Implementing Auto Enrolment Successfully

Andy Agathangelou, Head of Strategic Relationships, Close Brothers Asset Management
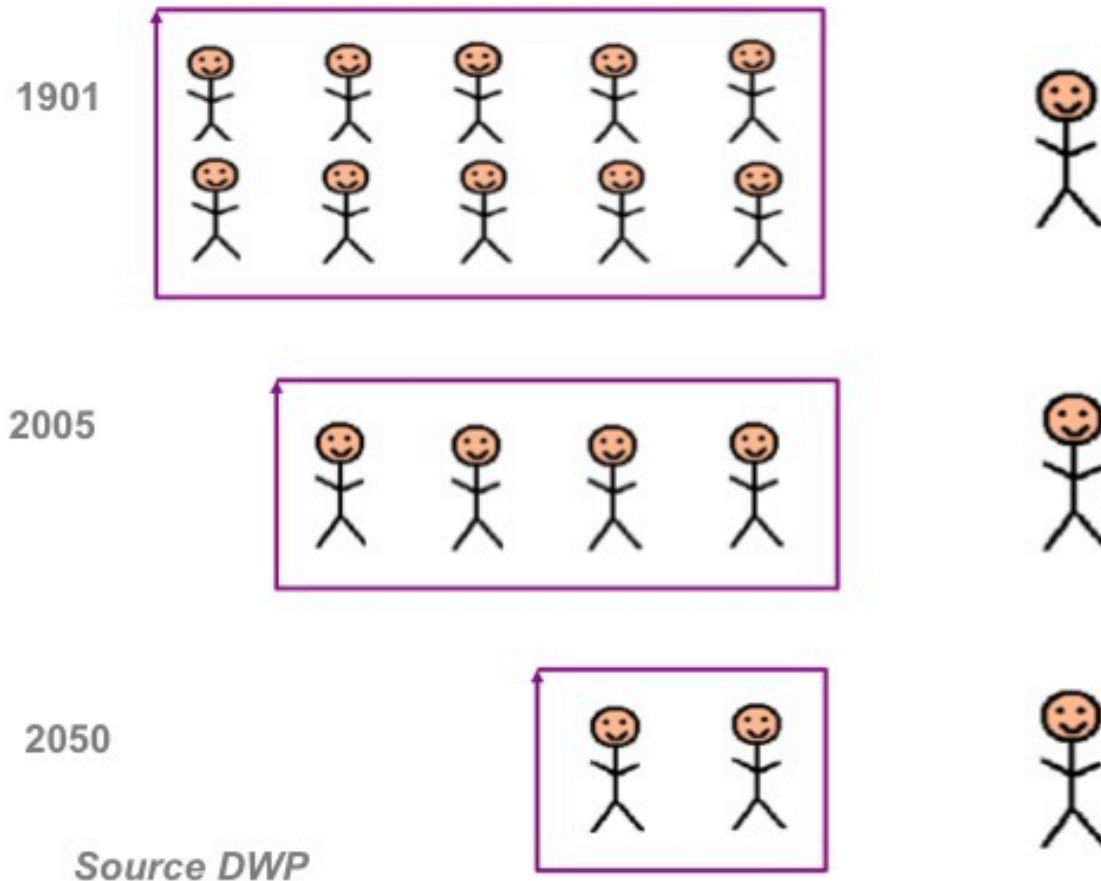
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Auto-enrolment represents a seismic shift in the UK's pensions landscape

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The best approach for this session

- Interactive workshop format

- Let's focus on the bigger picture, not the nitty-gritty

- All the detail is also available here:
  http://www.thepensionsregulator.gov.uk/employers/detailed-guidance.aspx

- PDF copies available on request

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Number of people working to every pensioner

1901

2005

2050

Source DWP

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The background

Lord Turner

2003-2006 Chair of the Pensions Commission

Main architect of Pensions Reform

| Fairer and more generous State Pension | Low cost pension aimed at low-to-moderate earners | Automatic enrolment into workplace pension schemes | Compulsory minimum employer & employee contributions |

The New Employer Duties

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What are the headline requirements?

- To have a Qualifying Workplace Pension Scheme
- To auto enrol all eligible jobholders
- To ensure contributions meet with minimum requirements
- To provide prescribed information to employees
- Overseen by The Pensions Regulator
- Extensive new powers

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When do these changes take effect?

Number of PAYE staff	Staging date
50,000+	Q4 2012
10,000 – 49,999	Q1 2013
4,000 – 9,999	Q2 2013
1,250 – 3,999	Q3 2013
500 – 1,249	Q4 2013
250 – 499	Q1 2014
160 – 249	1st Apr 2014
90 – 159	1st May 2014
62 – 89	1st July 2014
0 - 61	Aug 2014 to Apr 2017
New employers	May 2017 to Feb 2018

- Employers can choose to auto enrol from October 2012 or postpone by 3 months from staging date
- Employers should start preparing for AE 18 – 24 months prior to staging date

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To do list

- Understand the consequences of non-compliance and the risks
- Create complete and accurate data
- Assess your workforce
- Model the financial impact
- Establish at least one Qualifying Workplace Pension Scheme
- Implement Auto Enrolment
- Communicate compliantly
- Report as required
- Re-assess each pay reference period
- Project manage inclusively

