



What do you need to know about automatic enrolment?



What is automatic enrolment?

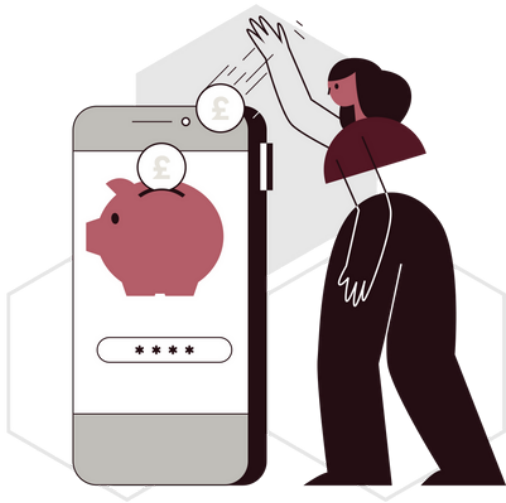
Automatic enrolment was introduced because the government decided that as a society, we were not preparing effectively enough for our later years. Since 2012, legislation means that all enrolment eligible employees must be automatically enrolled into a qualifying pension scheme.

Who is eligible?

There are certain criteria which workers must meet to be eligible for automatic enrolment. The criteria is as follows:

- ✓ Aged between 22 and the state pension age
- ✓ Working in the UK
- ✓ Earning above the minimum earning threshold

If a worker meets all three of these criteria, they are classed as an 'eligible jobholder' and will be automatically enrolled into a workplace pension scheme.



What about those who aren't eligible?

Employees who don't fall within the age bracket of 22 and the state pension age but meet the needs of the other two criteria (working in the UK and earning above the minimum earnings threshold) would be classified as a 'non-eligible jobholder'. Employers are not legally required to automatically enrol non-eligible jobholders into a workplace pension scheme. If a non-eligible jobholder requests to be enrolled however, the employer must do so and must make contributions to the employee's pension fund.

Employees who don't meet any of the criteria have a right to opt into the scheme as well, as an 'entitled jobholder', but there's no requirement for the employer to contribute.

Can employees opt out?

If an employee does not wish to contribute to a workplace pension scheme but is eligible for automatic enrolment, they do have the option to opt out.

If they do this within the first month of becoming a member of the scheme, they will receive a refund for any contributions made during this time. Employees can still opt out after the first month but will not receive the refund of their contributions.



How can I be sure as an employer that I am compliant?

Once an employer takes on their first employee, the obligation for auto enrolment starts. Employers are required to complete a self-reported declaration of compliance to The Pensions Regulator, confirming:

- The pension scheme being used
- The number of employees
- The number of people enrolled in the scheme

The Pensions Regulator will confirm the window in which the declaration needs to be completed. Once submitted, it is deemed compliant. Pension providers are obligated to report to The Pensions Regulator if contributions are not paid over in time.

How does re-enrolment work?

Legislation states that employees who opt out of their scheme must be reassessed every three years. If after three years they are reassessed and fall under the 'eligible jobholder' category, and have opted out more than 12 months ago, their employer is legally obligated to automatically enrol them again. A further declaration of compliance must be submitted to the pension regulator.

Is it compulsory for employers?

If you are a UK employer with staff working for you, automatic enrolment will be relevant to you. Regardless of the size of your business, whether you make a profit, or the sector you are in; you must comply with automatic enrolment legislations, or risk facing fines. A company may even have off-payroll workers who will be considered workers for the purposes of automatic enrolment.

Communicating to your employees about automatic enrolment is a legal requirement. Employers can face penalties from the Pension Regulator if they are seen to be coercing employees to opt out of their workplace pension scheme. According to the legislation, employers must not:

- ✓ Discriminate in favour of job applicants who state they are willing to opt out
- ✓ Encourage workers to opt out
- ✓ Treat an employee unfairly because they don't opt out



Who manages automatic enrolment?

According to one survey, nearly 60% of businesses see payroll as having primary responsibility for handling automatic enrolment.

Payroll has direct access to Employees' PAYE information, so will be best suited to provide the relevant information needed to assess employees' eligibility for automatic enrolment.

If responsibility is left with a different department, it will still need to work with payroll to access this information.

Does it matter what kind of pension scheme I use?

There are specific schemes for auto enrolment, but some existing pension schemes can be converted to be auto enrolment compliant.

The compliant scheme must reach certain quality standards set by The Pensions Regulator, so that employees get the most from their contributions.

Can I manage the auto enrolment process manually?

You can manage the entire auto enrolment process manually, including assessing, enrolling, and sending the relevant communications, but a more efficient and time-saving way of doing it is by using a good-quality outsourced payroll partner.

Some companies believe they will be able to handle the assessment and communication process manually, but as this needs to be done every pay period it can make things extremely complex. It can be difficult to ensure that the right people are sent the right communications and that the correct automatic enrolment deductions are made each and every time.

What happens if I am not compliant?

An initial £400 penalty can be administered to those that do not comply with the legislation and this can be followed up with daily fines until compliance is met. This daily fine can be anything up to a maximum of £10,000, dependant on the size of the business. There are separate daily fines for coercing employees to opt-out.



How can Payroll Hub help?

We believe that we provide the best auto enrolment solution for you and your business. We assess your employees as part of the payroll process, auto enrolling employees into a qualifying pension scheme.

In addition to this, we provide all the relevant digital documents to your employees. These documents can then be viewed online, or on their devices. This alleviates the entire burden of distribution from you, while helping you to stay green, and minimise overheads.

It also makes the process easier for your employees - accessing information at their convenience.

As your outsourced payroll provider, we offer fully compliant and complete automatic enrolment solutions.

We take care of the ongoing process that is needed to undertake auto enrolment on a recurring basis, per payroll period. This is achieved by:

- ✓ Running the auto enrolment assessments
- ✓ Submitting pension files to your pension provider
- ✓ Distribution of auto enrolment pension letters to your employees

Allow us to take care of your auto enrolment responsibilities and alleviate the potential headache that comes with it. You can be totally confident that all your legislative obligations are met.

If you have any questions, please email us at enquiries@payrollhub.co.uk, and we will be happy to answer them.

