Piecing together the Auto Enrolment puzzle. A step by step guide for employers.
The legislation surrounding 'Auto Enrolment' can be quite tricky when faced in one large chunk of tasks, rules, regulations, and jargon; making it difficult to fully understand what is expected of you, as an employer, and how your employees may be affected. That's why we (the helpful pensions experts at NOW: Pensions) have broken the whole process down into 8 manageable pieces.

So whether you're new to Auto Enrolment and require all 8 pieces of the puzzle, whether you're half way through and have hit a brick wall or if you've almost finished but just can't figure out that final piece; we have it sorted.

NOW: Pensions help employers by offering simpler Auto Enrolment and workplace pensions.
Step 1
Staging Dates & Planning

An Overview

Q. When is my Staging Date?
A. Your Staging Date depends on the size of your payroll as at April 2012. You can determine your company’s Staging Date from the table found in Appendix 1. (The dates are correct at the time of publication but may be subject to change.)

Q. When should I start my planning?
A. The longer you give yourself to plan, the easier the transition will be for your Company. We know that you’re busy with many other activities, meaning that this issue of Auto Enrolment can often be left until too late and companies may struggle to find a provider able to accommodate them at very short notice. Being ahead of the game means that you will have more options available to you. Ideally you start your initial planning 18 months in advance of your Staging Date, so that you are prepared to start making decisions and seriously engaging with your pension provider and payroll teams from 12 months out. Work in earnest will need to begin no later than 6 months in advance.

Q. Do I need a professional adviser to help me with my planning?
A. Not necessarily although you may already have an adviser who is helping you. As Auto Enrolment is compulsory, for many companies their solution will come down to simplicity and cost effectiveness. We don’t charge a set-up fee, our charging structure is simple and transparent, we have a simple investment strategy for employees which aims to maximise their savings. We will also provide free Auto Enrolment communications and assessment of your payroll. So we can help you directly or we can work with you and your selected adviser.

Q. What will Auto Enrolment cost?
A. The cost of implementation, planning, payroll modifications and communications will depend extensively on the decisions you make regarding suppliers/providers and your current internal structures.

For example, communications themselves will have a significant cost per head given the complexity and frequency of the communications, the amount of printing and postage required (remember all workers have to be written to).

There will be additional ongoing costs in respect of contributions, but again these will depend on the average salary of members of the scheme and the contribution structure chosen.

Q. Do I have to make contributions for all staff?
A. You only need to make contributions for workers who are active members of the scheme. This will include Eligible jobholders, Non-eligible jobholders who have opted in to the scheme and any members who have contractually joined the scheme.

At a glance

• Ideally, you should start planning 18 months before your staging date
• The earlier you start to prepare, the smoother the transition will be
• You don’t need to be an expert in Auto Enrolment, but understanding what decisions you need to make will certainly ease the process
Plan

Identity Staging Date

Assess Whether Current Provision Covers All Members

Cheaper Alternative for Certain Members or One Solution for All

Provide AE Solution

Select New Provider

Contribution Design

Map Payroll Interface

2nd Month Payroll Checked for New Joiners and Re-assessed Category Changes

Paying Contributions (Not Invested)

Opt Out Period Ends

AE Notice

AE Data (Deferral Date)

AE Data 2 (Deferral Date)

AE Data 3 (Deferral Date)

Postponement Notices – Targeted vs General

Staging Date

Assess Whole Payroll

Notify Other Provider

Tier 1

Tier 2

Tier 3

within 1 month

within 1 month

within 1 month

The above flow chart is a summary, only, of the overall Auto Enrolment process. It is not intended to be relied on for employer implementation purposes. For full details of the process that will apply to you, please contact NOW: Pensions.
Step 1
Staging Dates & Planning

Additional information

Q. What do I need to plan, don’t I just pick a provider and go?
A. There are a range of things that require decisions:
   • Do you wish to set up a scheme in advance of your Staging Date to reduce complexity later?
   • Do you wish to bring your Staging Date forward?
   • Do you wish to use Postponement?
   • What contributions do you want to pay?
   • What definition of pay are you using?
   • Will your payroll provider undertake your assessment?
   • Which provider to use?
   • Who will administer the opt out/opt in process?
   • What is the most cost effective option when you take into account communication costs, payroll costs, administration fees etc?
   • What approach gives you the most appreciation from your workforce (after all you are spending a lot of money on benefits for them, shouldn’t there be an upside)?
   • How does each option impact your HR area?
   • How good is the past investment performance?

Q. Who is best placed to do the planning? Payroll? Pension Provider? Internal project management?
A. This is going to depend on how you approach Auto Enrolment. At its most basic, it is ensuring that the interfaces are built from Payroll to the Pension Provider. This would require minimal planning to ensure that the interfaces between payroll and the pension provider were built and timings worked for both sides.

