worker as workers can move between different categories.
- Re-declare compliance every three years.

It's time to start planning

There is a lot of work to do to meet your employer duties and it's important to start this work as early as possible to have everything on place for your staging date.

We can help you with all stages of the process and advise on how to mitigate the costs and minimise the disruption to your business.

Employer duties for different types of worker

The Automatic Enrolment legislation sets out the employer duties for different types of workers who normally work or ordinarily work in the UK including Northern Ireland. The tables below show the different types of worker and an overview of the employer duties you will have for each.

The different types of worker

Earnings age (inclusive)	16-21	22 - state pension age	State pension age - 74
Under lower qualifying earnings threshold (£5,824)*	Entitled worker		
More than £5,824 and up to £10,000*	Non-entitled jobholder		
Over automatic enrolment earnings trigger (£10,000)*	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

*These figures are expected to change yearly and it is the pro rata'd threshold depending on the Pay Reference Period.

Employer duties

Type of worker	Employer duty
Eligible jobholder	Eligible jobholders must be automatically enrolled into an automatic enrolment scheme. You must make at least the minimum employer contribution for these workers for as long as they remain an active member of the scheme.
Non-eligible jobholder	Non-eligible jobholders must be offered the opportunity to opt in to an automatic enrolment scheme. You must make at least the minimum employer contribution for these workers for as long as they remain an active member of the scheme.
Entitled worker	Entitled workers must be offered the opportunity to join a pension scheme. They can make contributions to the pension scheme if they choose. However, there is no requirement for you to make a contribution.

Employee contributions

You must identify the different types of worker and calculate their pension contributions accordingly. You will then deduct this amount from the employee's wage and pay this over to the pension provider each pay period.

Qualifying earnings and what your workers will have to contribute

You have several options to be able to determine how much of an employee's earnings are pensionable.

Method 1 - Qualifying earnings

With this option minimum contributions are based on an earnings band, called qualifying earnings.

Qualifying earnings are defined as earnings between £5,772 and £41,865 (although these figures are expected to change yearly) and include salary; wages; commission; bonuses; overtime; statutory sick pay; maternity or adoption pay; ordinary or additional statutory paternity pay; any other pay element which could be considered any of the elements mentioned previously, and any pay element the employer pays which could be considered in the employer's reasonable judgement to be qualifying earnings.

Employer's staging date	Employer minimum	Employee minimum	Total
To 30 September 2017	1%	1%	2%
1 October 2017 to 30 September 2018	2%	3%	5%
1 October 2018 onwards	3%	5%	8%

Qualifying earnings

This table shows the percentage of qualifying earnings that the employer and employee must contribute to the pension scheme each pay period.

Method 2 - Certification

As an alternative to using the qualifying earnings definition, you can use certification. With certification, minimum contributions will be based on a scheme definition of pensionable salary and contributions will be based on the first pound of pensionable salary.

You must certify your scheme in line with the guidance provided by the Department for Work and Pensions (DWP). However, you can delegate the calculations to an authorised person such as a financial advisor or an accountant. You can certify in advance that your scheme will meet the quality requirements for up to 18 months.

Options for certification are shown on page 6.

Options for Certification

There are three options for certification available:

1. 7% minimum basis

All earnings are defined as salary; wages; commission; bonuses; overtime; statutory sick pay; maternity or adoption pay; ordinary or additional statutory paternity pay; any other pay element which could be considered any of the elements mentioned previously, and any pay element the employer pays which could be considered in the employer's reasonable judgement to be earnings.

	Total contribution	Employer contribution	Definition of pensionable salary
Minimum requirements	7%	3%	All earnings

2. 8% minimum basis

Pensionable salary must be at least basic pay and doesn't need to include variable pay such as bonuses, overtime and commission. In addition, the total pensionable earnings of all staff must be at least 85% of total earnings.

	Total contribution	Employer contribution	Definition of pensionable salary
Minimum requirements	8%	3%	Scheme specific definition

3. 9% minimum basis

Pensionable salary must be at least basic pay and doesn't need to include variable pay such as bonuses, overtime and commission.

	Total contribution	Employer contribution	Definition of pensionable salary
Minimum requirements	9%	4%	Scheme specific definition

What will happen if you don't comply

The Pensions Regulator will be responsible for ensuring that you comply with your employer duties.

Although they are committed to focusing on education rather than imposing penalties, they do have the powers to take action against employers who fail to carry out their duties.

The three stage process for non-compliance that TPR will follow is shown in the table below.

Stage 1	**Compliance/unpaid contributions notice** This notice will detail the breach and require the employer to put things right within a specific timescale. A notice may also include a requirement to pay contributions with interest added.
Stage 2	**Fixed penalty notice - £400** This notice will require employers to put right the breach identified in the previously issued compliance notice. Employers will be given at least four weeks from the date of the fixed penalty notice to put things right. Failure to comply by the specified date will result in a fixed penalty being applied.
Stage 3	**Escalating penalty notice** If an employer fails to comply with the original compliance notice and subsequent fixed penalty notice, they will face daily escalating penalties.

Number of people*	Daily rate
1-4	£50
5-49	£500
50-249	£2,500
250-499	£5,000
500 or more	£10,000

* This is generally the number of people in the employer's PAYE scheme or the number of people affected by unpaid contributions. Where this number is not readily available, TPR may use various sources of information to estimate this number.

Other penalties

There are three other types of penalties The Pensions Regulator can impose on employers. These are detailed below.

Wilful failure to comply	Employers who wilfully fail to comply with the employer duties face fines and/or up to two years' imprisonment.
Inducements	Employers who induce workers not to join or to opt out of a pension scheme will be subject to the three stage compliance process.
Prohibited recruitment conduct	Employers are not allowed to make any statement or ask any question during the recruitment process, which indicates (either explicitly or implicitly) that the worker may not join, or may opt out of a pension scheme. Separate penalties apply to employers using prohibited recruitment conduct. Number of people* — Daily rate 1-4 — £1,000 5-49 — £1,500 50-249 — £2,500 250 or more — £5,000

Number of people*	Daily rate
1-4	£1,000
5-49	£1,500
50-249	£2,500
250 or more	£5,000

* This is generally the number of people affected by any breach identified.

How we can help you

We understand that the task of setting up and running a pension scheme for your employees may seem like a daunting one. Our experienced team is here to support and advise you every step of the way.

We can help you to prepare for and comply with all your employer duties in respect of Automatic Enrolment including:

- Reviewing any pension provision you already have in place
- Assessing your workforce to determine your duties for each worker
- Appraising the options available to you and making suggestions for an appropriate pension provider and scheme for your needs
- Considering contribution structures to help reduce the costs and the amount of changes you will need to make
- Putting in place a plan to ensure you will be able to meet your employer duties within the necessary timescales.

Your next steps

Please get in touch as early as possible before your staging date.
Call your local RfM office to arrange a meeting with an RfM advisor
or email **enquiries@rfm-more.co.uk**

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