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Operational risks

Stage 1 Warning

- Compliance / unpaid contribution notice

Stage 2 Wake up call

- Fixed penalty £400

Stage 3 Serious / persistent offender

- Escalating penalties:
  - 500 + employees = £10,000
  - 250 – 499 = £5,000
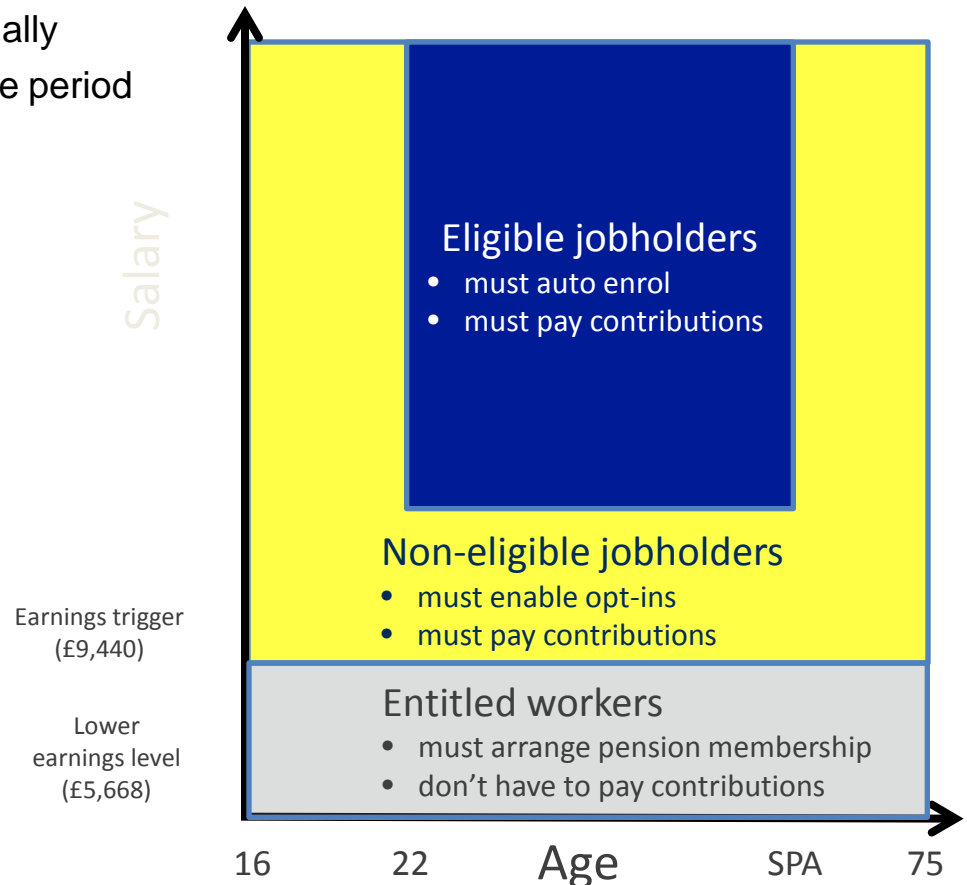 - 50 – 249 = £2,500
  - 5 – 49 = £500
  - 1 – 4 = £50

Per day!

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Create complete and accurate data

- "Auto Enrolment is a data management issue on an industrial scale!"
- You cannot require employees to provide you with any information at the point of enrolment - it must be automatic, with no input needed from the employee whatsoever
- You therefore need to have all the information you need in advance
- You will require much more data than you probably hold at the moment
- This step alone may be a substantial and time-consuming task
- You will need to report on:-

  - Full employee data
  - Contracts
  - Eligibility data
  - Membership data
  - Contribution payments and dates
  - Automatic enrolment dates

  - Details of your Qualifying Workplace Pension Scheme(s)
  - Opt in notices
  - Opt out notices
  - Opt out data
  - Individual records

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Assess your Workforce

- AE effects full time and part time employees, agency workers, offshore workers and some contractors on payroll
- You will have to assess each worker individually
- You will have to re-asses every pay reference period

- Key challenges:
- Who is a worker?
- Should you review terms & conditions of
-     agency/contract/temporary workers?
- How accurate are HR/payroll records?
- How will you deal with spikes in earnings?
- Re-assess each pay reference period?
- Do you have systems to cope?
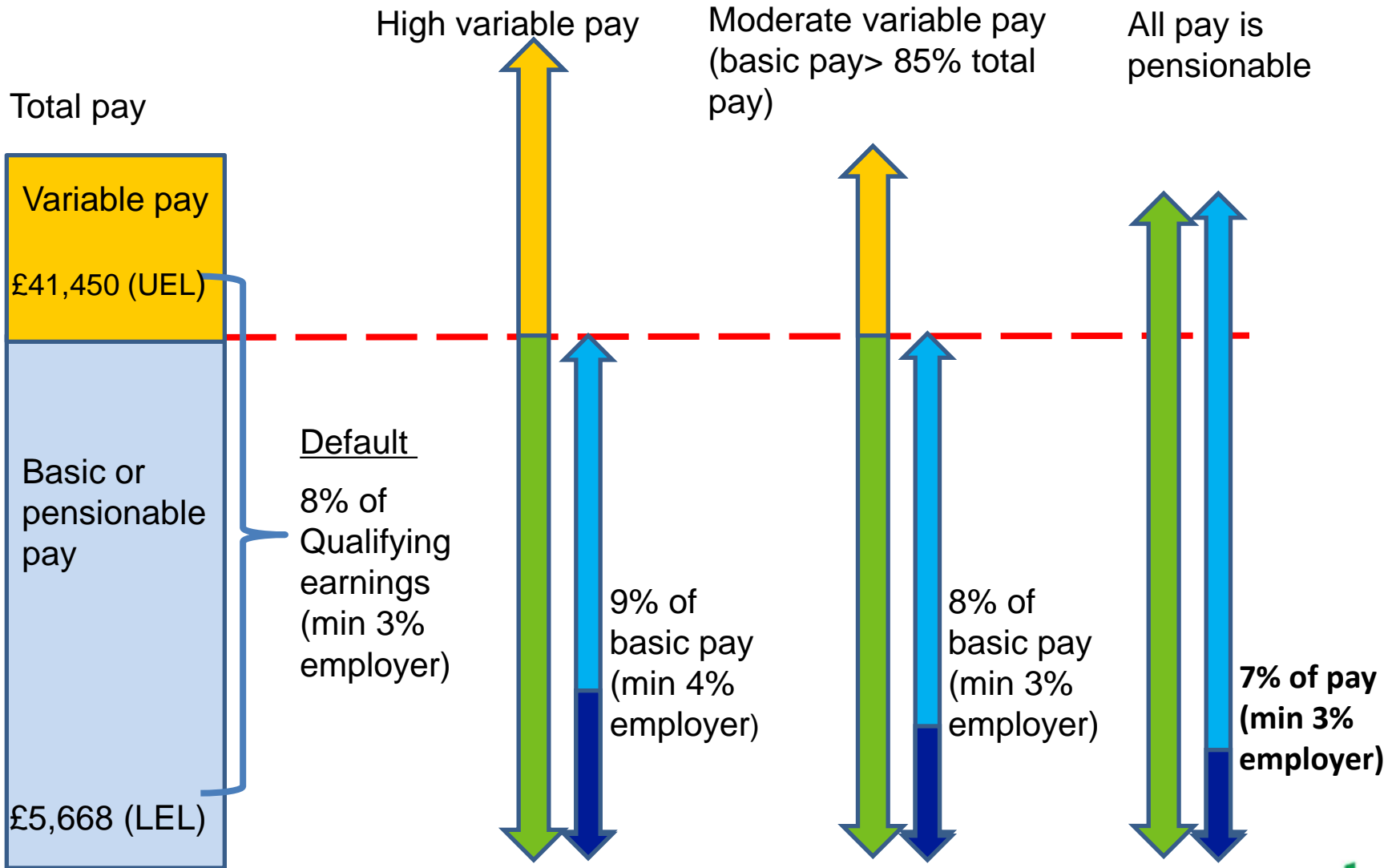- Do you have resource to cope?
- Who will take responsibility?

