



willis
Wealth
Management

Auto Enrolment

Summary Guide 2016-17

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Introduction

Every employer in the UK has, or soon will have, a legal obligation to put in place a pension scheme that can be used for Automatic Enrolment. Every employer in the UK will have been affected by the end of 2018.

The aim of auto-enrolment is to encourage more people to build up a pot for retirement and ultimately achieve the standard of living they would like to have in retirement.

We can provide information, support and guidance throughout the auto-enrolment process. This guide gives information on the issues employers are likely to face and the solutions we can offer to support them.

Establishing when auto-enrolment will affect you

Each employer will have a staging date, which is the date from which they must start to meet their auto-enrolment duties.

Everyone should have received notification from the Pension Regulator of when this is but if you cannot locate this information, using their PAYE reference, we can provide you with this date and help you work towards it.

Choosing a Pension Scheme

Each employer may have different views and objectives on the type of scheme they wish to put in place depending on the demographics of their staff and the culture in the organisation. Each scheme will have their own costs which vary from scheme to scheme, but with these come differing features and functionality.



Some employers may have a pension scheme in place already, however not all pension schemes are suitable for auto-enrolment.

We can help employers to review their existing arrangements and assess their suitability in meeting these requirements. If required we can assist with selecting a suitable scheme which will meet the needs of each individual organisation.

Who must be automatically enrolled?

Most payroll software will assist in working this out. If an employer does not have payroll software many providers of these pension schemes will have tools to assist with this. There are some general rules which can be used in assessing the individuals who must be automatically enrolled and those who are entitled to join if they wish. The rules associated with this are as follows:

Employees who must be put into a pension scheme which an employer must pay into:

- Aged between 22 and state pension age
- Earns more than £10,000 per year / £833 per month / £192 per week

Employees who can ask to join a pension scheme which an employer must pay into:

- Aged between 16 to 74
- Earns more than £5,824 per year / £486 per month / £112 per week

Employees who can ask to join a pension scheme but an employer does not have to pay into:

- Aged between 16 to 74
- Earns less than £5,824 per year / £486 per month / £112 per week

Further information on each of these categories is provided below:

Earnings	Age 16 – 21	22-State Pension Age (SPA)	SPA-74
Under Lower Earnings Limit (£5,824)	Entitled Worker		
Between £5,824 and £10,000	Non - Eligible Jobholder		
Over earnings trigger for Auto Enrolment (£10,000)	Non-Eligible Jobholder	Eligible Jobholder	Non-Eligible Jobholder

Eligible Jobholder Aged between 22 and SPA, earn above £10,000 per year and should all be auto-enrolled.

Non-Eligible Jobholder Aged between 16 and 75, earn above £5,824 but below £10,000 or age 16 - 21 and earn above £10,000 or age SPA to 75 and earn above £10,000. These employees are not automatically enrolled but have the right to opt in. If they opt in then they have the same contribution rates as eligible jobholders.

Entitled Workers Aged between 16 and 75 and ordinarily work in the UK. Earn below £5,824 Have the right to join a pension scheme but employers do not have to make a contribution.

Qualifying Earnings Included Basic Salary, Commission, Bonuses, Overtime, Statutory Sick Pay, Statutory Maternity Pay, Ordinary or Additional Statutory Paternity Pay & Statutory Adoption Pay.

Contributions levels

Initially every employer must pay at least 1% of your employee's earnings that fall between £5,824 a year and £43,000 a year.

Employers can pay more than the minimum contribution if they wish and can also choose a different earning basis i.e. basic salary, as long as the minimum contribution level is met.

The minimum contribution will be introduced in stages:

	Employer Contribution	Jobholder Contribution	Tax Relief on Job Holder Contribution	Total Minimum Contribution
Until 5 April 2018	1% Band Earnings	0.8% Band Earnings	0.2%	2%
6th April 2018 to 5th April 2019	2% Band Earnings	2.4% Band Earnings	0.6%	5%
6th April 2019 onwards	3% Band Earnings	4% Bands Earnings	1%	8%

Band Earnings = Between National Insurance Lower Earnings Limit (£5,824 for 2015/16) and National Insurance Upper Earnings Limit (£43,000 for 2016/17).

Postponement of your Staging Date

Every employer can postpone their staging date for up to 3 months, however a scheme must still be in place for the staging date should someone choose to opt-in. This is something to consider for employers who need help in dealing seasonal workers and staff that leave within 3 months. Postponing auto-enrolment for 3 months means that workers brought in for Christmas and other busy periods would only need to be auto-enrolled if they meet the minimum requirements for 3 consecutive months.

If postponement is to go ahead then a General Notice must be sent to the workers with all information on this.

