

BROADSTONE™

**AUTOMATIC
ENROLMENT HAS
ARRIVED: ARE
YOU READY?**

**PENSIONS ARE CHANGING
- EVERY EMPLOYER
WILL HAVE TO ACT IN
ORDER TO FULFIL THEIR
LEGAL DUTIES**



BACKGROUND

Auto enrolment was introduced to address the problem that, as a nation, we are not saving enough for retirement. In addition to this, life expectancy has drastically increased meaning that many of us will spend far longer in retirement than was the case 30 years ago.

In short it means:

- That all UK employers will have to auto enrol all workers that meet certain criteria into a Qualifying Pension Scheme
- There are minimum requirements for contributions which are being phased in between 2012 and 2018
- Employers must comply with new requirements around the disclosure of information to prospective members and operate a paperless joining process.

WHAT DO EMPLOYERS HAVE TO DO?

When an employer reaches its staging date (see table below) it must:

- Auto enrol Eligible Jobholders (e.g. those aged 22 to State Pension Age earning over £10,000*) into a Qualifying Pension Scheme
- Pay employer and employee contributions to the scheme
- Issue statutory communications to workers explaining how they will be affected
- Set up processes to deal with employees who wish to opt out of the scheme or opt in
- Keep records in accordance with the Pension Regulator's requirements and re-enrol workers who have opted out every three years.

* 2014/15 tax year

WHO WILL NEED TO BE AUTO ENROLLED?

Employers must enrol their Eligible Jobholders in a qualifying pension scheme. Determining whether someone is an 'eligible job holder' or one of the other worker categories is not a straightforward task. The table on the following page will help you identify the different types of worker.

| EARNINGS (2014-2015) | AGE (INCLUSIVE) | | |
|---|------------------------|------------------------|------------------------|
| | 16-21 | 22 - State Pension Age | State Pension Age - 74 |
| Under lower earnings threshold (£5,772) | Entitled Worker | | |
| Between lower earnings threshold and earnings trigger for automatic enrolment (£5,772-£10,000*) | Non-eligible jobholder | | |
| Earnings trigger for automatic enrolment (£10,000-£41,865) | Non-eligible jobholder | Eligible jobholder | Non-eligible jobholder |

*2014/15 tax year

- Eligible jobholders must be auto enrolled.
- Non-eligible jobholders have a right to opt-in and if they do they are subject to the same minimum contributions
- Entitled workers can join the scheme and contribute to it but there is no requirement for an employer contribution.

HOW MUCH WILL YOU HAVE TO CONTRIBUTE?

Contributions will be phased in from your staging date up to 2018. There are four different definitions of pensionable pay that you can use

| | OPTION 1 | | OPTION 2 | | OPTION 3 | | OPTION 4 | |
|--------------------------------|---|------------|----------------|------------|---|------------|--------------------------------|------------|
| | Employer % | Employee % | Employer % | Employee % | Employer % | Employee % | Employer % | Employee % |
| Staging date to September 2017 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 1 |
| October 2017 to September 2018 | 2 | 3 | 3 | 3 | 2 | 3 | 2 | 3 |
| October 2018 onwards | 3 | 5 | 4 | 5 | 3 | 5 | 3 | 4 |
| | 'Qualifying earnings' (£5,772 - £41,865* of P60 earnings) | | 'Basic salary' | | Basic salary (if at least 85% of total pay) | | Full P60 (i.e. total) earnings | |

*2014/15 Tax year

WHEN WILL I BE AFFECTED?

The staging date is determined by the number of employees you had on your payroll as of 1 April 2012. The attached table sets out when your staging date will be.

| PAYE SCHEME SIZE AT 1 APRIL 2012 | STAGING DATE |
|---|---------------------|
| 350 to 499 | 1 January 2014 |
| 250 to 349 | 1 February 2014 |
| 160 to 249 | 1 April 2014 |
| 90 to 159 | 1 May 2014 |
| 62 to 89 | 1 July 2014 |
| 61 | 1 August 2014 |
| 60 | 1 October 2014 |
| 59 | 1 November 2014 |
| 58 | 1 January 2015 |
| 54 to 57 | 1 March 2015 |
| 50 to 53 | 1 April 2015 |
| 40 to 49 | 1 August 2015 |
| 30 to 39 | 1 October 2015 |

For payrolls of less than 30, the exact staging date depends on the last two characters of your PAYE reference. Dates range from June 2015 to April 2017.

WHAT IF I DON'T COMPLY?

Compliance with the new regulations is being policed by the Pensions Regulator. They have set out detailed guidance on how they will enforce this. The responsibility for complying rests solely with the employer. Where appropriate the Regulator can impose statutory fines ranging from a fixed penalty of £400 to daily fines of up to £10,000 (depending on how many staff you have). The Regulator can issue a civil penalty of £5,000 for individuals and up to £50,000 for organisations and, in extreme cases, prosecution through the courts.

WHAT IT'S LIKE TO WORK WITH US

Breyer Group, a construction, specialist roofing and responsive repairs contractor with over 350 staff across several permanent and temporary sites in London and the South East appointed BROADSTONE in January 2013 to advise them on their auto enrolment pension project management service.

