

Automatic Enrolment – An Overview for Accountants



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Industry liaison manager

12th March 2015



The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

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Why automatic enrolment is needed

- As a society we are living longer, healthier lives.
- There are currently **four** people of working age for every pensioner → by 2050 there will be just **two**.
- Millions of people are under-saving for their retirement.
- Only 1 in 3 private sector workers were in a pension scheme in 2012 → and the trend has been downwards for the last 40 years.
- The reforms being introduced now will help millions of individuals to save more (or save for the first time) for their retirement.

7 million
people are
under-saving



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What is automatic enrolment?

- For the first time all employers are required by law:
 - to automatically enrol their eligible jobholders into a workplace pension
 - make a contribution to it
 - enrol non-eligible jobholders into a workplace pension if they opt-in
 - Arrange membership of a pension scheme for entitled workers who want to join a scheme.
- Up to 10 million individuals could be saving more, or saving for the first time.
- The government introduced the change because research showed millions of people are not saving enough to have the income they are likely to want in retirement.



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What's happened so far ...



- As at the end of **January** 2015
 - **44,053** employers have completed their **Declaration of Compliance**,
 - covering over **19.9m** workers, of which:
 - **9.3m** (47%) were already in a qualifying scheme;
 - **5.2m** people (26%) were automatically enrolled;
 - 427k (2%) workers had the Transitional Period applied;
 - and 5.1m (26%) were 'none of the above'.



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The Regulator's role

Our statutory objective for automatic enrolment is to:

- **maximise employer compliance** with the AE employer duties

Our approach:

- **Educate**
- **Enable**
- **Enforce**

and we are **risk** based and **proportionate**.

We follow the principles of good regulation:

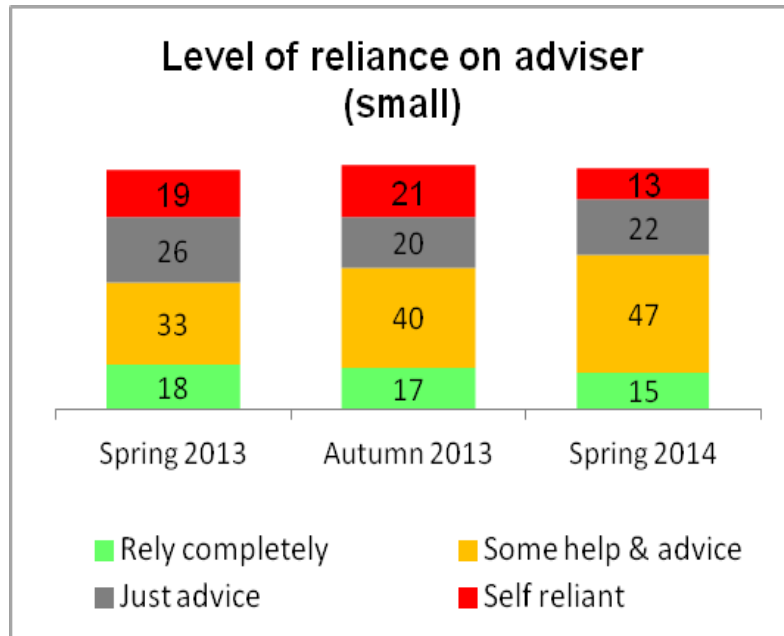
- Proportionate, accountable, consistent, transparent and targeted