Salary

Eligible jobholders
- must auto enrol
- must pay contributions

Non-eligible jobholders
- must enable opt-ins
- must pay contributions

Earnings trigger
(£9,440)

Lower
earnings level
(£5,668)

Entitled workers
- must arrange pension membership
- don't have to pay contributions

16   22   **Age**   SPA   75

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Carry out cost modelling to forecast the financial impact

- Minimum contribution requirements

Phase	duration	Total minimum contribution	Employer minimum contribution	If employer pays minimum	
				Employee contribution	**Tax relief**
1	**1 Oct 2012 to 30 Sept 2017**	**2%**	**1%**	**0.8%**	**0.2%**
2	**1 Oct 2017 to 30 Sept 2018**	**5%**	**2%**	**2.4%**	**0.6%**
3	**1 Oct 2018 onwards**	**8%**	**3%**	**4%**	**1%**

- Use modelling software to consider various scenarios
  - How many opt-outs?
  - How many opt-ins?
- What will be the operational cost of handling all the extra administration?
  - How much of that extra operational cost can technology mitigate?

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Certification options

High variable pay

Moderate variable pay (basic pay> 85% total pay)

All pay is pensionable

Total pay

Variable pay

£41,450 (UEL)

Basic or pensionable pay

£5,668 (LEL)

Default

8% of Qualifying earnings (min 3% employer)

9% of basic pay (min 4% employer)

8% of basic pay (min 3% employer)

7% of pay (min 3% employer)

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Establish at least one QWPS

Does your existing scheme meet the QWPS requirements?

- Does it permit automatic enrolment?

- Are all employees enrolled automatically within 3 months of joining?

- Does the scheme have a 'default' investment option?

- Is there a glide path to safer assets as retirement approaches?

- Does it recognise the likely characteristics and needs of employees

- Is there an appropriate balance between risk & return

- Does it meet one of the minimum contribution tests?

- Does it have an opt out / opt in facility?

Other important considerations:

- Will you operate more than one scheme?

- What will be the eligibility criteria and scheme rules?

- What will be your future contribution structure(s)?

- How high is your staff turnover?

- Could you somehow link into similar employers using a Master Trust?

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Why are Master Trusts proving to be increasingly popular?

The market generally and employers in particular are becoming increasingly intolerant of 'yesterdays' pension offerings:-

- Defined Benefits Schemes: too expensive and too risky
- Occupational Defined Contribution Schemes: too much needless red tape
- Group Personal Pensions: inadequate governance

Ladbrokes takes punt on Master Trust for AE Pensions Week, December 2012

The appeal of master trust pension schemes Employee Benefits, July 2012

NEST is effectively a master trust! Professional Pensions, Sept 2011

Standard Life unveils DC master trust pension for employers IFA Online, Sept 2011

