



Auto-enrolment: your turn next?

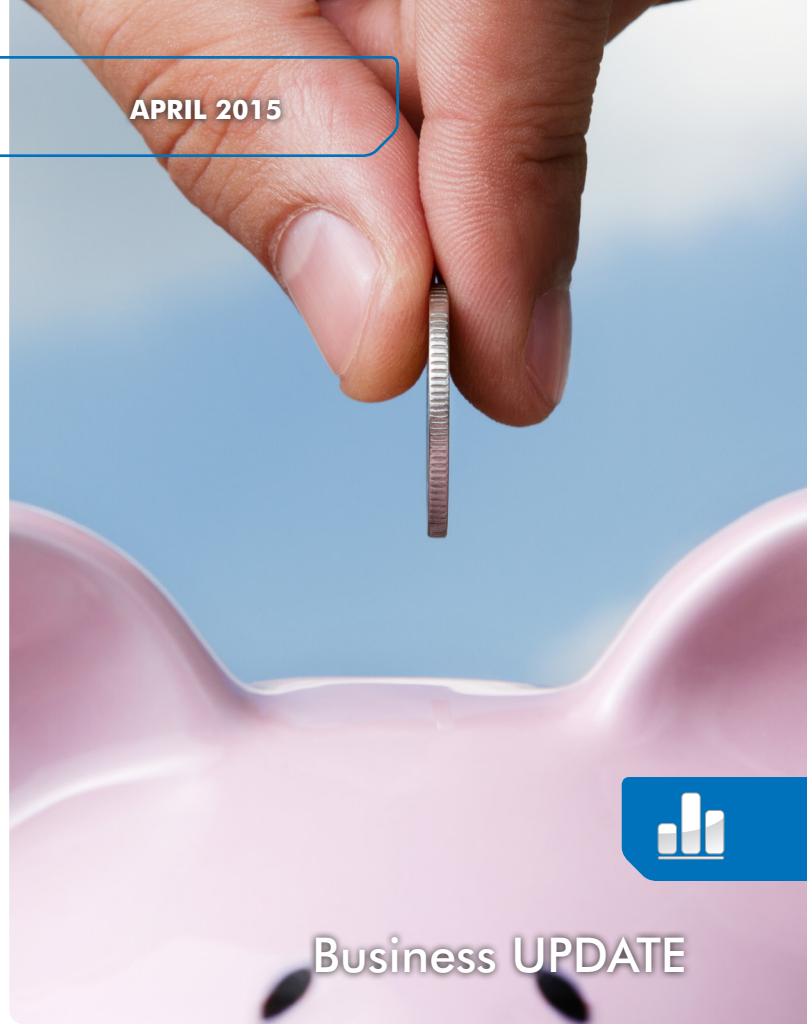
The last few years have seen seismic shifts in the pension landscape, not least with the ongoing process of pension auto-enrolment. Every small business that employs even one person will need to set up a pension scheme for their employees. It is estimated that around 45,000 small and micro businesses need to comply by the end of this year, with a further 1 million in 2016 and 2017.

The obligation is now on all employers to have their own affairs in order not only to offer their eligible staff a pension scheme, but also to manage the process effectively. As auto-enrolment continues to be phased in over the next 3 years, it is possible that some businesses are not yet aware of the full extent of their new duties.

If you an employer, knowing about pension auto-enrolment, who it applies to and what you need to do to get ready for it, is going to be very important.

What is auto-enrolment?

Auto-enrolment is a way of making it easier to save for retirement as every employer will have to set up a workplace pension scheme which they, their workers and the government contribute to. Workers who meet the eligibility criteria will automatically be enrolled in this scheme. If they don't want to be in it, they have to actively opt-out.



Why has it been introduced?

In the past it was far too easy to put off the decision to join a pension scheme or start a personal pension. Young people never thought they'd get old and the complexities of life soon got in the way.

Middle-aged people had other priorities and older people thought it was too late to do anything about it.

In addition, while some companies had excellent pension schemes, many more simply did not offer any sort of scheme, leaving employees to sort it out themselves.

The net result was that many people were left without meaningful funds to retire on.

Clearly something had to be done, so the government introduced new rules under the Pension Act 2008 to ensure that every worker in every workplace will have the opportunity to save for their retirement.

Contact us today to talk about your pension options.



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How are employers affected?

It may seem like a considerable amount of work to begin with as you have to have a pension scheme that meets certain conditions, but the process is designed to be completed in a number of clear steps. You will need to make sure that your scheme meets certain key conditions:

- every worker has to be auto-enrolled if they are aged between 22 and their state pension age, and earn £192 per week or more (£481 per month, £10,000 per year)
- even temporary or casual workers will need to be auto-enrolled if they fit the above criteria. This is because the starting point is that auto-enrolment applies from day one of every worker's employment, with no minimum length of contract
- equally, consultants or others who are not considered employees but who work exclusively for you will need to be enrolled
- some workers who don't meet the criteria can opt in to the pension scheme you're using. You must enrol them if they ask
- you must keep track of any changes to the ages and earnings of your employees. If an employee becomes an eligible jobholder you must automatically enrol them and communicate the necessary information to them
- every 3 years, you must auto-enrol eligible workers who've opted out previously
- you are also required to complete a re-declaration of compliance every 3 years for The Pensions Regulator to guarantee your compliance
- auto-enrolment even applies in the home. If you directly employ one or more people to provide you with care or personal assistance, you're an employer and automatic enrolment duties apply to you.

Your staging date

Auto-enrolment is being introduced in stages, both in terms of timing and the amount of contributions that an employer has to make.

You must start auto-enrolment from your staging date, though there is an option to postpone for up to 3 months. You can find out this key date by imputing your PAYE reference into The Pensions Regulator website.

Important Notice

Pensions eligibility and the way in which tax charges (or tax relief, as appropriate) are applied depend upon individual circumstances and may be subject to change in the future.

This document is solely for information purposes and nothing in this document is intended to constitute advice or

7 essential steps

Whether your staging date is this year or next, planning ahead can make it much easier to deal with. By breaking the process into the following steps, you can split what at first seems like a large-scale logistical operation into a series of simple tasks.

Step 1: Find out your staging date.

Step 2: Check any existing pension schemes you have.

Step 3: Check which workers are affected.

Step 4: Work out how much you need to contribute.

Step 5: Communicate with your workforce.

Step 6: Complete the registration requirements at least 6 months before your staging date. This is important because you have to inform The Pensions Regulator that you have complied with auto-enrolment.

Step 7: Keep it current. Put in place a system of monitoring employees, so if and when they go over the age and income thresholds, you auto-enrol them to remain compliant.

The key is preparation

There is no doubt about it that auto-enrolment is going to be a significant undertaking for any business, particularly when setting it up and putting it into practice. Whatever your views on it, there is no choice in the matter. Responsibility for complying with the employer duties rests with the employer, and the penalties for not doing so are quite severe. And that is just the start. Fines can go up to £10,000, depending on the size of firm.

However, any process (no matter how initially huge and intimidating it may seem) can always be broken down into manageable steps that can be taken one at a time. Auto-enrolment is no different, and employers who are prepared will find it a relatively simple organisational change. Those that leave it late are going to have a much more difficult time.

Call us to find out how we can help you.

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