The Auto Enrolment process

For employers, Auto Enrolment is a must and not just an option. To fulfill the obligations a process has to be completed and below we go through the steps that need to be taken

Staging Date.

This is the date by which you must have a workplace pension in place to meet your auto-enrolment obligations

The staging date depends upon the number of employees that you have and is set by the Pensions Regulator. It varies according to the number of employees who appear your co's largest PAYE scheme as at 1st April 2012 and upon your PAYE ref No. It includes both current employees and retirees who still receive pension payments through the company payroll.

Company Structure.

There are also certain criteria surrounding company subsidiaries and whether employee contracts are held centrally or within the subsidiary. There are also staging date issues for companies involved in acquisitions since 1st April 2012.

How can the staging date be checked?

You would have had 12 months' notice and a 3 month reminder of your staging date, but you can contact the Pensions Regulator to confirm the correct date.

The Pensions Regulator, Po Box 16314
Birmingham B23 3JP

0845 600 1011 or customersupport@autoenrol.tpr.gov.uk

Which workers need to be assessed?

Traditional employees who are contracted to work for your company. Also executive directors and some office holders if they have a contract of employment, but probably not any non-executive directors
Self-employed workers also need to be assessed if they meet the criteria.

Once assessed it needs to be decided which eligibility criteria the employee falls into.

- **"Eligible Jobholders"**

These are any workers who have annual earnings of more than £10,000 pa (2016/17) and are aged between 22 and State Pension Age. They must be auto-enrolled into your workplace pension and you should make contributions on their behalf.
Once enrolled they can opt-out of your workplace pension by completing an opt-out notice. A record will need to be kept of employees who are opting out so they can be re-enrolled on the next 3yr anniversary of your company's staging date.

- **"Non-eligible Jobholders"**

These are any workers who receive earnings in a pay period equivalent to annual earnings of between £5,824 and £10,000 (2016/17).
Workers who earn more than the equivalent of £10,000pa and are aged 16 – 21 or between their State Pension Age and 75 are also "non-eligible" jobholders.
These workers do have the right to opt-in to your workplace pension, in which case you will need to trat them as an "eligible" jobholder.

- **"Entitled Workers"**

These are workers between 16 and 75 who receive earnings in a pay period equivalent to annual earnings of less than £5,824 (2016/17). They have the right to join your workplace pension, but there is no obligation upon you to contribute to their pension.

The mechanics of enrolment

It falls upon the employer to continually assess the work force and this may lead to additional work for your payroll team. However there are a number of options which can help to make this more manageable.
Most major payroll software providers can incorporate Auto enrolment and ensure the correct pension contributions are paid

Cont….

However, if your payroll software can't accommodate auto enrolment or you are looking for a more bespoke solution to the increased admin burden, AV Trinity are well placed to help.

Contributions

The amount you and your workers will need to contribute will depend on how earnings are defined.

➢ **"Qualifying Earnings"**

This is the most common basis on which contributions are calculated. Contributions are expressed as a % of the employees total earnings between the lower and upper limit of the qualifying earnings band. These limits will vary depending the length of your pay period and are the equivalent of £5,824 and £42,385pa (2015/16).

	Total contribution required	Minimum employer contribution	Employee potential contribution
To Sep 2017	2%	1%	1%
Oct 2017 to Sep 2018	5%	2%	3%
Oct 2018 onwards	7%	3%	4%

➢ **"Basic pay"**

Contributions are expressed as a % of basic salary, excluding commission, bonuses, overtime or similar payments. Additional allowances can also be excluded.

	Total contribution required	Minimum employer contribution	Employee potential contribution
To Sep 2017	3%	2%	1%
Oct 2017 to Sep 2018	6%	3%	3%
October 2018 onwards	9%	4%	5%

➢ **"Basic pay of at least 85% of total earnings"**

Contributions are also expressed as a % of basic salary, however this basis can only be used where basic pay across those using this set averages out to at least 85% of total earnings. It allows for a lower % to be paid.

	Total Contribution required	Minimum Employer contribution	Employee potential contribution
To Sep 2017	2%	1%	1%
Oct 2017 to Sep 2018	5%	2%	3%
October 2018 onwards	8%	3%	5%

"Total earnings"

Contributions are a % of everything an employee earns, including commission, bonus or overtime. Unlike qualifying earnings there's no lower or upper limit.

	Total contribution required	Minimum employer contribution	Employee potential contribution
To Sep 2017	2%	1%	1%
Oct 2017 to Sep 2018	5%	2%	3%
Oct 2018 onwards	7%	3%	4%

Pension Contributions

Pension contributions

Pension contributions are structured so that an overall minimum amount is set. Your company will then need to pay a minimum % contribution, leaving the employee to make up the required minimum to meet the overall amount required.

Cont ….

Example:

If the overall minimum contribution required is 8% and the employer is required to pay a minimum of 3%, each worker who is auto-enrolled into the scheme will need to pay at least 5%. Alternatively, you could offer to match contributions whereby you each pay a 4% contribution.

Is your pension competitive?

This can be difficult to assess and you really need to seek independent advice from a qualified IFA who has the in-house expertise required to deal in this area of pensions

Whether you've yet to reach your staging date, or have already passed it - you'll need to review the workplace pension you're using to enrol your employees to ensure it is 'qualifying'.

There are certain criteria that a pension scheme has to meet in order for it to be "qualifying"

- It is a registered pension scheme.
- Contribution levels available comply with the minimum amounts required under the auto-enrolment rules.
- There needs to be formal agreements between the parties that the minimum contribution requirements will be met in the correct way.
- From April 2015 a charge cap of 0.75% applies to members of the default fund.
-

So, there is much onus on the shoulders of employers to comply with the Auto Enrolment requirements and failure to do so can lead to fines being levied – this is not something that can be put on the back burner !

AV Trinity are well placed to help with advice on Auto Enrolment issues and have much experience in guiding employers through the legislative requirements and helping them to minimise the additional administration tasks that Auto Enrolment demands.

Both Cammas MacCormick and Peter Banks, two of our advisory team at AV Trinity, have in depth knowledge of Auto Enrolment and are available to discuss your company's situation.

An initial meeting will be at our cost, and will outline how we can help.

Please contact us on 01892 612500

info@avtrinity.com

AV Trinity are Chartered Financial Planners

AV Trinity Limited
77 Mount Ephraim, Tunbridge Wells, Kent TN4 8BS UK - 01892 612500 – www.avtrinity.com
Registered No. 04463655
Authorised and regulated by the Financial Conduct Authority No. 182032