Master trusts could be making a comeback Employee Benefits, May 2008

Master trusts are rapidly gaining appeal Employee Benefits, January 2012

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Implement Auto Enrolment
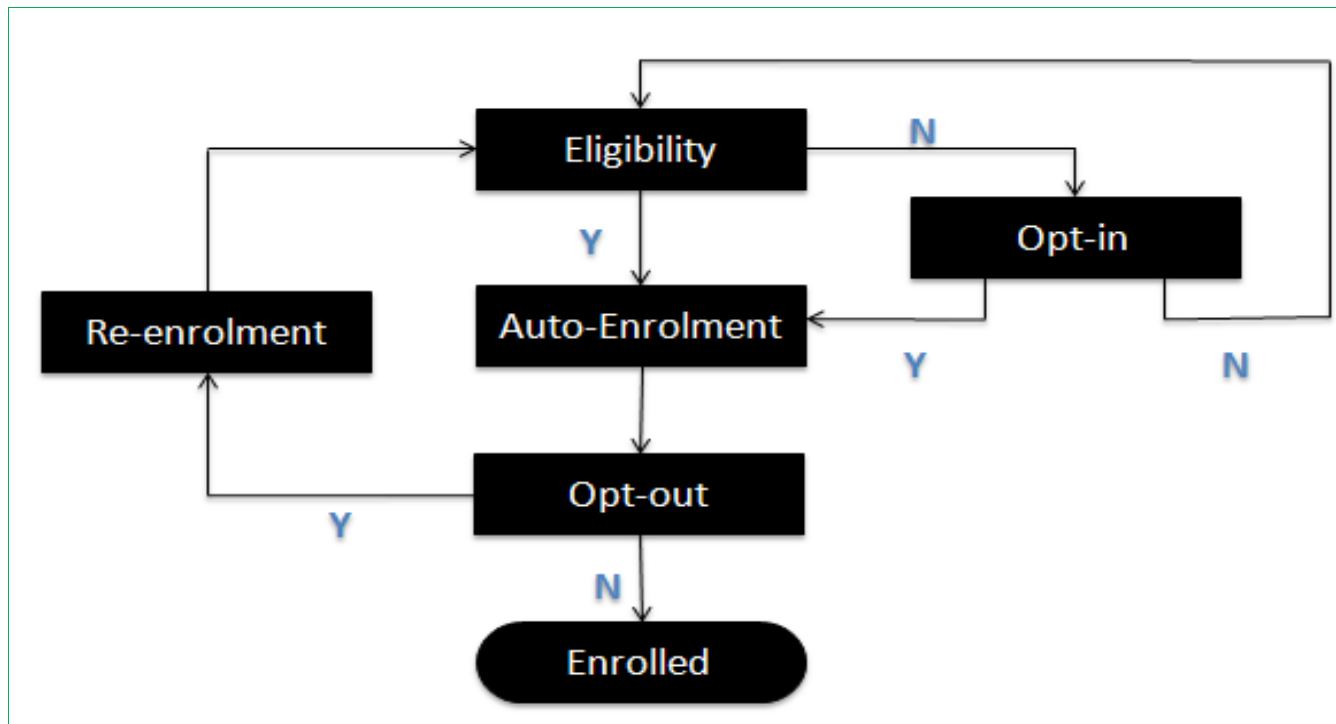
Challenges:
- How will you create processes and systems to handle the operational impact?
- How will you manage, control and maintain the administration?
- How will you create a robust audit trail of what happens at each stage?
- How will compliantly inform employees of their right to opt-out?
- How will you deal with paying refunds before the scheme refunds you?

The full solution processing requirements...
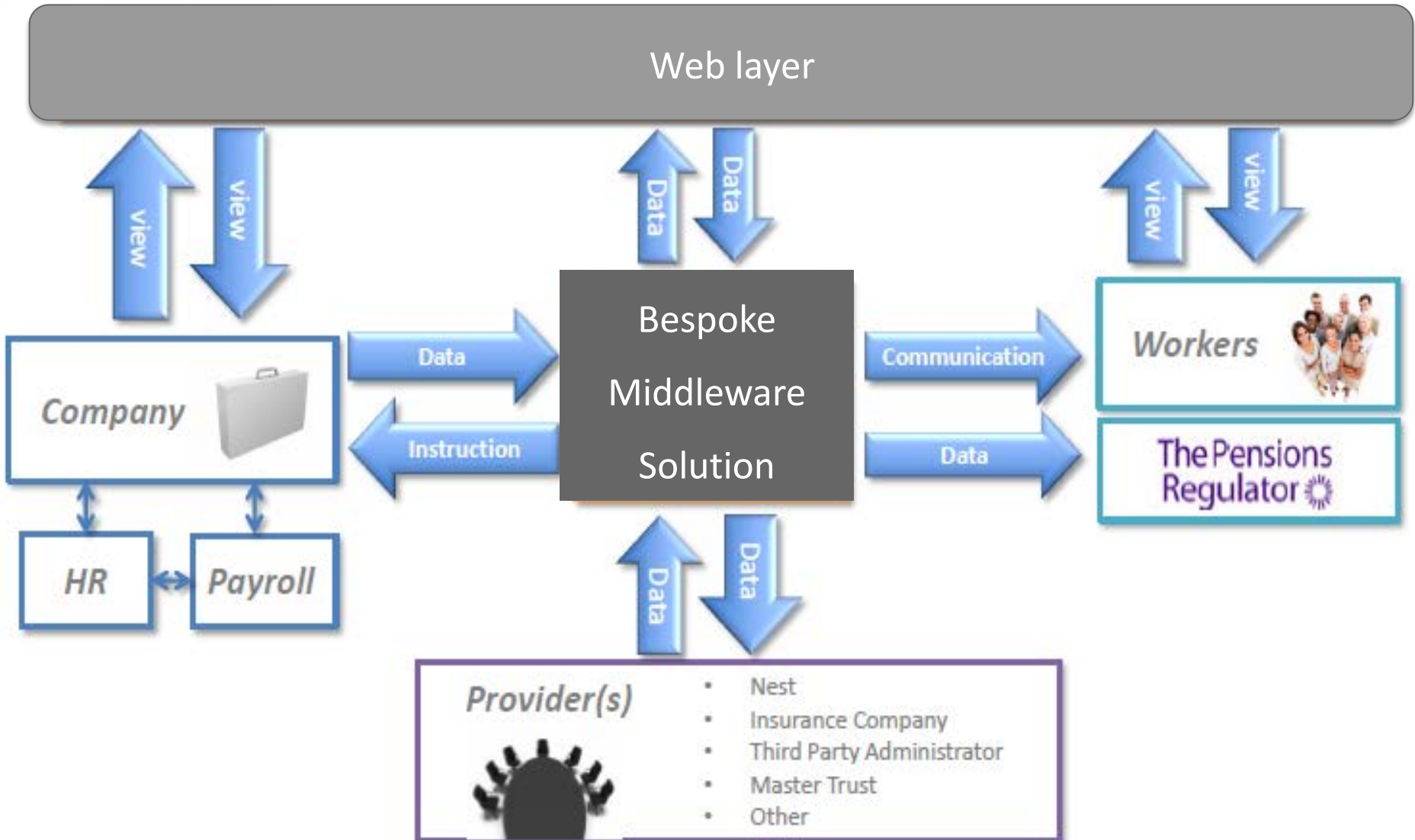
Good technology will be able to handle:

- Scheme suitability testing
- Financial impact modelling
- Registering the scheme with The Pensions Regulator
- Worker assessment
- Postponement arrangements
- Pensions protection
- Multiple payrolls
- Multiple pay reference periods
- Complex scheme design
- Bulk data imports with data assessment and validation
- Managing opt-outs
- Managing opt-ins
- Managing re-enrolment
- Contributions payment management

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And…

- Enabling access to view pension fund details
- Scheme and member data maintenance
- Processing of new joiners and leavers
- Reporting of MI
- Audit trail of all data changes (and by whom)
- Compliant records maintenance and archiving
- Providing for higher levels of data integrity and security
- Communications through TPR-approved templates (email, SMS, print)
- Notification of actions (email, SMS, print)
- Integration with pension provider(s)
- Integration with payroll provider(s)
- Integration with The Pensions Regulator
- Integration with benefit platforms including flexible benefits platforms
- Handling Salary Exchange arrangements
- Coping with multiple languages and currencies
- Re-running reports with historic data for audit and investigation purposes
- Auto-enrolment administration
- Providing compliance support in accordance with TPR's requirements

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Home

Reports

Import Data

Administration

Content Manager

Configuration

Welcome to CloseToMyPension

Your personal pension scheme management centre that guides you through your auto-enrolment journey.

CloseToMyPension

Employee

Admin Login

Reference Data

Company Details

Record Maintenance

Employee

Admin Login

Reference Data

Company Details

⊞ **Auto-Enrolment** - manage your auto-enrolment process

⊞ **Auto-Enrolment** - reports

⊞ **Auto-Enrolment** - setup

⊞ **Employee Functions**

⊞ **Payroll Reports** - used to view the payroll reports

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Record Maintenance

Employee

Admin Login

Reference Data

Company Details

Passwords

Generate New Password

Logins

Reset Employee Login

Reset Admin Login

⊟ Auto-Enrolment - manage your auto-enrolment process

Your Auto-Enrolment Schemes

Check your Auto-Enrolment schemes for eligibility under the Pension Provider regulations and go on to register or self-certify these schemes.

Employee Summary

Show the status of Employees within your Auto-Enrolment process, inculding how many are enrolled in eligible schemes and how many require additional processing.

⊞ Auto-Enrolment - reports

⊞ Auto-Enrolment - setup

⊞ Employee Functions

⊞ Payroll Reports - used to view the payroll reports

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Asset Management

Home

Reports

Import Data

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Configuration

CloseToMyPension

The menus on the left give you access to functions available to you as an administrator.

HR

Impersonate

Workflow Events

Workflow Emails

Data

Import Data

Progress Report

Data Flushing

Audit Trail

Effective Date

Data Replication

Data Processing

Scheduled Bulk Processing

Security

Security

Login Settings

Password Settings

Generate Passwords

Username Settings

Auto-Enrolment Employee Summary

Workforce Assessment	**Scheme Allocation**	**Opted in or out**
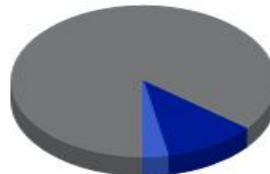
25722	Eligible jobholder
3373	Non-eligible jobholder
900	Entitled worker
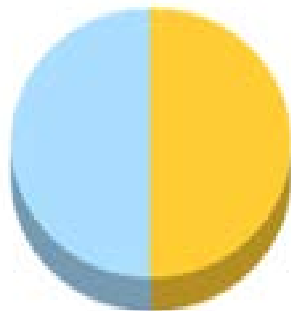
29995	Total number of Employees

Auto-Enrolment Employee Processes

Use the options below if you wish to manually run any of the Auto-Enrolment processes.

▶ 1 - Workforce Assessment — *Determines whether employees are eligible for auto-enrolment, and sets their "worker type" accordingly.*

▶ 2 - Enrol Employees — *Enrol any employees that should be automatically enrolled, or who have opted-into a scheme.*

▶ 3 - Process Opt Ins — *Update all the employees who have requested that they are opted-in to an auto-enrolment scheme*

▶ 4 - Process Opt Outs — *Update all the employees who have requested that they are opted-out of an auto-enrolment scheme*

Auto-Enrolment Scheme Setup

You must ensure that one pension scheme meets the minimum requirements set out by the government to be used for Automatic Enrolment. Please add the pension schemes below and we will make an assessment as to whether you can use any of your schemes for Automatic Enrolment.

Pension Name	Provider	Type	Qualifies	Qualifies for AE	Page 1 of 1 << Prev Go Next >>
Employer Scheme	Provider 1	Stakeholder/Group Personal Pension (GPP)	✅	✅	Open Delete
Simple MPP Scheme	Provider 1	Money Purchase/Defined Contribution	⚠️	⚠️	Open Delete

Are your schemes eligible?

Regulations affecting the eligibility of your pen eligible under the current regulations, use the

The follk

01/10/2012
24/04/2013
01/10/2013
01/10/2013

Assess current eligibility

Eligibility Check Results

Date	Section	UK Tax Exempt	Contributions	Waiting Period	Age Range	Pensionable Salary	Open to New Employees
01/10/2012	DEFAULT	✅	✅	✅	✅	✅	✅
24/04/2013	DEFAULT	✅	✅	✅	✅	✅	✅
01/10/2017	DEFAULT	✅	❌	✅	✅	✅	✅
01/10/2018	DEFAULT	✅	❌	✅	✅	✅	✅

Cancel

Have you registered your scheme?

Schemes used for auto-enrolment must either be registered or certified. The schemes you have registered are listed below.

How to register your scheme:

Register a scheme

Are you certifying your scheme?

