For immediate release: Monday 22 February 2016

AUTO ENROLMENT – THE TOP FIVE MYTHS

This year up to 500,000 small firms will have to comply with the new auto enrolment legislation introducing workplace pensions for their eligible employees.

Auto enrolment is complex and misapprehensions aren't uncommon. To help employers navigate their way through, NOW: Pensions has "myth busted" five of the most common incorrect assumptions.

Morten Nilsson, CEO of NOW: Pensions said: "*When it comes to auto enrolment, there's a lot to take in and it's easy to get the wrong end of the stick. If in doubt, seek some help from an expert because getting it wrong can result in some fairly steep penalties."*

1. **"Postponement means I don't have to do anything"**

Employers can postpone auto enrolment for up to three months but bear in mind that you are only postponing assessing and therefore enrolling some or all of your staff, your staging date remains the same.

There are a number of reasons why you may want to postpone. You might employ short-term or temporary staff who you know will be gone in three months or you may want to align auto enrolment with your existing payroll process. But, if you do use postponement, there are a few things you should consider.

As an employer, you can choose to postpone as many or as few employees as you like and the length of the postponement doesn't have to be the same. However, you will need to write to staff you are postponing within six weeks of your staging date. These staff can also decide to opt in to the pension during the postponement period so you'll need to be prepared for this.

At the end of the postponement period you will need to check that the members of staff you have postponed are still eligible for auto enrolment. If they are, you must put them into the pension scheme straight away, you won't be allowed to postpone for any longer.

Postponement can be useful, but should be used carefully and for the right reasons. Whilst helpful in some ways, it can also come with additional work.

2. “All pension providers are open for auto enrolment business”

Not all pension providers will welcome every employer for auto enrolment. For some, it simply won’t be seen as profitable to serve smaller clients.

But, there are pension providers out there that will accept all businesses, regardless of size, for auto enrolment.

Choosing a scheme is a crucial step and shouldn’t be rushed. This decision will affect your business and your staff, for many years to come.

Therefore, when selecting your provider, make sure to do your homework. Will they accept your business? How will they support you? How much will it cost? These are just a few important things to consider when choosing a scheme. Don’t make any assumptions!

3. “If I miss my staging date, I won’t be able to find a pension provider”

There are pension providers that will accept businesses that have missed their staging date.

However, be under no illusion, missing your staging date is best avoided and could result in fines. In addition to fixed penalties of £400, employers can also face daily fines which could be as much as £500 per day.

If you have missed your staging date, act fast to get back on track.

4. “Contributions are on every pound of earnings”

For the 2015 / 2016 tax year, auto enrolment contributions are based on earnings between £5,824 and £42,385. That means the first £5,824 of earnings are not counted in the auto enrolment calculation nor are any earnings over £42,385.

However, employers can contribute on every pound of their employees’ earnings if they would like to provide a more generous pension, but will need to ask their pension provider to set up their scheme on that basis.

5. “Minimum contributions are enough for a comfortable retirement”

It's easy to assume that if you and your employees are putting money into a workplace pension scheme at the level mandated by the government, your staff will be able to retire comfortably, but you'd be mistaken. Unfortunately, for most people, auto enrolment minimum contributions won't be adequate.

At the moment, employers and employees must each contribute 1% of an employee's qualifying earnings until April 2018 when employer minimum contribution rates will rise to 2% with employees contributing 3%. By April 2019, employers must pay a minimum of 3% of qualifying earnings per employee into a pension scheme with employees contributing 5%.

These auto enrolment contribution rates only represent the minimum required by law. Employers are free to contribute more and research shows that generous pension contributions are one of the benefits employees genuinely value so there's a lot to be said for going the extra mile. Modelling from the Pensions Policy Institute suggests that savers should be putting aside somewhere between 11 and 14% to have a good chance of a comfortable retirement.

- Ends -

For further information:
Amy Mankelow
NOW: Pensions
Tel: 0203 640 9075
amy.mankelow@nowpensions.com

Lauren Roberts
Lansons
Tel: 0207 566 9760
laurenr@lansons.com

Notes to editors

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.

.