

Meeting the auto-enrolment challenge

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The logo for the Association of Accountants and Taxifiers (AAT), consisting of the lowercase letters 'aat' in a green, sans-serif font, with a horizontal line through the top of the 't'.



Why is auto-enrolment happening?

- Turner Report 2004 – found 12 million not saving enough for retirement, with two-thirds saving nothing at all
- Life expectancy rising
- Very low state pension
- But government keen to wean public off state benefits
- So using ‘nudge theory’ to help public make ‘better’ decisions



Understanding the challenge

- What is staging date?
- Who is affected?
- What does it mean for payroll costs?
- Employers will leave it late

How is the staging date defined?

- Staging dates are based on the size of an employer's PAYE scheme **on 1 April 2012** – the more people in the PAYE scheme at that time, the earlier the staging date. If there is more than one PAYE scheme, the staging date is based on the total number of people in the largest one
- The Pensions Regulator website will tell you how to find the client's staging date.
- <http://www.thepensionsregulator.gov.uk>



Who has to be auto-enrolled

- ‘Eligible job-holders’ 22 or over and under state pension age, who are working in the UK and who are earning more than £9,440 must be automatically enrolled
- But those aged 16-21 or over SPA have the right to OPT IN, as do those earning less than £9,440 but more than £5,668.
- Earnings threshold



What level are contributions?

- Contributions are a percentage of a band of earnings between the lower and upper earnings thresholds
- Initially 1% employer contribution, 1% employee
- From October 2017, 2% employer, 3% employee
- From October 2018, 3% employer, 5% employee
- (Employee contributions attract 20% tax relief)



How are these thresholds uprated?

- Proposed thresholds for 2014/15 -
 - £10,000 for the automatic enrolment earnings trigger
 - £5,772 for the lower limit of the qualifying earnings band
 - £41,865 for the upper limit of the qualifying earnings band.
 - Reviewed every year



Picking a pension provider

- Will the existing scheme take the new members?
- What are the charges?
- Does it satisfy auto-enrolment regulations?
- Should a hybrid option be used?
- Should Nest be used?
- What about master trusts?



Choosing middleware

- For all but the smallest employers, new systems are likely to be needed
- Not all payroll systems dovetails with every pension provider's system
- There may be up to 10 fields of information a pension provider might ask for that a payroll system might not have
- Some pension providers offer free middleware but others don't
- Which system – pension provider, payroll provider, third party data hub?
- Auto-enrolment assessment is ongoing, not once and done
- Records have to be kept



Employee communications

- Legally required communications
- Better communications means less enquiries
- Very high earners – MUST NOT BREACH LIFETIME ALLOWANCE



Ongoing management of auto-enrolment

- New enrolments – new joiners/age/earnings
- Managing opt-outs and opt-ins
- Record-keeping
- Re-enrol all eligible jobholders who have opted out, unless did so in previous 12 months
- Phase in increases in contributions in 2017 and 2018



Other benefits

- Are there other benefits linked to pension?
- Will these be offered to all staff?
- Bigger employers will consider their overall reward strategy and how it is impacted by auto-enrolment

Nest – delegated access for accountants

- Employers and members using NEST can set up delegate accounts that let them hand over some or all of the tasks involved in managing NEST to other people.
- To act as a delegate you'll need to be nominated by the employer or member that owns the account. NEST will then send you an email asking you to confirm that you're happy to act on their behalf.
- If you're acting as a delegate for more than one employer or you can consolidate your access to all the accounts under one login.

Delegated access to Nest - process

- Employer registers, sets up accountant as full access delegate
- Adviser accepts delegated access
- Adviser defines groups/scheme
- Adviser defines payment source
- Adviser/employer confirms statutory communications to workers
- Adviser confirms set up to Nest and scheme goes live



Thank you