A more complex approach would be to integrate Auto Enrolment with other business objectives. This may include educational material in advance of Auto Enrolment, payslip message, line manager training as well as the data interfaces and communication workstreams.

The former scenario may require some minimal planning within the respective organisations, the latter is likely to be best managed centrally by the company to ensure that the best result is achieved by all parties.

Q. What can I do to prepare?
A. Having an idea of what you are trying to achieve in advance can save you considerable angst and money.

You do not need to be an expert in Auto Enrolment, but understanding what decisions you need to make and how you wish to approach Auto Enrolment can help immensely as you do not need to approach every decision from a cold start.

Read as much as you can and gather information about your payroll: its size, its complexity, where are the problems experienced every week/month?

Capture employees’ e-mail addresses and – failing that – ensure you have correct address details for them. You don’t want employees finding out they have joined a pension scheme through the first deduction of pension contributions from their pay.

Scenarios

Q. We only have 4 months until we need to automatically enrol. We have left it too late, what can we do?
A. To salvage this scenario, you need to choose a provider quickly and work with your payroll team to ensure that interfaces can be built quickly. You will probably need to make pragmatic decisions to ensure that Auto Enrolment can be delivered accurately and quickly – but if you are not at this point yet, don’t delay as the longer you have to plan for Auto Enrolment, the more options you will have.
At a glance

- Many Auto Enrolment schemes have significantly varying offerings
- For cost-conscious companies, like-for-like website comparisons are a good way to start
- We believe that charging structures should be fully transparent!

An Overview

Q. How do I select a scheme?
A. Large employers may utilise advisers to provide them with information as to the most appropriate scheme.

Smaller employers will have cost constraints and therefore may have to make the decision unaided. In these circumstances, determine what you want from a scheme, compare providers’ websites and offerings and then compare costs and benefits.

- Make sure you compare like with like – e.g. are communication costs covered?
- Is there a set up fee applied to small employers?
- Is there a charge for categorisation?
- Do they have simple requirements and onboarding process?
- Will your employees have to make a series of complex investment choices to save for their retirement?

Answering these questions should help make the decision simpler.

Q. Is the scheme Auto Enrolment compliant?
A. It is difficult to check this yourself unless you have a level of pensions knowledge. However, by using a reputable provider you should be safe.

Things you can look for as a guide:

- Does the website confirm what Auto Enrolment compliant schemes provide?
- Does the website shout about all of the things the provider does to ensure compliance?
- Does the provider give you enough information for your reporting and record keeping requirements?
- Who are the trustees?
- Is the provider happy to provide their governance structures on line?
- Do they provide transparent charging structures?

Q. Can the provider provide what you need?
A. Is the Auto Enrolment solution the same for an international supermarket, a family butcher or a small company of architects?

We don’t necessarily think so, therefore we provide a range of options to suit your needs.
Step 2
Scheme Selection

Scenarios

Q. The workers I need to enrol currently have no pension provision and little interest in it. How can I comply with the regulations and ensure that they maximise the potential of their pension pot?

A. We accept that many people who are automatically enrolled will not be initially interested in pension provision. We take this into account by:

- keeping communications simple;
- simplifying investment options;
- minimising costs to help ensure maximum fund growth;
- making options easily available online, and
- having an annuity process that aims to ensure that members will maximise the benefits that their funds can provide.

We believe that once people see their funds growing, their interest in their pension provision will naturally grow.

Q. What happens to the employer contributions if a member opts out/leaves employment within 2 years of joining the scheme?

A. This will vary depending on the options you choose and the options taken by the member.

The NOW: Pensions standard approach is that all members have immediate "vesting" of benefits in the scheme (i.e. all benefits are retained and are immediately deferred). This can be varied by employers, but is the simplest solution to administer and keep track of.

The member will then have different options depending on their length of scheme service, i.e.:

1. If they have less than 3 months service their benefits will be retained unless they request a refund of their contributions;
2. If they have between 3 and 24 months service their benefits will be retained unless they request a refund of contributions or take a transfer to an alternate scheme.

In both options, only the refund option would create a potential refund of employer contributions. Where this is triggered, these contributions would be retained in a retention account and would then be used to offset either future employer contributions or administration charges (where the employer is paying these). The offset would only be used within the purposes agreed with the employer in advance.
Step 3
Scheme Design & Contributions

An Overview

Q. What are the minimum contributions I can make?
A. In the initial phase of Auto Enrolment, the minimum contributions you can make are 1% of each jobholder’s basic pay. Over time, this will increase to 2% and eventually 3%.

Q. Can I pay higher contributions?
A. Absolutely. As long as you meet the minimum criteria then you can choose your contribution structure. (See Appendix 2)

Q. Are there any advantages to paying higher contributions?
A. Pension contributions are tax deductible, making them an efficient way of saving for members while also providing employers with tax breaks.