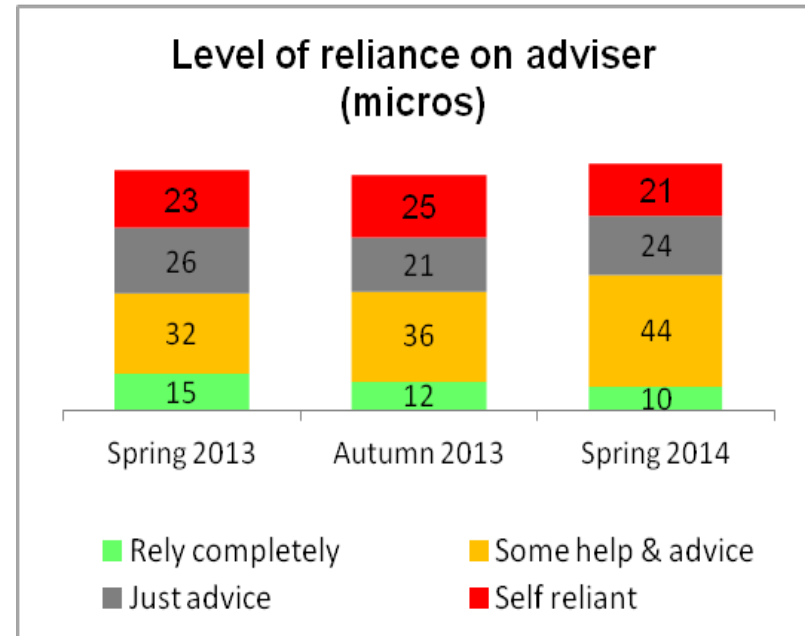
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Employer research

Few employers intend to be self-reliant, with many relying on advisers completely



Source: Employer tracker



Source: Employer tracker

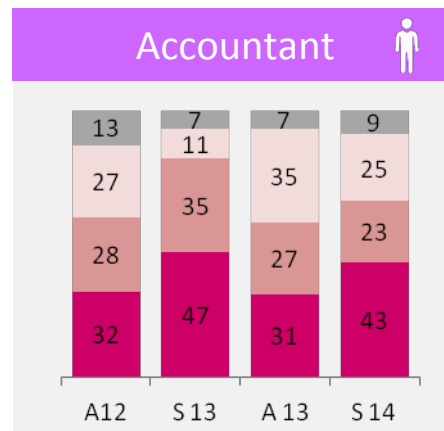


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Intermediary research

Accountants appear to be unclear of their role. Fewer now say they will act on behalf of their clients while more now say they only make clients aware

Planned main service



SOURCE: Intermediary survey

BASE: All knowing which services they will offer

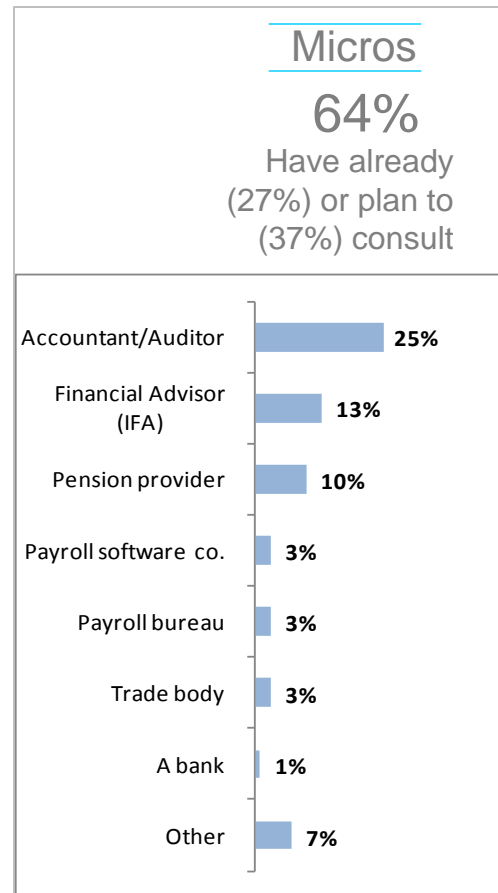
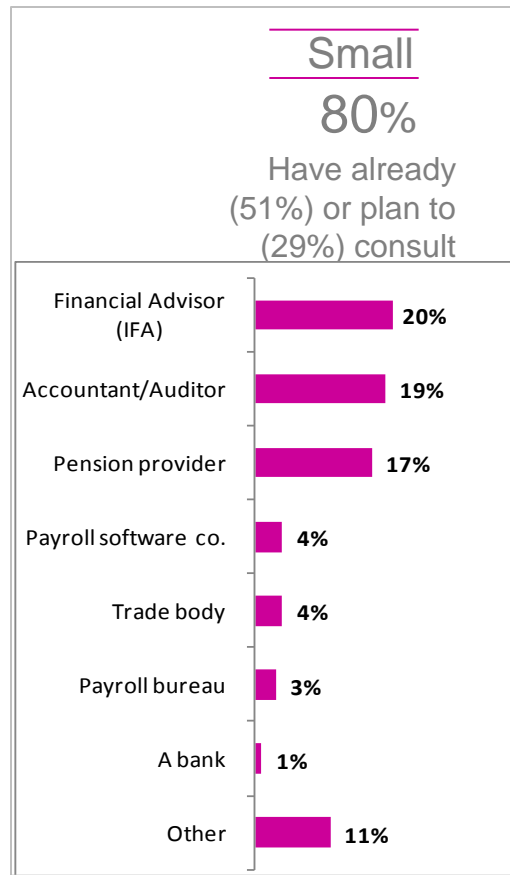
Q12a Overall, in which of the following ways would you describe the MAIN service that you are providing / intending to provide to your clients?