“BROADSTONE have been key in supporting and educating us on the impact of auto enrolment. They explained the requirements and highlighted its importance both to our management teams and also through site presentations to all of our staff. They have been able to answer any questions and to allay any fears or issues that individuals may have via email, telephone and face to face meetings.

As a result we have a better understanding and know what our legal obligations are. Our staff are equipped with the knowledge for them to be able to make informed decisions about their pension. There is a greater understanding of the benefits of salary sacrifice and the importance and value of saving for retirement. We feel their project team have walked us through a complex project that they have made easy to understand. And, our staff are enjoying lower charges than before.

BROADSTONE have been a pleasure to work with and, through their friendly professional approach and ongoing support, have brought peace of mind throughout the auto enrolment process and beyond”.

Anne Dyer
Head of Human Resources
Breyer Group plc

COMMON PITFALLS

There is much you can learn from the employers that have staged already.

- **Data** – start reviewing your data now to ensure you can readily identify the different pay elements and that you have the correct contact details, e.g email address, to make the issue of the statutory communications easier.
- **Qualifying Scheme** – don't assume that any existing pension scheme that you have in place can be used for auto enrolment. It may be possible to adapt it but in some circumstances pension companies will refuse to offer support because including the rest of your workforce may make the scheme unprofitable to them.
- **Charges** – a charge cap of 0.75% is going to apply from 2015. Whatever scheme you use, you should shop around to ensure you get a good deal for your workers on charges. A market review of all the providers will ensure you get the best deal.
- **Who is a worker?** – Auto enrolment doesn't just apply to employees. Workers include contractors (including those on zero hour contracts), part time employees, and in some instances even those who are self-employed. You will need to review this to ensure all workers are captured in the assessment process.
- **Payroll system functionality** – Auto enrolment represents a significant logistical challenge to employers. Therefore the use of software that not only completes the assessment but also generates the statutory communications and meets the Pension Regulators' record keeping requirements will ensure compliance is as painless as possible. You should shop around and compare different systems to find the best one for you.
- **Postponement** – A common misconception is that postponement allows you to defer your auto enrolment duties for up to three months. This is untrue. Everything still needs to be ready on your staging date but it is possible to defer the actual auto enrolment of workers for the period of postponement. You must issue the statutory notice at the right time and ensure that processes are in place to allow workers to opt in if they wish.

- **Communicate with your employees early** – although there are statutory communications that you have to issue, it is critical that you communicate with employees well ahead of the staging date so that they understand what is happening and when it will affect them.

WHAT IT'S LIKE TO WORK WITH US

Cats Protection, the UK's leading feline welfare charity, have been a client of BROADSTONE since 2004. In early 2012 they asked BROADSTONE to help them with their auto enrolment pension project. With 500 employees spread over head office and 29 adoption centres nationally, there was a lot of ground to cover.

“Now that the challenges of pension auto enrolment are over, at least for now, I can reflect on our journey over the last 18 months.

I can say without a shadow of doubt that without the help of BROADSTONE we would not have been able to achieve our legal obligations.

From the very onset of the project BROADSTONE provided expertise and guidance, pitched at exactly the right level, given that none of my team (including me) have had much to do with pensions in the past.

I lost track of the number of emails, phone calls, and face to face meetings that we had with BROADSTONE, and not once did they fail to give me what I needed to move forward quickly.

From auto enrolment project planning and pension scheme assessment, to corporate and individual advice, BROADSTONE can and do, do it all.

I look forward to a long business relationship with BROADSTONE”.

Ian Jeffreys
Head of People
Cats Protection

HOW WE CAN HELP?

We have helped many employers navigate their way through the new rules and offer support to suit every type of organisation. Support includes:

- Detailed impact assessment setting out the key points for your organisation including who needs to be auto enrolled, the costs, a review of any existing pension provision and a review of the functionality of your existing payroll software.
- Implementation of a Qualifying Workplace Pension Scheme
- Detailed auto enrolment project plan
- Project management support
- Auto enrolment middleware that is both payroll provider and pension provider agnostic
- Ongoing support and scheme governance.

WHAT IT'S LIKE TO WORK WITH US

Miller Insurance Services LLP, an independent specialist insurance and reinsurance broker with over 550 employees and partners, has a long standing relationship with BROADSTONE having first appointed them in 2010.

“In November 2013 BROADSTONE continued to work closely with us to ensure we didn't get caught out by the requirements of the pension auto enrolment legislation.

BROADSTONE has been proactive throughout, ensuring that we are fully aware of our obligations as an employer and liaising with our payroll provider to ensure a regular and accurate assessment of our employee information.

We are now aware of the steps we will need to take for each employee to ensure we have complied with the legislation.

BROADSTONE has assisted with the communication to our employees by preparing email templates and delivering presentations. Our people are now aware of how they will be affected by the new legislation and understand the value of the Miller pension contributions within their total remuneration package.

We have been very impressed by the support BROADSTONE has provided throughout our auto enrolment project planning. They really took care of a large share of the work, leaving our team free to concentrate on other tasks”.

Kevin MacMahon
Partnership Manager
Miller Insurance Services LLP

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