Even more important than this may be that if you pay higher contributions than the minimum – and make sure that your staff are aware of this – it may be one of the factors that makes them appreciate working for you and helps you to attract the best available candidates for future recruitment.

Lower turnover of staff and attracting higher quality candidates are great ways of minimising recruitment costs and future proofing your business.

Q. Can I pay different contribution levels to different groups of staff?
A. Yes, as long as you make the same level of contributions for each group of employees you can differentiate your contribution levels. For example, you may wish to have the following structures:

- Administration staff pay 5% contributions and you pay 5% employer contributions;
- Managerial staff pay 5% contributions and you pay 10% employer contributions;
- Directors pay 0% and you pay 15% contributions.

Be sure to meet the minimum requirements for all groups though. (See Appendix 2)

At a glance
- Minimum employer contributions start at 1% and will increase over time to 3%
- Both employers & employees have the option to increase contributions
- ‘Matching’ contributions is a good way for employers to encourage saving
Q. What default retirement age should I choose?
A. This will be dependent on the type of business you have and what will be most suitable for your workforce. It is no longer legal to force employees to retire on age grounds and therefore employees will be able to work beyond their retirement age. However, members of the scheme would currently be able to retire at any time after age 55 and could take their benefits at 75 or beyond (although certain constraints may apply), so there is sufficient flexibility within the Plan for members regardless of your decision.

Q. I would like to introduce a salary sacrifice scheme to make National Insurance savings as well as tax savings. Is this possible?
A. Auto Enrolment allows for salary sacrifice and HMRC guidance around salary sacrifice has been amended to enable flexibility around pension contributions as a result of Auto Enrolment.

It is possible to introduce salary sacrifice at the same time as Auto Enrolment, but you need to make sure that your communications are effective, as salary sacrifice must be notified to staff prior to them being enrolled in a pension scheme.

It is also important to plan ahead – salary sacrifice cannot be set up overnight and requires significant planning and possible amendments to your payroll.

Q. What definition of salary should I use for calculating contributions?
A. This is entirely up to you, provided you comply with the minimum requirements. You could, for example, use basic pay or total earnings. You will need to decide as part of your HR policy and budgetary requirements what definition you use.

(See Appendix 2)

Additional information

Q. If the earliest age at which people can retire is 55, then why wouldn't I just pick that and let my employees select their most appropriate age individually?
A. Most employers will set the state pension age (SPA) as the default, and members can decide whether they will be able to afford to retire earlier or later than this dependent upon their personal circumstances, sometimes these aren't known to the employer. Each member can vary their selected retirement age at any time within the prescribed age ranges.

Many people will not be able to afford to retire early as retirement provision is less generous than it used to be. Picking an early age as the default setting would mean that employees who did not engage in making decisions about their pension ages would start to de-risk their investment strategy at age 45 – this is likely to be well in advance of the date that they will actually stop working.

Choosing State Pension Age (SPA) means that employees are targeting their pension saving for the time when they will also start receiving a pension from the state. However, with SPA now changing to 68, your workforce may perceive this as too late and hope to start drawing parts of their retirement income at different ages. In short, choose an age when your average worker tends to retire or, if appropriate, add a couple of years on to this to allow for people living longer. At the end of the day, you know your employees better than any adviser or pensions professional.

Q. What are matching contributions?
A. Matching contributions are a way of incentivising your staff to save for their retirement. In essence, the more they commit to save, the more you will offer to contribute to their fund.

You may wish to offer the minimum contribution criteria for all jobholders but then incentivise them to save more by offering to pay more in, e.g. 4% if they pay in 4% or 5% if they pay in 5%.

You can take this further and offer to double their contributions: 8% if they contribute 4% and 10% if they contribute 5%.

This way, your staff are much more likely to save a significant amount for their retirement, appreciate your company more and be able to afford to retire as their productivity reduces.
Scenarios

Q. My company has a bonus scheme where many employees will receive a one-off payment. Can this be paid into the pension arrangement?

A. Yes. Alongside regular contributions, members can make one-off contributions (subject to certain limitations) to take account of one-off payments such as annual bonuses. This is a particularly tax efficient way of members receiving all, or part, of their bonus as it attracts tax relief at the member’s highest rate.

It may be a good idea to notify members of this in advance and remind them with their bonus letter. It is much easier to make the deduction in the same pay period that they receive the bonus as this means that the tax relief is taken into account at the time the bonus is paid and the full benefit of the contribution is made to the member’s fund.
An Overview

To ensure a robust Auto Enrolment process, your payroll system needs to have an automated exchange of data with your pension system.

As payroll timescales are often short, it is imperative that if the data leaves the payroll process for assessment that it is sent across in a standardised, easily replicable way so that it can be loaded, assessed and returned with minimal risk to the payroll run.