We will draft and send this notice to the workers as part of our initial set-up and send the template to you to be used for all future joiners.

Ongoing Regulatory / Legal Obligations - What you need to do after Staging Date

Manage any Opt Outs

Jobholder who has:

- A. automatically enrolled into a qualifying scheme or
- B. opted in to the scheme

Has the right to opt out within one month of their auto-enrolment date, this is called the opt-out period. Opt outs within this period will have their contributions refunded. A jobholder may stop active membership after the opt-out period has expired. If a worker chooses to opt out, he must contact the pension scheme provider for an opt-out form. The worker must then complete this form and give it to his employer, so the opt out becomes effective.

The opt-out form must not be issued by the employer

You must re-enrol opt outs every three years. However there is a six month window to enable re-enrolments to be dealt with three months before or after the official re-enrolment date. Those who have opted out within the 12 months prior to the scheme re-enrolment date will not need to be re-enrolled until the next date (potentially four years following the opt out). Handle any workers opting in or joining

Handle any workers Opting In or Joining

A non-eligible jobholder has the right to opt in to a qualifying pension scheme. This means he must give his employer notice to opt in to the employer's qualifying pension scheme; in this case the same auto-enrolment duties and contribution amounts apply. Entitled workers earning less than the qualifying earnings limit can elect to join a pension scheme. This means the employer must provide access to a pension scheme (it does not need to be the employer's qualifying scheme). The employer is not obliged to make a contribution.

Automatic Enrolment registration

All employers with workers in the UK are required to tell The Pensions Regulator what they have done to comply with their new employer duties. This is known as 'registration' and needs to be done within four months of an employer's staging date. Registration allows The Regulator to understand where employers are having difficulty in meeting their duties so we can provide the right help. It also helps the Regulator to see where employers are failing to comply. They will issue fines, of increasing severity, in the event of non-compliance.

How to register

Registration is a secure, online process. It's accessed through the Government Gateway, so you'll need a Government Gateway User ID to register. You can either log in with your existing Government Gateway User ID or, if you don't have one, you'll be able to create one when you log in to automatic enrolment registration for the first time.

You will also need your unique letter code, which you can find on correspondence from the regulator relating to automatic enrolment, and details of all PAYE schemes that you use.

You will need to provide certain information when you register. There is an automatic enrolment registration checklist has full details, please make sure you have all the correct information to hand. Employers whose staging dates have passed can register online now. If you've used postponement in relation to any of your workers at staging, you should not register until after the last day of the postponement period(s).

The rules

The Pensions Regulator is responsible for ensuring compliance with legislation; initially focussing on education rather than imposing fines for non-adherence. As an employer you will first be told to put things right; failure to comply may lead to fines proportionate to the non-compliance and could ultimately end in criminal prosecution.

You must:

1. Re-register the scheme every 3 years
2. Keep details of all pension arrangements for 6 years
3. Keep specific records for each jobholder for 6 years.

These records are:

- Name, National Insurance number, date of birth
- Gross earnings for each Pay Reference Period
- Contributions payable and paid in each Pay Reference Period
- Date contributions paid
- Auto-enrolment date for jobholders
- Opt in notices for non-eligible jobholders (original format)
- Contributions entitlement for jobholders
- Entitled workers date of effective membership
- Joining notice (original format).

And

- Opt out notice/forms must be kept in their original format either as hard or electronic copies for four years.

You must not:

- Encourage workers to opt out or give up active membership of the pension scheme – this is known as inducement
- Coerce workers to opt out of the scheme
- Discriminate against workers seeking to join a scheme
- Take or fail to take any action that leads to a jobholder ceasing to be an active member of a qualifying scheme, or the scheme of which they are a member ceases to be a qualifying scheme
- Operate prohibited recruitment where a job applicant's success of getting the job depends on whether or not they opt out.

Summary – What will we do?

1. Research into current plans available and the best way to meet your legal requirements.
2. Templates that include all legal wordings needed to be sent to workers about the upcoming changes and contributions.
3. Assessing the workforce and access to payroll spread sheet that works out contribution rates
4. Letters to the workers for implementing the any postponement periods
5. Register the scheme with The Pensions Regulator
6. Set up and implement pensions.
7. Train Payroll and Human Resources on what they need to do each month.
8. Construction of default funds
9. Seminars for all staff for questions and answers on the legislation changes
10. Peace of mind that you have met your legal requirement for pension Auto Enrolment.
11. Deal with the supply of Opt Out forms and therefore take out any legal problems that you have if you supply these forms.

Fees

We will quote a fee depending on the number of employees, schemes and services required. We will provide an initial consultation at no cost to establish the employers needs and discuss this document in more detail.



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