Schemes used for auto-enrolment must either be registered or certified. The schemes you have certified are listed below.

How to certify your scheme:

Register a scheme

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Asset Management
AUTO ENROLMENT SOFTWARE

Home

Reports

Administration

Admin Logins

Return to Main Menu

✔ Choose Pension Scheme

✔ Confirm Pension Scheme

✔ Register Pension Scheme

Welcome to Close Brothers

Your automatic enrolment management centre where you can manage and maintain your obligations under the Pensions Act 2008.

Pension scheme selection

Thank you for selecting a pension scheme

You have now selected a scheme for auto enrolment. This is the default scheme that all new and existing employees with no pension scheme will be enrolled into. A summary of the scheme is shown below:

Scheme Name	Group Personal Pension Plan
Provider	Zurich
Default Employee Contribution	3
Default Employer Contribution	5
Scheme Type	New Scheme
Enable Salary Exchange	No

✔ **You are registered with The Pensions Regulator**

Return to Main Menu

Hide ▽   Logout ▷

Home

My Personal Details

My Pension Options

Change Password

Auto-Enrolment
Pension Summary

Make the benefit selection according to
your personal needs

Your Summary

Your Pension Enrolment Summary

Opt in to pension

✖ You opted out of the pension scheme on **13/04/2012**

As part of the recent pension reforms, your employer is obligated to give you the option to, or
automatically, enrol you into a pension scheme. You are currently **not** enrolled in the pension, but
have the option to join it.

Directgov

For more information please visit the **DirectGov** website or access the content on this site.

If you choose to enter the pension scheme you and your employer will make the following
contributions:

	Contribution Level	Annual Amount	Monthly Amount
✔ Your Contributions	3%	£2,512.68	£209.39
✔ Your Employer's Contributions	5%	£4,187.80	£348.98

If you want to opt into the pension then please click the button below.

Do you want make your contributions via Salary Exchange? No ▼ (**What does this mean?**)

Opt in to the Pension

Communicate compliantly

- The Pensions Regulator requires you to follow a prescribed format for communications

- How will you communicate to all workers? (post, e-mail, SMS text)
- How will you communicate effectively?

- Effectively, each worker must have an AE audited record

- Various communications required include:
    - postponement notice
    - assessment
    - auto enrolment
    - opt-out
    - opt-in
    - re-enrolment

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Report as required

- You will need to be able to report on:-
    - Full employee data
    - Contracts
    - Eligibility data
    - Membership data
    - Contribution payments and dates
    - Automatic enrolment dates
    - Details of your Qualifying Workplace Pension Scheme(s)
    - Opt in notices
    - Opt out notices
    - Opt out data
    - Individual records
- Retain records for up to 6 years (4 years for opt-outs)
- The ability to report retrospectively is vital
- Your reporting needs to be able to show a robust audit trail

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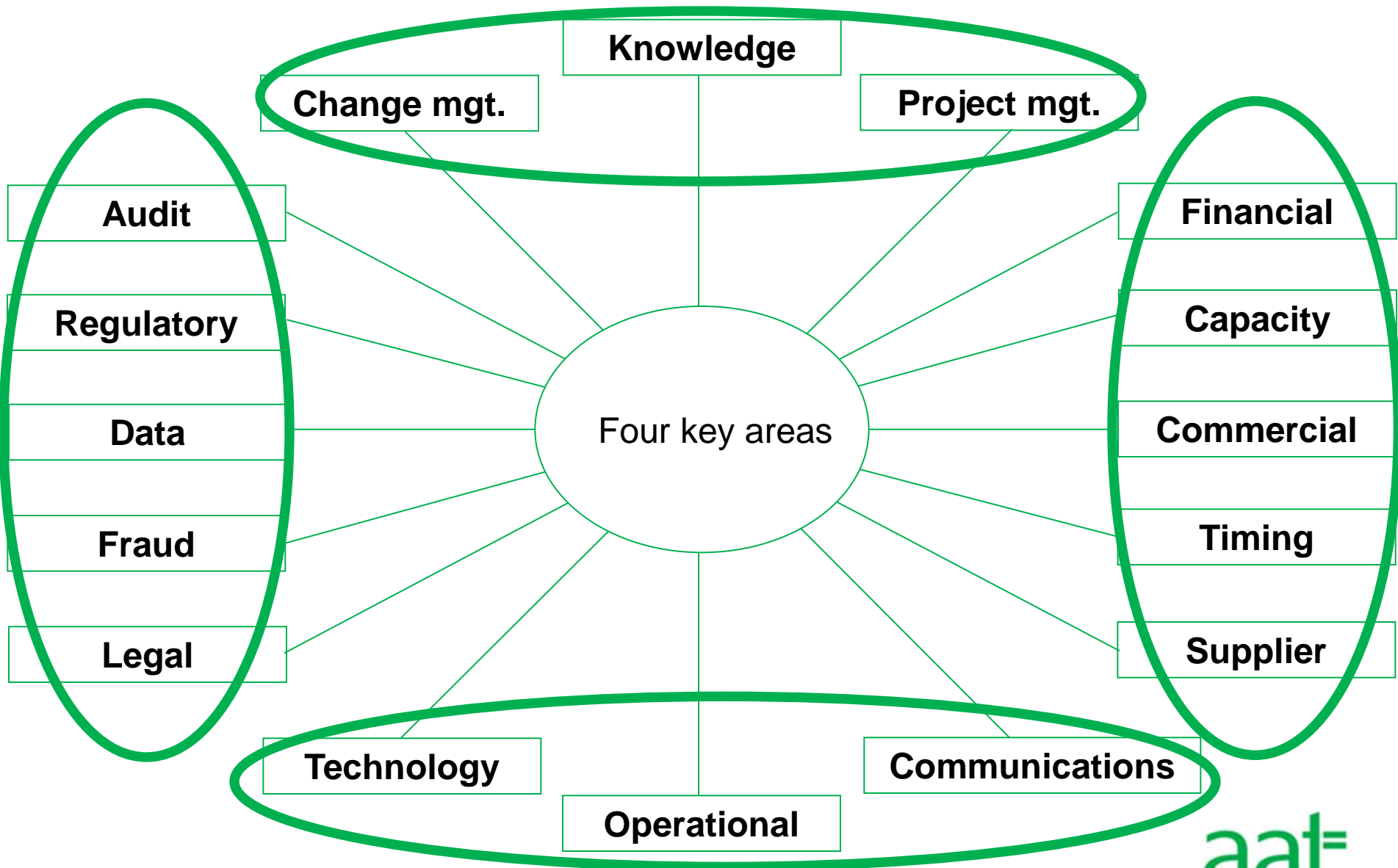# Re-assess each pay reference period