Middleware is the term for a piece of software that links payroll and HR systems to the pension administration system.

A lot of providers are suggesting that the payroll system sends the payroll data into their middleware system. The middleware will then determine which workers are categorised as jobholders and which are workers.

The middleware then provides information back to the payroll system to enable contributions to be deducted as required and a different file back to the Pension Administration System so that automatically enrolled jobholders are set up within the scheme.

At a glance

- Middleware is the term for a piece of software that links payroll and HR systems to the Pension Administration System
- It is very important that payroll information is accurate, especially if working with weekly payrolls and tight turnarounds
- Our Auto Enrolment solution can work with several payrolls
Q. Does NOW: Pensions have a middleware option?
A. The NOW: Pensions solution does have a middleware option and this is generally provided free of charge.

However, we think that it is better to come up with a solution that best fits our clients rather than send everyone down a “one size fits all” pathway.

We know that many payroll providers and software providers are also providing an assessment tool. In these cases, we are more than happy to work with the payroll system to undertake the calculations as this means that the risk of passing the data out of the payroll system at a crucial time does not need to happen and the payroll can run with its normal smooth efficiency.

Q. What resources will I require?
A. This is completely dependent on how your payroll process works and at which point in the process you wish to do your assessment.

If you use a payroll provider you may find that they have already built an interface with NOW: Pensions and therefore any action may be limited to whether you need to pass them additional information across from your HR system (a small amount of data is required for pension purposes that may not be recorded normally within the payroll system).

If not, then a new interface may be required to ensure that you are able to import and export data in the correct format.
Q. My data is not always 100% complete at the time that my payroll is run, but I need to process what I have to ensure that my workers are paid. How would this affect the assessment?

A. If you provide a file for us to undertake the assessment of your workers, our system will validate the data to ensure that all of the mandatory fields have been provided. Any records that are not complete at that point will be sent back to you for amendments to be made and the record re-submitted.

All of the correct entries continue through the calculation routine and are assessed as normal. The system then passes back the information you need to deduct contributions.

When you resubmit the data for the inaccurate records, these will be validated again and if accurate will go through the assessment process.

We will not hold records up because some of the data is incorrect, so you will always have as records possible assessed as early as possible.

However, you should be aware that it is the employer’s responsibility to ensure that all workers have correct data supplied to enable the assessment to take place in time and contributions to be correctly deducted.

Q. Our system will undertake the assessment: what will you be doing?

A. Where the payroll system is undertaking the assessment, then we recommend that it sends us the information we require just after the BACS file has been released. This means that we can take account of any last minute adjustments that have been made.

Following receipt of the information, we will set up records for any members who have been automatically enrolled. At the same time, we will issue all of the communications that need to be sent to workers and manage the opt in and opt out processes.

Just before the next payroll is run (at a time that is convenient for you), we will send your payroll system a file notifying you of any members who opted out or opted in. The payroll system can then take account of these in the next run.

Q. I have a weekly payroll with very tight turnaround times – how quickly can you process my data?

A. The assessment of your data should be turned around very quickly; certainly within a few hours. The only assumption for this is that we have received accurate information to work on.

However, with a weekly payroll there is a strong argument for undertaking the assessment within your payroll system if possible. Any data that is sent out of the payroll system would need to be validated on its return and therefore that additional time constraint alone could put a risk on the payroll timetable.

Where the assessment cannot be completed within the payroll System, then a little planning is required to make sure that those validations are undertaken automatically before the payroll is finalised.

Q. Our company has 3 different payrolls – a weekly payroll, a fortnightly one and a calendar monthly one. Should we amalgamate all of the files before we send them to you?

A. This is definitely an option, however it does increase the risk profile of the process.

We would suggest that the best approach is to send a separate file for each payroll. Often the simplest solution is the best.

Q. We have a separate HR system to our payroll one and some of the information is only held on one or the other. Do we need to send separate files?

A. Again, this is an option that is possible. However, this is slightly cumbersome and means that we may need both files before we can progress information.

Where feasible, the simplest approach may be to build a slightly broader interface between the HR and payroll systems and have a single feed of information directly from the payroll system, even where this means holding additional data items on the payroll that are not normally required.
Step 5
Assessing your workers

An Overview

All employers will have a Staging Date: once you have established this then you need to decide whether you want to assess your workers on that date or if you want to use a Postponement Notice so that you can assess them at a convenient date for your business (the Deferral Date).

For new employees, these dates will change to being the first date of their employment or the deferral date if a postponement notice is used.

Assessments are not required for non-UK workers, people under 16 or over 75 or anyone who provides services (i.e. is genuinely self-employed).

The regulations require you to sort your members into the following groups:

- Eligible jobholders
- Non-Eligible jobholders, and
- Entitled workers

Eligible jobholders must be automatically enrolled into a qualifying scheme, with minimum employee and employer contributions.

