An introduction to auto enrolment
NOW: Pensions provides all the tools and guidance employers and their advisers need to set up and manage auto enrolment.

To help a greater number of people save for their retirement, the government introduced legislation which made it a legal requirement for every employer in the UK to put certain staff into a workplace pension from October 2012 and pay into it without employees having to take any action. Known as auto enrolment, all employers, regardless of size have to comply and so far, more than 10 million people have begun to save for their retirement. This guide summarises the rules and regulations you’ll come across when implementing auto enrolment.
Which workers are eligible for auto enrolment?

One of the questions we get asked most often is ‘who should I auto enrol?’ The diagram below shows which workers must be put in to a pension scheme.¹

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1 Employees must be working in the UK.
2 This is the age that a person’s State Pension will start to be paid under normal circumstances (currently 66 for both men and women but gradually rising to 67 and 68).
3 Under auto enrolment regulations, employers aren’t required to contribute to entitled workers’ pension schemes. However, NOW: Pensions uses a variety of contribution models, some of which allow employers to make contributions to entitled workers pension schemes. Entitled workers who want to join should check with their employer about the basis of pensionable earnings as if the scheme operates on a qualifying earnings basis, no contribution would be paid into their pension.
Can the duties start date be delayed?

Yes. Employers can delay auto enrolment for some or all of their employees by up to three months.

This is particularly useful to those with staff on short-term or temporary contracts who may not be employed for as long as three months. Additionally, employers can also delay auto enrolment to align with company accounting and payroll periods.

If an employer decides to take advantage of postponement, they must issue postponement notices to each employee within six weeks of their duties start date.

Employers choosing to postpone will still need to have a qualifying pension scheme in place by the time of their duties start date.

How are worker communications managed?

It is an employer’s duty to inform employees about auto enrolment.

Communications must include an explanation about how individuals will be affected by auto enrolment.

Without a considered communication plan, employers risk not meeting their duties and making their employees aware of their obligations and choices. Page three shows the impact of auto enrolment on different workers.

A good quality pension provider will facilitate the communications process by sending educational materials directly to your workers.
How is the relevant data collected?

To make sure all the correct information is transferred, an employer’s payroll system needs to have an automated exchange of data with the pension system. As payroll timescales are often short, it’s crucial that when the data leaves the payroll process for assessment, it is sent across in a standardised, easily replicable way. This makes sure it can be loaded, reviewed and returned with minimal interruption to the payroll run.

We recommend that workers are assessed for auto enrolment within payroll as this prevents payroll having to wait for information from the provider. To get ready for auto enrolment an employer should consult with their payroll provider to understand their system’s capability for a smooth transition.

Can workers leave the pension?

Since the introduction of auto enrolment in 2012, the number of employees asking to leave the scheme are far lower than anticipated. However, employees can choose to leave a pension scheme if they like. There are some rules about employees leaving the scheme.

- Employees can only leave the pension scheme after they have been auto enrolled or joined the scheme. Employers must auto enrol eligible employees even if they plan to leave the scheme.
- There can be an optional waiting period of up to three months before an eligible employee needs to be auto enrolled into the pension scheme. Employees can, however, choose to join the scheme during the waiting period.
- Employers should put procedures in place that monitor auto enrolment triggers for existing employees and new joiners e.g. when turning 22 years old, or reaching the minimum level of earnings.
- Employers will be required to give notice to employees about their rights and status.
- Employers are not allowed to encourage or induce employees to leave the pension scheme.
What is re-enrolment?

Every three years employers are required to re-enrol eligible workers who have decided to leave the pension scheme.

- Employers must keep records of employees who have left the scheme as this group will be affected by re-enrolment.
- Employers can choose a re-enrolment date, but it must fall within a six month window starting three months before the third anniversary of their original staging or duties start date and ending three months after.
- Employees who leave the scheme within the 12 months before the re-enrolment date can be excluded from re-enrolment.

How are contributions calculated?

- Many employers use 'qualifying earnings' to calculate employer and member contributions.
- For the 2019/20 tax year the qualifying earnings band is between £6,136 and £50,000 a year (earnings above £50,000 are excluded). This means the first £6,136 of an employee's earnings does not count for the purposes of auto enrolment. In addition, earnings need to be at or above £10,000 per annum before employees are auto enrolled.
- Qualifying earnings are based on gross earnings and include bonuses, commission, overtime and any statutory pay, such as sick pay or maternity pay. Definitions of pensionable earnings can be found here.
Further reading

To read more about how NOW: Pensions can help set up and manage auto enrolment, please take a look at our website nowpensions.com