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TOP FIVE TIPS FOR SMALL FIRMS TACKLING AUTO ENROLMENT

This year, over 500,000 small employers (those with fewer than 50 staff) will be affected by auto enrolment and, by law, they will have to automatically enrol their eligible employees into a workplace pension and make contributions to that pension. This compares to just 47,000 in 2015.

Commenting on how smaller employers should tackle the challenge, **Morten Nilsson, CEO of workplace pensions provider NOW: Pensions**, says: *"For anyone who runs a small business, auto enrolment can feel daunting. Smaller employers tend to have little or no experience of pensions, they don't have the dedicated in-house resource that larger companies enjoy, nor do they necessarily have the support of an expert adviser. The key is to tackle it early and plan."*

NOW: Pensions has produced five top tips for employers approaching auto enrolment.

1. **Plan ahead and prepare**

   The Pensions Regulator recommends employers begin their planning 18 months in advance of their staging date. However, of the companies that signed up with NOW: Pensions in the fourth quarter of 2015, 27% completed their application either very close to their staging date or after the deadline had passed. This is an improvement on Q3 when 37% of firms left it late.

   Morten Nilsson says: "*Leaving auto enrolment to the last minute will inevitably result in increased administrative pressure and unnecessary stress. The simple truth is the longer businesses allow themselves to implement the changes, the easier the process will be."*

2. **Include auto enrolment in your budget forecasting**

   The cost of implementation, planning, payroll modifications, assessment, communications and record keeping will depend largely on the decisions an employer makes regarding suppliers, providers and their current internal structures. Some employers may also want to seek external advice so will need to budget for this.

   Initially, contribution levels are set quite low. But by 2019, employers must pay a minimum of 3% of qualifying earnings per employee into a pension scheme.

3. **Think carefully about scheme selection**

Employers should take the time to consider their provider. The decision they make will have lasting consequences for their workforce and shouldn't be taken lightly. For employers completely new to pensions, it may be wise to seek guidance from an expert adviser.

Good quality schemes should be able to demonstrate their quality through third party assessments such as The Pension Regulator's master trust assurance framework or Pension Quality Mark, these are designed to highlight schemes that are well governed with low charges and good member communications.

4. Think about your contribution structure

The reality is auto enrolment minimum contributions won't be enough for most people to be sure of a comfortable retirement. However, NOW: Pensions' research* suggests nearly one in three (30%) firms plan to contribute more than the legislative minimum when they enrol their employees into a workplace pension.

Over half (57%) of those surveyed who intend to pay more than the minimum say they believe it will help with the recruitment and retention of employees.

This approach makes sense as behind holiday entitlement, generous pension contributions are the most highly rated benefit cited by employees.

5. Harness the power of payroll

For auto enrolment to run as smoothly as possible, your payroll system needs to have an automated exchange of data with your pension system. NOW: Pensions' experience is that employers supported by a payroll bureau are significantly better prepared for auto enrolment than those that are managing the administration of their schemes alone.

Professionalising your payroll ahead of introducing auto enrolment is wise and the benefits shouldn't be under estimated. One of the biggest stumbling blocks for all firms tackling auto enrolment is ensuring all payroll data is complete and up to date. A missing date of birth or national insurance number can cause untold problems further down the line.

Nilsson concludes: *"Auto enrolment is complex and there are lots of things to consider. But, tackle it early and there's little to fear."*

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Notes to editors
***Research undertaken by BDRC Continental, an award-winning insight agency. Questions were put to 400 UK SMEs (up to and including 250 employees) via BDRC Continental's monthly Business Opinion Omnibus. 269 of those interviewed are yet to stage. Telephone-based interviews with a nationally representative sample of senior financial decision makers across the UK, weighted by size, region and sector. Fieldwork dates 2nd to 12th March 2015.

NOW: Pensions www.nowpensions.com @nowpensions
NOW: Pensions is an independent, multi-employer trust serving thousands of employers and hundreds of thousands of employees from a wide range of sectors.

A subsidiary of one of Europe's largest pension funds, Danish pension scheme ATP, NOW: Pensions offers a simple and cost effective workplace pension solution direct to employers and via advisers and the payroll sector.

In April 2013, NOW: Pensions became the first master trust to attain the NAPF's new PQM Ready Standard. The benchmark shows employers that NOW: Pensions is a well governed pension scheme with low charges and good member communications.

In January 2015, NOW: Pensions achieved independent assurance of scheme quality in accordance with the new master trust assurance framework (AAF02/07) introduced by The Pensions Regulator (TPR) in conjunction with the Institute of Chartered Accountants in England and Wales (ICAEW).

The NOW: Pension Trustee Directors, whose role is to safeguard the interests of members, comprises well-known industry figures with different areas of expertise:

- Jocelyn Blackwell, founding partner Dunnett Shaw
- Christopher Daykin, former Government Actuary
- John Monks, member of House of Lords and former General Secretary of ETUC and TUC
- Win Robbins, former Head of European Fixed Income at Barclays Global Investors
- Nigel Waterson, former Shadow Pensions Minister

Employee charges are just £1.50 per month administration charge (reduced administration charge of £0.30 - £1.00 to be applied during auto enrolment phasing for lower earners) plus a 0.3% annual product investment management charge, with no hidden charges.

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