Non-Eligible jobholders do not have to be automatically enrolled, but must have the option of opting into an Auto Enrolment scheme with the same employee and employer contributions.

Entitled workers do not have to be automatically enrolled. They must be able to elect to opt in to a pension scheme, but no employer contributions need to be paid.

At a glance

- **Eligible jobholders** must be members of a qualifying scheme or automatically enrolled into an automatic enrolment scheme, with minimum employee and employer contributions.

- **Non-eligible jobholders** must have the option of opting into an Auto Enrolment scheme with the same employee and employer contributions.

- **Entitled workers** must be able to elect to opt in to a pension scheme, but no employer contributions need to be paid.
Step 5
Assessing your workers

Additional information

Q. What constitutes an Eligible jobholder?
A. An Eligible jobholder is any worker who works or ordinarily works in the UK and who is:
   • aged 22 or more but less than State Pension Age, and
   • earns over £8,105 a year.

Q. What constitutes a Non-Eligible jobholder?
A. A non-eligible jobholder is any worker who works or ordinarily works in the UK and who is:
   • aged 16 or more but less than 75 and earns less than £8,105,
   • but more than £5,564 a year
   OR
   • aged 16 or more but less than 22 or between State Pension Age and under 75 and
   • earns more than £8,105 a year.

Q. What constitutes an entitled worker?
A. An entitled worker is any worker who works or ordinarily works in the UK and who is:
   • aged at least 16 and under 75, and
   • earns less than £5,564 a year, £463.67 a month or £107.00 a week.

Q. Where is the optimum place to assess my workers?
A. First of all you need to consider your options – does your payroll solution offer an assessment facility and/or does your pension provider? Are you prepared to pay a third party to use their middleware solution?

If your payroll provider/software is able to undertake the assessment within their software, there are some significant advantages in them undertaking the assessment:
   • the data remains within the payroll system the whole time, minimising risk and removing the need for re-validation of data when it is received back from the pension provider;
   • processing times are kept to a minimum – even if the information is turned around within an hour by the pension provider this can be significant for weekly payroll runs;
   • there is no delay to the payroll process if there is any missing data, as this would be picked up by the normal payroll process.

If your payroll provider/software is unable to undertake the assessment (or you have other reasons not to use it), then NOW: Pensions can undertake the assessment for you. There is generally no additional cost for this service.

Scenarios

Q. My payroll provider can undertake the assessment but they cannot undertake the follow up communications?
A. This is a common scenario. The primary concern must be that the pre-Auto Enrolment payroll process is unaffected by Auto Enrolment.

The best method in this scenario would usually be for the payroll provider to undertake the assessment and process the payroll.

At the same time that the BACS file is sent, data files should be sent to NOW: Pensions containing the assessment data. This will then be used to generate appropriate communications to all employees by e-mail or letter.
Step 6
Postponement

An Overview

Postponement is a mechanism for employers to delay Auto Enrolment to a date that is more convenient or to manage short-term contract or temporary staff, or to align Auto Enrolment requirements with payroll processes, for example.

Employers can choose to postpone for one, some or all members for a period of their choice up to 3 months. So if the Staging Date is 1 January 2013, Postponement can be any length of time up until 1 April 2013.

Simplicity is often the most effective strategy, but there is no reason why you might not have different strategies for salaried staff compared with employees on a wage. The flexibility is there to be used and a well thought out strategy can make life more straightforward.

In short, all you need to do is write the Postponement to each employee, ensuring that all of the relevant information is included.

At a glance

- Employers can choose to postpone for up to 3 months
- Maximum postponement periods are useful when dealing with temporary staff
- Varying postponement periods for different members of staff
Q. Do I need to use the same postponement period for my Staging Date as for enrolling a new hire?
A. No. In many respects it is more logical to use a different approach for both. Postponement at Staging Date means that the bulk assessment can be taken at the most convenient time and used to manage cash flows. Having no postponement period, or a postponement period that is only as short as to integrate with the next payroll cycle removes complexity for new hires.

Q. To assess or not to assess before postponing?
A. Either option is available, but generally it is likely to be simpler by sending a General Notice to employees as this will prepare and provide them all with the same initial information.

Q. Can I communicate before the Staging Date?
A. Absolutely. Although you must issue Postponement Notices within 1 month of Staging/Joining, it is best practice to do this either slightly before, or within 48 hours of the Staging Date.

Issuing the notices before the Staging Date is extremely useful if the postponement is short.

Q. I have a high turnover of short-term employees and/or temps
A. By setting the Postponement Period to the maximum 3 months any employee or temp who is employed for less than this amount of time will not need to be involved. You can set different postponement periods for different members of staff, so while you may wish to have a 5 month postponement period for these employees, you may wish to have a shorter one for your permanent employees.

