Example&Co.

ANY HOUSE / BUILDING, ANY TOWN, ANY COUNTY, ANY POSTCODE
TEL: 0123 456 789 FAX: 0123 456 789 EMAIL: anyname@anywhere.co.uk

www.anyname.co.uk

a fresh look at accountancy

Pensions automatic enrolment:
key information for employers

While the phased implementation of pensions auto-enrolment may be complete, the severe penalties for non-compliance mean it is vital that employers continue to meet their ongoing legal responsibilities.

Auto-enrolment: an overview

Automatic enrolment was first introduced in 2012, with the aim of encouraging more people to save for their retirement. The legislation places duties on employers to automatically enrol eligible 'workers' into a work-based pension scheme and pay a minimum contribution into the fund.

An employer's main duties are:

- Assessing the types of workers in the business
- Providing a qualifying automatic enrolment pension scheme for the relevant workers
- Writing to most of their workers explaining what automatic enrolment into a workplace pension scheme means for them
- Automatically enrolling all 'eligible jobholders' into the scheme and paying employer contributions
- Completing the declaration of compliance and keeping records
- Completing the re-enrolment process every three years.

For businesses that do not currently have any employees, their automatic enrolment duties will start when they employ their first member of staff (known as the duties start date).

Assessing the workforce

When assessing their workforce, an employer must determine whether they employ anyone classed as a 'worker'. A worker may be:

- An employee, or
- A person who has a contract to provide work or services personally and is not undertaking the work as part of their own business.

There are three categories of workers: eligible jobholders; non-eligible jobholders; and entitled workers.

Eligible jobholders for whom automatic enrolment is required are those who:

- Are aged between 22 years and the State Pension Age (SPA)
- Have qualifying earnings above the £10,000 earnings trigger for automatic enrolment
- Are working, or ordinarily working, in the UK
- Are not already a member of a qualifying pension scheme.

Other workers (non-eligible jobholders) may have the right to 'opt in' (i.e. join a scheme), and should therefore be treated as eligible jobholders. 'Entitled workers' have a right to join the scheme but there is no requirement on the employer to make employer contributions in respect of these workers.

Even where an employer does not have any staff that are currently eligible for automatic enrolment, they will still need to fulfil their other legal duties, including completing the declaration of compliance.

Employer contributions

All businesses will eventually need to contribute at least 3% on the qualifying pensionable earnings for eligible jobholders. However, to help employers to adjust, compulsory contributions are being phased in.

The employer minimum contribution increased from 1% to 2% from 6 April 2018, with a further rise planned in April 2019. It is the employer's responsibility to ensure that these increases are implemented.

Period	Duration	Employer minimum	Employee contribution	Total minimum contribution
1	Employer's staging date to 5 April 2018	1%	1%	2%
2	6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 onwards		3%	5%	8%

While in most cases the employee will need to contribute, an employer may choose to pay the full 8% or even higher.

Contributions are payable on earnings between the lower th… £6,032 and the higher threshold of £46,350 in 20… between these amounts are called qualify… are reviewed each tax year.

Earnings cover all of the follo…

- Salary
- Wages
- Commission
- Bonuses

EMPL…

Employe… auto-en…

Re-…

Emplo… an aut… reasse… their c… require… The Pe… re-enro…

As part o… to carry o…

- **Choose** … which to … months be… date. There is…
- **Reassess the w…** … assess employees … subsequently either: … scheme; left the pensio… period; or stopped or reduc… the minimum level (and who me… to be re-enrolled). Once the assessme… should re-enrol eligible staff into a qualifyi… making contributions within six weeks of their re-en…
- **Write to those who have been re-enrolled** – the employer will need to write to each employee who has been re-enrolled into the pension scheme. This should be done within six weeks of the re-enrolment date. Template letters are available at: **www.thepensionsregulator.gov.uk**.
- **Complete the re-declaration of compliance** – the employer is required to complete and submit the re-declaration of compliance to TPR. This should be done within five months of the third anniversary of the staging date, even if no staff have been re-enrolled.

Remember, re-enrolment and re-declaration is a legal requirement and failure to comply with the regulations may result in a fine.

Monitoring staff

It is important for employers to keep track of their employees' ages and earnings as some members of staff may move between the different categories of worker. This is especially important for workers who earn below the qualifying earnings threshold, or who are under 22 years of age. Employers must enrol them into a pension scheme and notify them in writing within six weeks from the day they meet the age and earnings criteria.

Managing joiners and leavers

Employers have an ongoing duty to manage requests to opt in or leave the workplace pension scheme. An employee who wishes to join the employer's scheme must submit their request in writing and they must be enrolled within a month of the employer receiving this notice.

…o have been automatically enrolled have …loyer's pension scheme. When …tice they are required to refund …rker's pay. The pension …e the employer for any

…ords by law. …met their …include:

…d into a

…f the

…CE

…ject …when …tutory …enalty, …0,000, …me cases

…D?

…tment

…oper

…ged …pt

…earned ab… …employees over the S… into their workplace pension scheme.

The government is also proposing to remove th… …er threshold for qualifying pensionable earnings (£6,032 in 2018/19). Under the plans, employers and employees contributing to pensions via automatic enrolment would make contributions across an increased band of earnings (rather than from the lower threshold), up to the higher threshold.

The government plans to implement the proposals in the mid-2020s.

For further information and advice, please contact us.