

Prepare for auto enrolment

This guide looks at what employers must do to implement auto enrolment

The law on workplace pensions has changed to make it easier for people to save for their retirement. Automatic - or auto - enrolment means every employer must enrol eligible staff into a qualifying pension scheme.

Both you and the employee contribute to the pension, as does the government in the form of tax relief.



Find out your staging date

Your start date, known as a staging date, will depend on the number of employees in your PAYE scheme on 1 April 2012. You can find out your exact staging date on the Pensions Regulator website using your PAYE reference but the table below gives an outline:

Number of employees in largest PAYE scheme	Staging date
250+	1 October 2012 – 1 February 2014
50-249	1 April 2014 – 1 April 2015
Fewer than 50	1 June 2015 – 1 April 2017
New employers set up after 1 April 2012	1 May 2017 – 1 February 2018

Create an action plan

The Pensions Regulator website has a chart that sets out each step and the appropriate time schedule for each step and staging date. You'll have to nominate a contact on the website, who will receive monthly reminder emails and guidance from the Pensions Regulator.

Identify eligible staff

Although your staging date is based on the size of your PAYE scheme, not all your employees will necessarily qualify for auto enrolment. You have to automatically enrol all staff who:

- are between 22 and state pension age;
- work or ordinarily work in the UK; and
- earn more than £10,000 (2014/15).

Part-time workers, employees on short-term contracts and those on maternity, parental or carer's leave will have to be automatically enrolled if they meet the above requirements.

Some staff who do not meet this criteria are eligible to opt in to an auto enrolment pension scheme if they wish. These include staff who:

- are between 16 and 74;
- work or ordinarily work in the UK; and
- earn above £5,772 but not more than £10,000 (for the 2014/15 tax year).

Or those who:

- are between 16 and 21, or state pension age and 74;
- work or ordinarily work in the UK; and
- earn above £10,000 (for the 2014/15 tax year).

If employees who fit these requirements ask to join your auto enrolment pension scheme, you must enrol them.

In addition, certain other staff can ask to join a pension scheme. If they ask, you must put them in a scheme. However, the rules are not the same as auto enrolment and you don't have to pay an employer contribution.

Annual earnings (2014/15)	Age		
	16 - 21	22 - state pension age	State pension age - 74
Less than £5,772	Has a right to join a pension scheme (referred to as 'entitled worker') Has a right to opt in (referred to as a 'non-eligible jobholder')		
£5,772 - £10,000			
Over £10,000	Has a right to opt in	Automatically enrol (referred to as an eligible jobholder)	Has a right to opt in

Choose a pension scheme

Once you know which employees are eligible, you can choose a pension scheme suitable for auto enrolment.

You may be able to use an existing defined contribution pension scheme if it satisfies the Pensions Regulator's auto enrolment criteria.

There are 3 sets of requirements that a pension scheme must meet:

- minimum requirements
- qualifying criteria
- automatic enrolment criteria.

Minimum requirements

Minimum requirements vary according to pension type. Minimum requirements for defined contribution occupational pension schemes are based on contribution rates.

Qualifying criteria

Schemes must:

- be an occupational or personal pension scheme;
- be tax registered; and
- meet minimum requirements.

Automatic enrolment criteria

In addition to meeting minimum requirements and qualifying criteria, schemes must not:

- prevent you from making arrangements to automatically enrol, opt in or re-enrol staff; or
- require staff to express a choice or to provide information to remain in the pension scheme.

There are additional criteria concerning consultancy charges for money purchase schemes.

You can use a non-UK scheme based within the European Economic Area but there are additional requirements for these schemes, so it is important to seek professional advice.

Enrol staff

Once you have assessed who is eligible and chosen a pension scheme, you will need to give your pension provider information about eligible employees. This includes basic personal information, national insurance number and auto enrolment date. You will also need to give enrolment information to eligible employees.

It is important to keep records of this process to demonstrate that you are complying with your auto enrolment duties. You're still legally responsible for ensuring records are kept even if you outsource your pension administration to a third party.

Level of contributions

Auto enrolment requires employers to make a minimum contribution, which is usually a percentage of an employee's qualifying earnings (earnings between £5,772 and £41,865 for the 2014/15 tax year).

Date	Employer minimum contribution	Minimum total contribution
Employer's staging date to 30 September 2017	1%	2%
1 October 2017 – 30 September 2018	2%	5%
1 October 2018 onwards	3%	8%

Register with the Pensions Regulator

You must register your scheme online with the Pensions Regulator within 5 months of your staging date. You will have to provide details of your pension scheme, including the number of people enrolled.

Inform employees

The next step is to write to all employees to tell them how they will be affected by auto enrolment. This includes:

- when enrolment starts
- the pension operator
- the type of pension
- the level of contributions from employer and employee
- how to opt out.

You will also need to provide this written information to employees who start after your staging date and any employees who become eligible for auto enrolment.

Opting out

Employees can choose to opt out of your pension scheme after they have been enrolled.

Usually, employees who want to opt out complete a form from the pension scheme provider and give it to you.

You will need to refund contributions of staff who opt out within 1 month of enrolment.

You will have to re-enrol any employees who have previously opted out every 3 years (assuming they still qualify for auto enrolment).

Monitor changes in employee status

You will need a process to monitor when employees move categories as they may become eligible for auto enrolment. This is particularly important when:

- employees reach the age of 22
- employees who earn less than £5,772 or less than £10,000 change salary.

Getting auto enrolment right is vital. Seeking expert advice can help, so please contact us to discuss auto enrolment and your specific business needs.