Q. I see pensions as being an important part of our reward package and see this as a valuable opportunity
A. There is no requirement to have a postponement period. It is simple to assess people on your Staging Date and have them immediately enrolled and starting to accrue funds.

Q. My staff are keen to join and are likely to opt in
A. If you are likely to have reasonable numbers of members opting in – whether across the whole population or in specific populations – it may be worth having either no postponement period, or just a short one to harmonise most effectively with your payroll processes.

Opting in from the Staging Date will be an option for employees, but it is always more effective to have a group join in a batch rather than to have a steady number joining on an ad hoc basis over 3 months.
An Overview

Q. What communications do I need to send?
A. Depending on your approach, you will need the following:
   - Postponement Notices
   - Category notifications
   - Opt in forms
   - Opt out forms

Q. What format do I want my communications to take?
A. Electronic communications delivered via e-mail (or opt in/opt out processes administered on-line) must be the preference in terms of cost, reliability and speed.
   Written communications can arrive at different times and depending on the collection of data, i.e. employees addresses, may not even be received by them.

Q. What are the timeframes for issuing communications?
A. Postponement Notices and Categorisation Notifications have to be issued within a month of Staging or a new worker joining (or categorisation if a Postponement Notice has been issued).
   Postponement Notices could be issued, however, before Staging to provide additional information to workers.
   Although a month is a long time, the sooner that information is provided to workers, the more time they have to opt in or opt out.

Q. Who issues the communications?
A. It is the employer’s duty to ensure that communications are issued to all workers.
   However, this can be delegated to another party (e.g. the payroll provider or the pension provider).
   It is important however, that whoever issues the communications ensures that the proper records are kept to ensure compliance.

At a glance

- E-versions of communications save time & money
- Postponement notices and categorisation notifications must be issued within a month of Staging or a new worker joining
- Payroll & pension providers are able to help with employee communications
Additional information

Q. What can I do to improve communication delivery?
A. Using the months in advance of Auto Enrolment to collect accurate address and e-mail information from your employees. Also, improving onboarding processes to ensure that payroll and HR systems are correctly updated at the outset will save money in future data cleanse exercises.

Q. What do good communications look like?
A. The Department for Work and Pensions and the Pensions Regulator have worked on a set of standard Auto Enrolment communications. These ensure that you meet all of the requirements, but they are quite long. Good communications need to engage with the workforce to ensure that they read the information they need to make timely decisions. At NOW: Pensions, we write our communications to be as short as possible, while containing all of the statutory information.

By providing a précis of the important information up front, we acknowledge that some people will not read the whole document, but at the same time they will not miss the important information to them.

Q. How much will the communications cost?
A. The cost of employing a specialist agency to draft compliant communications and to then have these legally checked can be prohibitive; even before postage is taken into account. NOW: Pensions will provide these for free.

Scenarios

Q. Can I use the communications to encourage workers to opt out and reduce my costs?
A. No – nobody can induce, encourage or put pressure on workers to opt out of Auto Enrolment (or indeed not to opt in).

Q. We do not hold comprehensive address data, can I just put some notices on the Notice board or the company website and tell my workers to read them?
A. No – each worker must receive an individual notification of their categorisation and its implications. Similarly, if postponement notices are used then these must be provided to each individual that they are being used for. Notices can be handed to individuals rather than posted, but employers must ensure that each worker receives one and confirm the date that it was provided.

Q. What do I have to do if my company wants to handle the opt in/opt out process?
A. For each worker who opts out, you need to ensure that the opt out request contains all of the required information within the correct timescale. Extensions are only available in certain circumstances and if all of the prescribed information is not provided within the deadline, then the worker will be automatically enrolled.

It’s far easier is to let your pension provider manage the process through an on-line process. This ensures that there is no reliance on the post and maximises the time workers have to opt out.

Q. I now know what categories all of my employees fall into. What now?
A. As an employer, you need to write to all of your employees individually and notify them of which category they are in and what their options are.

Q. Can I use e-mail instead of a letter?
A. Yes – e-mail is not only the cheapest way of notifying employees, but it is the quickest and most efficient. E-mailing will give jobholders the most time to opt out or opt in.
Step 7
Communications

Q. Do I have to issue the communications?
A. No. Employers are allowed to have a third party issue the communications on their behalf, however the employer cannot delegate the accountability if communications are not issued in line with the statutory requirements.

Q. How does the opt out period work?
A. Once an employee receives their notification, they have a month to opt out (as if they had never joined the scheme). In that time, they must provide all of the information required to opt out under the Auto Enrolment legislation.

Q. What if they return the form on time, but have only partially completed it?
A. Employees can be given an additional 2 weeks to return a completed form; if they do not return it within that time then they will be deemed to have joined the scheme.