- Prepare for the on-going operational drag of AE
- Systemise all that you can
- Leverage technology to the full
- Over time, if your systems, processes and technology work well, the situation will normalise, as with many of your existing business functions
    - Accounts
    - Payroll
    - Employee Benefits
    - Health & Safety
    - Absence Management, and so on
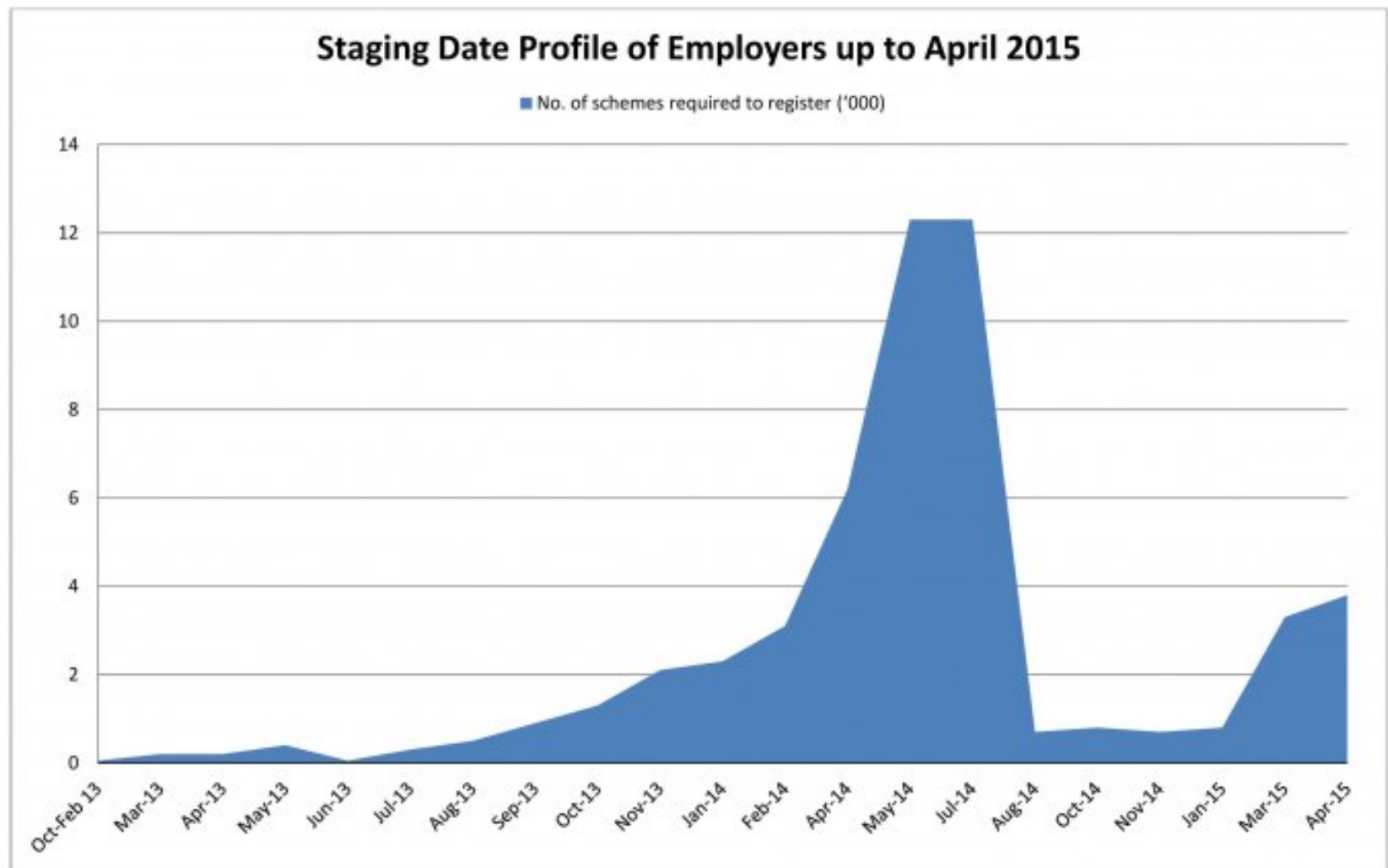
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Project manage inclusively

