

Guide to Auto-Enrolment

Version 1.3

January 2016



What you need to do now.
The choices you face.
How to successfully navigate the
Auto-Enrolment process.

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1. Background: your obligations as an employer

On 1st October 2012 legislation outlined in the Pensions Act 2008 came in to force, introducing two new core obligations relating to employee pension provision.

For the first time, employers are:

- obliged to enrol certain workers into a Pension Scheme; and
- obliged to make Employer Pension Contributions for certain workers.

These new obligations apply to all employers operating within the UK and apply regardless of the number of individuals employed.

The new rules do not apply just to employees in the traditional sense of the word. Anyone who is classed as a “worker” for National Minimum Wage purposes will need to be included in a Workforce Assessment which will determine who needs to be enrolled and at what date.

2. Auto-Enrolment: overview and the challenges

Every employer with at least one member of staff has to put those who meet certain criteria (more about this later in the guide) into a workplace pension scheme and contribute towards it.

This is referred to as Auto-Enrolment (AE). It's called AE, because it's automatic for your staff. They don't have to do anything to be enrolled into your company pension scheme. But it's not automatic for you as the employer. You need to prepare and take steps now to ensure you are ready to enrol your employees at your staging date.

Take note: there are AE exemptions for company directors, one person companies, office holders and in relation to husband & wife companies. **See Section 14, p19.**

If you are General Practitioner and you have eligible practice staff, in most circumstances there will be a few options for you to consider. Give us a call and we will discuss the potential options available to you and the options for your eligible practice staff.

Background

AE was introduced in October 2012 starting with the largest employers, those with staff numbers in excess of 120,000 were the first to auto-enrol employees. We at Martin Aitken & Co Ltd and Martin Aitken Financial Services Ltd have welcomed its introduction.

2015 - 2017 will see the largest percentage of Martin Aitken's clients - small to medium sized businesses - having to AE, or “stage”. This guide outlines the preparations and the steps you need to take to get ready.

There are three main challenges for employers:

1. **Time** – The additional tasks and responsibility of AE in managing a workplace pension will consume significant time with your resources stretched across yet more compliance duties.
2. **Capability** – Operating a workplace pension and the associated tasks of AE will be new to many businesses. There will be a steep learning curve for many.
3. **Risk** – The new AE tasks are not only time critical but also regulated by the Pensions Regulator so getting them wrong could mean disruption to your business and employees, bringing with it the possibility of penalties and fines.

Can an employee opt out?

The employee does have the right to opt-out of the AE scheme you put in place, however figures to date have shown that the level of opt-outs have been relatively low.

The Government is hopeful that AE, as a UK wide initiative, will begin to bridge the “pensions gap” as individuals take increased responsibility for their retirement.

3. What do you as an employer need to do?

- Automatically enrol any eligible jobholder into an automatic enrolment scheme following a prescribed process.
- Make arrangements to establish active membership of an automatic enrolment scheme if a jobholder chooses to opt-in to a pension scheme.
- Make arrangements to establish active membership of a pension scheme if an entitled worker chooses to join.
- Give information to workers about how the different rules and duties affect them.
- Complete a Declaration of Compliance (Registration) with the Pensions Regulator to state what you have done to comply with their new duties – even if you are exempt, or you have no eligible or entitled workers, or if you already have a qualifying existing scheme you must complete the declaration and notify the regulator of the current position.
- Process any opt-outs from the pension scheme, including refunds of contributions.

- Ensure you do not take any action to make any omission by which the eligible jobholder ceases to be an active member, without putting them into an alternative qualifying scheme.
- Ensure you do not take any action or make any omission by which the scheme ceases to be a qualifying scheme.
- Re-enrol any eligible jobholders who opted-out or ceased active membership, every 3 years.

4. What are your specific Auto-enrolment duties?

1. Provide a Qualifying Auto-Enrolment Pension Scheme.
2. Assess your workforce.
3. Communicate the changes to your workforce.
4. Automatically enrol and re-enrol employees.
5. Make payments into the Scheme.
6. Process opt out requests and issue refunds.
7. Monitor Scheme for compliance.
8. Keep records of your Scheme and register with the Pensions Regulator.

5. Your duties and how we will assist: payroll/MAFS clients

The table on p7 highlights how we can assist and what is already available to you dependant on whether you are an existing payroll or financial services client.

We have noted the specific Auto-Enrolment duties that you must perform and where we will/can assist.

The boxes with the ✓ denote the advice and services we will perform on your behalf – there are some additional notes below the table which may apply to you.

The boxes with the X denote the areas you will need to investigate and develop your AE communications and action plan. These are the areas where we can assist you if you require help, advice, or even just an independent sounding board to make sure you are heading in the right direction.

Scheme Providers: Summary Table

Scheme (page number)	Set-up costs	Annual Management Charge (AMC)	Other costs e.g. payroll cost
Friends Life (p25)	10 hours provided free. £100 p/h for additional support.	0.52%	<p>To give you an indication of the potential cost for AE/payroll we have included an outline below based on 25 employees.</p> <p>Completing your payroll internally*</p> <p>AE Payroll Software (prices featured on SAGE website) Basic Sage 50: £56 +VAT per month). AE Pensions module £24.99 + VAT per month Training manual £173+VAT</p> <p>Typical Martin Aitken & Co payroll processing cost for a 25 employee business</p> <ol style="list-style-type: none"> 1. Monthly salary with no overtime or bonus payments and average absence rate i.e. set salary every month for every employee. Monthly processing cost: £130 + VAT** 2. Monthly salary with a number of regular changes e.g. overtime, bonuses, above average absence and sickness rates. Monthly processing cost; £270 +VAT **. <p>BOTH examples (1) & (2) include payroll processing, submitting RTI compliant reports, monthly P32 letter & reconciliations, all year-end work and submissions AND Auto-enrolment set up.</p> <p>**There will be an additional one-off payroll set up fee which will be dependent on the software interface used by your provider. This will be a maximum one - off fee of £750 for employers with c25 employees.</p>
NEST (p26)	1.8% initial contribution charge	0.3%	
NOW: Pensions (p27)	N/A	0.3% applied to members account value. Monthly fee: 30p - £1.50 per member	
SALVUS (p28)	N/A	AMC between 0.15% - 0.75%, or an AMC of 0.6% + £1.00 per month per member	
SuperTrust UK (p29)	Investment charge 0.075% OR 0.3%	0.425% of scheme assets. Minimum £30 per member per annum.	
The Peoples Pension (p30)	N/A	0.5%	
One Scheme (p29)	£350	0.325% - default fund choice	
Close Brothers (p32)	c£3,500	£3,500	
Staff Plan (p33)	N/A	0.75% - 1%	

* Note these costs exclude your internal direct labour costs to operate the software, there may also be training costs.

If you would like a copy of the guide, please send an email to:

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