Q. So, can I just tell me staff that they have 6 weeks to complete the opt out form?
A. No, the extension can only be granted in specific circumstances and employees need to have submitted an incomplete form within the timeframes to obtain the extension. It is far easier to give employees a simple, foolproof method for opting out, such as an online function.

Q. Staging Date has passed, but we have just hired a new employee. Do I need to assess her?
A. Yes. You either need to issue a Postponement Notice or assess her immediately.

Q. We are approaching our annual pay rise period. Do I need to re-assess all of my workers?
A. Eligible jobholders do not need to be re-assessed as they are already members of the scheme. However, any time a worker receives a pay rise they could change category and have a different range of options to them.

Of course, if you assess all of your workers every pay period, you will automatically pick up people changing to a higher category as they reach age 22 or the minimum earnings criteria.

Q. I have used a postponement notice, do I need to provide all of the same information again?
A. No, if you use your postponement notices judiciously, then you can provide most of the information in the postponement notice and only have minimal requirements after that.

Q. A number of my employees have asked if they can fill out their opt out form in advance of Auto Enrolment as they will be on holding shortly after our Staging Date. Is this possible?
A. No. Opt out forms cannot be completed in advance of Auto Enrolment under any circumstances.
Q. How long do I need to keep records for?
A. Auto Enrolment records need to be kept for a minimum of 6 years, although opt out records only need to be kept for a minimum of 4 years.

Q. Why the difference?
A. Opt out records only need to be kept until the employee reaches a re-enrolment event. Re-enrolment takes place every 3 years, but as a member is not automatically re-enrolled within 12 months of opting out, the maximum time until a re-enrolment event is 4 years.

Q. Why must I keep records?
A. Record-keeping ensures that there is a clear evidence trail to avoid disputes and also to confirm that the correct contributions have been paid.

Q. What sort of records must I keep?
A. Records about jobholders and workers (e.g. National Insurance number and joining date) and scheme records (e.g. scheme name and address).

Q. Will these records ever be checked?
A. The Pensions Regulator can check the records at any time. They are likely to take a risk-based approach and look at the employers more likely to cause them concern, but they can look at anyone at any time.

Q. My pensions are administered by a third party – isn’t it their responsibility to keep the records?
A. No – the ultimate responsibility sits with the employer. Your third party administrator can keep the records for you – if that is what you agree with them – but you will need to check that they are doing so.

Q. What do I need to report?
A. You will need to notify the Regulator of the scheme(s) that you are using to meet your Auto Enrolment duties and confirmation that you have complied with those duties.
Appendices

Appendix 1

Latest Auto Enrolment staging dates

With Auto Enrolment just around the corner and the first staging date commencing on the 1st October 2012; how prepared are you for compliance? See the table below for an idea of your staging date.

<table>
<thead>
<tr>
<th>Employer size (by PAYE) scheme size</th>
<th>Automatic Enrolment duty date</th>
</tr>
</thead>
<tbody>
<tr>
<td>250 or more members</td>
<td>From 1 October 2012</td>
</tr>
<tr>
<td></td>
<td>To 1 February 2014</td>
</tr>
<tr>
<td>160 to 249 members</td>
<td>From 1 March 2014</td>
</tr>
<tr>
<td></td>
<td>To 1 April 2014</td>
</tr>
<tr>
<td>90 to 159 members</td>
<td>From 1 April 2014</td>
</tr>
<tr>
<td></td>
<td>To 1 May 2014</td>
</tr>
<tr>
<td>62 to 80 members</td>
<td>From 1 June 2014</td>
</tr>
<tr>
<td></td>
<td>To 1 July 2014</td>
</tr>
<tr>
<td>61 members</td>
<td>From 1 July 2014</td>
</tr>
<tr>
<td></td>
<td>To 1 August 2014</td>
</tr>
<tr>
<td>60 members</td>
<td>From 1 September 2014</td>
</tr>
<tr>
<td></td>
<td>To 1 October 2014</td>
</tr>
<tr>
<td>59 members</td>
<td>From 1 October 2014</td>
</tr>
<tr>
<td></td>
<td>To 1 November 2014</td>
</tr>
<tr>
<td>58 members</td>
<td>From 1 December 2014</td>
</tr>
<tr>
<td></td>
<td>To 1 January 2015</td>
</tr>
<tr>
<td>54 to 57 members</td>
<td>From 1 February 2015</td>
</tr>
<tr>
<td></td>
<td>To 1 March 2015</td>
</tr>
<tr>
<td>50 to 53 members</td>
<td>From 1 March 2015</td>
</tr>
<tr>
<td></td>
<td>To 1 April 2017</td>
</tr>
<tr>
<td>Employer who does not have a PAYE scheme</td>
<td>From 1 March 2017</td>
</tr>
<tr>
<td></td>
<td>To 1 April 2017</td>
</tr>
<tr>
<td>New employer</td>
<td>Starting 1 April 2017</td>
</tr>
<tr>
<td></td>
<td>To 1 February 2018</td>
</tr>
</tbody>
</table>

Source: DWP – The dates are correct at the time of publication but may be subject to change.