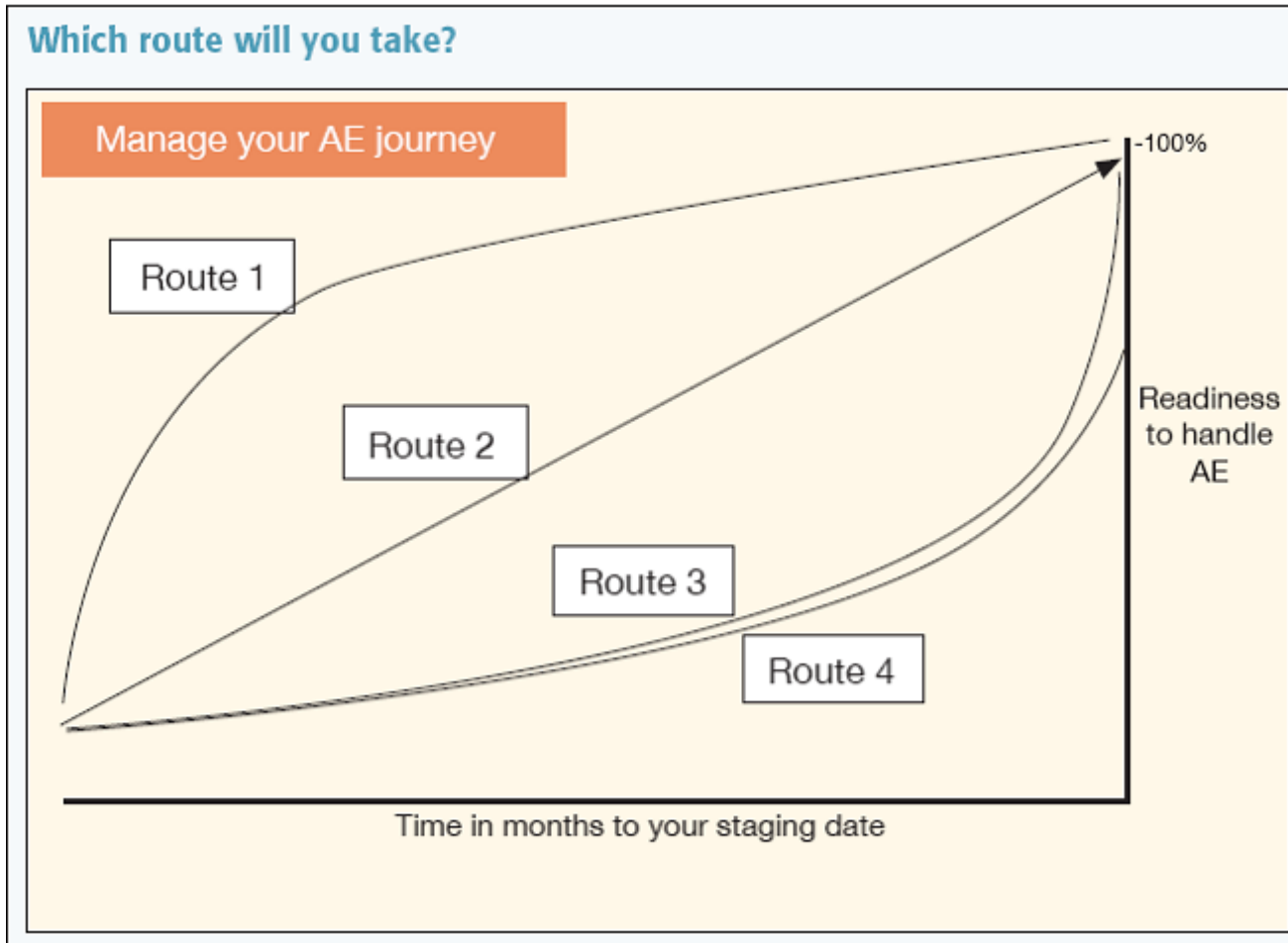Involve HR, Payroll, Finance, Pensions & Benefits, Legal, Advisers, Trustees, Staff

Phase	Description
Planning 24m-12m	Capture key data from employer, HR / payroll processes, pay reference periods and contracts of employment (legal input)
Strategy 11m-7m	Assess data and establish costs, identify internal process requirements, data cleansing, agree employee communications, consider key roles and responsibilities
Design 6m-4m	Detail project plan, includes review of existing pension arrangement(s) and structure and design of new arrangement(s), start employee communications, consider postponement period
Implementation 3m-1m	Implementation of agreed strategy and design, work with auto enrolment software in parallel with existing processes, implement postponement and opt-out processes
Staging date	Employee assessment communications if postponement, monitor opt-outs, refunds, opt-ins, register scheme with TPR, compliance record keeping, re-enrolment processes

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Project risks

Market capacity issues

Staging Date Profile of Employers up to April 2015

■ No. of schemes required to register ('000)

Don't delay!

Which route will you take?

Manage your AE journey

Route 1

Route 2

Route 3

Route 4

-100%

Readiness to handle AE

Time in months to your staging date

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Postponement Rules

Employers may postpone auto enrolment for up to 3 months

- Postponement offers many potential advantages

- Postponement defers the assessment of the worker

- Can operate different postponement periods for different employee groups

- A notice of postponement must be issued to workers

- Can be used from the staging date, first day of employment or date worker becomes eligible after staging date

- Why might you want to use postponement?

- Smooth the process of staging e.g. auto enrol different groups of workers

- Align with payroll processes

- Smooth process for workers with spikes in earnings

- Facilitate contractual joining for salary exchange

- Challenges:

- There are so many complex factors to consider – should you? If so how?

- There are 4 different types of postponement notice!

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Non Inducement Rules

Irrespective of staging date, from July 2012 ensure your processes do not unintentionally fall foul of:-

- Prohibited recruitment conduct

    - e.g. asking job applicants if they plan to opt out

- Inducements to opt out

- Detrimental treatment / unfair dismissal as a result of new employer duties

- Actions / omissions which remove Qualifying Scheme status

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Special considerations for AAT members

- Let's talk through:-
    - What will be the needs that you can anticipate your clients having?
    - What resources do you need to be able to assist and guide them?
    - What will be your approach to their technology requirements?
    - To what extent do you see AE as a commercial opportunity?
    - What scope is there for us to work collaboratively?
    - How would you like us to help you help your clients?

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Summary and next steps

- Auto-enrolment affects every organisation

- It is much more complicated than people realise

- Planning needs to start now!

- We can provide the full range of support services

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Any questions?

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For a copy of these slides please:

Tel: 0845 450 7897 or
Email: ebs@closebrothers.com

Thank you!

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•CBAM2020 Auto Enrolment AA version AAT April 2013

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