

# Auto-Enrolment: Frequently asked questions

*A guide to the finer points of auto-enrolment*

The process of auto-enrolment continues to rumble on quietly with the majority of companies passing their staging dates without major incident. However, for the few that fail to comply with their workplace obligations, the consequences can be costly in time and resources.

The Pensions Regulator has released its latest quarterly bulletin on auto-enrolment, showing that the number of fixed penalties given out in 2015 has exceeded the amount handed out in the last 3 months of 2014. As part of the bulletin, the regulator identified what it sees as the 3 main ways to prevent non-compliance:

- employers should seek professional advice about the technical aspects of the auto-enrolment process
- promoting awareness that all employers are likely to have at least some duties that need to be completed
- making sure employers know that they, not the scheme provider, is responsible for calculating contributions and making the correct deductions from staff.

It seems that while most companies are broadly aware of what auto-enrolment means for them, it is in the details that some businesses stumble into problems. To help overcome this deficit, here are some of the not so frequently asked, yet still important, questions about the auto-enrolment process.

## Can staging dates be moved?

A company's staging date is the day when their auto-enrolment duties begin. Businesses need to prepare for this date by choosing a pension scheme, enrolling relevant employees, calculating the contributions and deductions, and informing your employees.

Staging dates are based on your PAYE reference, but once you have been handed the date is it possible to move it?

Every employer is able to bring their staging date forward to help align it with other important dates for the business such as the start of the new financial year. This can be done by notifying The Pensions Regulator through their website.

In order to move the date forward you will need:

- the unique 10 digit code that is listed on all your correspondence from the regulator regarding auto-enrolment (you will not have a code if your original date is over 12 months away)
- your PAYE reference
- a Government Gateway user ID.

It is also possible to postpone your staging date by up to 3 months for all or some of your staff. This may be useful if you have temporary or short-term staff whose contracts are ending before the 3 months roll round.

Auto-enrolment can be postponed from the original staging date, although employers are required to write to all affected staff to inform them of the delay.

**You're still required to provide a qualifying scheme at your staging date. Only active schemes can be postponed and employees can opt in to the scheme from the staging date.**

## How much is auto-enrolment likely to cost?

Another aspect of the auto-enrolment process that has not been widely discussed is how much implementation and compliance is likely to cost. There are likely to be a number of new costs that emerge from the process.

Costs associated with auto-enrolment are:

- higher rates of employer contributions to match the likely higher numbers of employees belonging to a pension scheme
- current employer contributions may need to be raised in order to meet the legal contribution requirements
- on-going administration of the system as well as the processing of new starters and leavers
- any new software required
- resources and time dedicated to setting the direction, selecting the scheme and ensuring compliance.

## Who is responsible for doing the calculations?

The pension scheme that you choose for your auto-enrolment programme will need to meet certain legal requirements. These include:

- enrolling employees from their first working day
- allowing for employer and employee minimum legal requirements
- being UK tax registered.

Note that it is not a legal requirement to seek consent from employees before auto-enrolling them onto the workplace scheme.

Whether you decide to go with the government-backed National Employment Savings Trust (NEST) or a private scheme, the question as to who exactly needs to do what remains.

No matter what scheme you choose, as an employer you are responsible for the following:

- deducting employee contributions and paying these on time (you risk being fined otherwise)
- keeping specific records of staff gross earnings and contributions, any changes to these figures and details of anyone joining or leaving the scheme.

In order to keep on the right side of the regulator and remain free of any fines, companies need to provide them with details of:

- the scheme you have registered with
- the scheme return
- any breaches of the law that have occurred
- any notable events
- any changes to the scheme or the transfer to a new one.

It is an important detail of the auto-enrolment process that the majority of pension-related duties remain with the employer. It is likely that a significant amount of the penalty notices being handed out originate with key misunderstandings of just what an employer needs to do.

## What if an employee changes jobs?

Another question that is likely to become more of a concern for both employers and workers as time goes on is the issue of what happens when people change jobs. The idea of having a job for life is becoming increasingly outdated and the average person could have worked for many different employers by the time they retire.

The potential problem comes with the idea that an employer will need to be auto-enrolled in each new job. Unless all of their various pots can be easily consolidated they are likely to be left with a number of smaller pots.

Not only is this harder to manage, but the potential to lose track of details is significant. According to the Department for Work and Pensions, there is currently somewhere in the region of £3 billion gathering dust in 'lost' pension pots. The government estimates that by 2050 there could be 50 million dormant pension pots worth £757billion.

In anticipation of this problem, the government is beginning to implement a system of automatic pension transfers (or pot follows member) that will theoretically allow an individual to consolidate separate pots. The system will begin in autumn 2016 through initially offering people the option, with a view to introducing automatic transfers at some point after that.

## What recent Auto-Enrolment exemptions have been introduced?

Employers will no longer need to auto-enrol employees in certain circumstances after regulatory changes were introduced in April 2015.

From 1 April 2015, the following types of employee will not need to be auto-enrolled:

- individuals who are leaving employment
- those who cancel scheme membership before auto-enrolment
- employees whose existing pension savings have tax-protected status.

The changes were first published in March 2015 in a response to the consultation 'Technical Changes to Automatic Enrolment'.

### Employees leaving employment

The auto-enrolment process can be stopped for employees who intend to leave employment and are in their notice period when the employer's auto-enrolment duties begin.

The employee will not be able to opt-in or join the pension scheme unless their notice is withdrawn.

### Membership cancellation

Under the old rules, eligible jobholders needed to be auto-enrolled even if they cancelled their scheme membership. The new rules will give employers discretion over whether they enrol an employee who cancels their membership. This must be done within 12 months of their cancellation.

Workers who left a scheme more than 12 months before the auto-enrolment date will have to be enrolled.

### **Tax-protected savings**

Some employees with pension savings above the lifetime allowance (currently £1.25 million) are protected against tax charges. Enhanced and fixed protections may be lost if the employee is auto-enrolled, and the way of avoiding this under the old rules was for the employee to opt-out.

The changes will allow employees to become exempt from auto-enrolment if they provide evidence of having tax-protected status. However, the employer will retain the power to auto-enrol workers regardless of tax-protected status if it is more cost-effective to do so.

### **Do I need to do anything if we have an existing employee pension scheme?**

The scheme has to be a qualifying scheme subject to AE criteria. Auto enrolment does not require your workers consent to join, to provide any information, to make a choice to join the scheme or remain a member – it auto enrols the employee from your staging date. You must have a qualifying scheme in place. Your pension provider may not agree to change the terms of the current scheme to allow for Auto Enrolment of all employees.

### **What on-going requirements are there after my staging date?**

There will be continual worker assessments each time the payroll is processed with communications and management of the contributions, opt outs and opt ins, re-enrolment, employee queries and governance.

To opt out, employees have to be part of an active scheme, be provided with an opt out notice by the pension provider who will check the validity of any received opt out notices. As an employer you have to process and pay refunds due and re-enrol opt outs every three years.

### **My workforce are self-employed so wont need to be Auto-Enrolled**

Wrong! A worker can be assessed for AE if they perform services personally and employment law advice is recommended for full assessment in self-employment situations.

An employer's obligations under the Workplace Pension Reforms with regards to Auto-Enrolment will lead to significant increase in the demand placed on your admin, finance and/or payroll department.

For further information on pensions and auto-enrolment please contact [Vicki Harper](#), Director of Client Services

## FOR GENERAL INFORMATION ONLY

Please note that this guide is not intended to give specific technical advice and it should not be construed as doing so. It is designed to alert clients to some of the issues. It is not intended to give exhaustive coverage of the topic.

Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein.

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