Appendix 2

Contributions and minimum requirements

- Most schemes will use a definition of pensionable pay that is different to qualifying earnings.
- To help employers fulfil their duties using an existing scheme there will be a 3-tier alternative quality test for Defined Contribution schemes enabling employers to self-certify that their scheme requires an appropriate level of contributions.
- Alternative tests require that based on the previous year’s earnings data, and in relation to the workers covered by the certificate – scheme rules require a contribution of one of the following:

<table>
<thead>
<tr>
<th>Total Contribution</th>
<th>Employer Contribution</th>
<th>Pensionable Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>9% of pensionable pay</td>
<td>4%</td>
<td>No quality test required</td>
</tr>
<tr>
<td>8% of pensionable pay</td>
<td>3%</td>
<td>Pensionable pay is at least 85% of the total pay bill for the workers covered by the self-certification.</td>
</tr>
<tr>
<td>7% of pay</td>
<td>3%</td>
<td>All pay is pensionable</td>
</tr>
</tbody>
</table>

- To use one or more of the alternative tests, pensionable pay must be at least equal to basic pay (i.e. earnings minus commission, bonuses and overtime etc).
- Quality requirements will not apply immediately – employers will be given time to adjust to increased payroll costs, contribution levels will be phased over 6 years.

<table>
<thead>
<tr>
<th>Date</th>
<th>Total Contribution</th>
<th>Minimum Employer Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Until Oct 2017</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Oct 2017 – Oct 2018</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Oct 2018</td>
<td>8%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Glossary

Definitions

**Worker**
- an employee or
- a person who has a contract to provide work or services personally and is not undertaking the work as part of their own business.

**Jobholder**
A worker who:
- is aged at least 16 and under 75
- works, or ordinarily works in the UK, and
- earns above the lower earnings level for qualifying earnings.

The category of jobholder further subdivides into 2 groups: 'eligible jobholders' and 'non-eligible jobholders'.

**Eligible jobholder**
So-called because they are 'eligible' for Auto Enrolment. This is a jobholder who:
- is aged at least 22 but has not yet reached state pension age, and
- earns above the earnings trigger for automatic enrolment.

**Non-eligible jobholder**
So-called because they are not eligible for Auto Enrolment (though they can choose to 'opt in' to an Auto Enrolment scheme). This is a jobholder who:
- is aged at least 16 and under 75, and
- earns above the lower earnings level of qualifying earnings but below the earnings trigger for Auto Enrolment.

OR
- is aged at last 16 and under 22, or between state pension age and under 75, and
- earns above the earnings trigger for Auto Enrolment.

**Entitled worker**
A worker who:
- is aged at least 16 and under 75
- works, or ordinarily works in the UK, and
- earns below the lower earnings level for qualifying earnings.
Qualifying earnings
This includes all of the following pay elements (gross) over a period of 12 months, between the qualifying earnings threshold and the upper contribution limit (i.e. between £5,564 and £42,475 in 2012):
- Salary
- Wages
- Commission
- Bonuses
- Overtime
- Statutory sick pay
- Statutory maternity, paternity and adoption pay.

These earnings are used to identify whether an individual is an eligible jobholder or a non-eligible jobholder, and also to determine the level of contributions a scheme must require.

Auto Enrolment
When an employer places eligible jobholders into an Auto Enrolment scheme 'automatically', i.e. without the jobholder's involvement. An individual who is automatically enrolled is free to opt out and can stop saving at any time, but needs to take action to do so.

Qualifying scheme
A pension scheme that meets certain minimum standards set by legislation. There are different standards depending on the type of scheme. (See Appendix 2)

Auto Enrolment scheme
A qualifying scheme that meets additional criteria to be an Auto Enrolment scheme. Eligible jobholders who are not already a member of a qualifying scheme on the employer's staging date must be automatically enrolled into an Auto Enrolment scheme. The employer will choose the scheme for Auto Enrolment.

Staging
The staggered introduction of the new employer duties, from 2012, starting with the largest employers. New PAYE schemes will be staged last. (See Appendix 1)

Staging date
The date when the new law is 'switched on' for a business.

Phasing
For DC schemes, the gradual phasing-in of contribution levels until they reach the minimum level required by law.

Registration
A duty on employers to tell The Pensions Regulator information about the pension scheme they are using and how many people they have enrolled into it.

Middleware
Software that occupies a position in a hierarchy between the operating system and the applications, whose task is to ensure that software from a variety of sources will work together correctly.
NOW: Pensions is a UK occupational pension plan. Membership is only available through employer.

This note is written as a general guide only. It should not be relied upon as a substitute for specific professional advice.