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Employer research

Most small and micro employers intend to consult: Likely to be their business advisers (ie accountant, bookkeepers, IFA)



NB: Spontaneous recall

Source: Employer tracker



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Overview of legal duties and safeguards

Automatic enrolment legislation gives **employers** a duty to:

- ✓ **automatically enrol** all eligible jobholders
- ✓ **communicate to workers** providing timely and appropriate information
- ✓ allow non-eligible jobholders to **Opt-in** and entitled workers to **join**
- ✓ manage **Opt-outs** within the Opt-out period and promptly **refund** contributions
- ✓ automatically **re-enrol** all eligible jobholders every three years
- ✓ complete **declaration of compliance** (registration) with the Regulator
- ✓ **keep records**, and
- ✓ **maintain** payments of **contributions**.

The **employee safeguards** state that employers:

- ✗ **must not induce** workers to **Opt-out or cease membership** of a scheme
- ✗ **must not** indicate to a potential jobholder that their decision to Opt-out will affect the outcome of the **recruitment** process



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What service will you offer your clients?

Employers may assume you will provide an end-to end service. What will your standard service proposition offer ?

Examples:

- confirming the staging date
- assessment of the workforce
- pension scheme selection and enrolment
- payment of contributions
- managing opt-in/opt-outs and contribution of refunds
- member communication
- maintaining records
- completing the declaration of compliance
- managing the re-enrolment process



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Employer online support

Tools

- Find your staging date
- Your employer duties
- How to AE your staff
- Your minimum employer contributions

Nominate contact

Essential guidance

Checklist

Webinars

Detailed guidance

Case studies

FAQs

News by email

Planning tool

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Employers

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Subscribe to our news-by-email service - it's a free and easy way to keep up to date

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site search

Committed to increasing confidence and participation in work-based pensions

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INDIVIDUALS

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Nominate a contact

Updating your non
contacts

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What is automatic enrolment?

Tools for automatic enrolment
to get you started

Find out your staging date

Your employer duties

How to automatically enrol
your staff

Your minimum employer
contribution

The essential guide to
automatic enrolment

Does automatic enrolment
apply to me?

What happens if I don't comply?

Getting ready for automatic
enrolment

Implementing automatic
enrolment

Running your pension scheme

Closing a scheme

Find out your staging date

Introduction

Your staging date is set in law as of 1 April 2012 and is the date your automatic enrolment duties come into effect. You must be prepared for this date. You'll need your PAYE reference to find out your staging date.

If you don't know your PAYE reference, it can be found on a P6/P9 coding notice or on your white payslip booklet.

If you don't pay your staff through a PAYE scheme, your staging date will be 1 April 2017.

I have my PAYE reference:

I do not have my

Step 1: Enter your PAYE reference:

/

Tip: An example of a PAYE reference is 913 / WZ5121A. In this example you'd enter '913' and 'WZ5121A'. Take care not to confuse numbers with letters: zero and the letter 'O' look very similar.

Step 2: Enter the words/digits displayed below and then select 'Show my staging date'



Tip: If you can't see the words/digits select the 'Get a new challenge' icon (X) above to refresh what's displayed.

Information
for
accountants

A quick guide to
pension scheme
selection and
automatic enrolment

Automatic
enrolment

Your six month checkpoint

The law on workplace pensions has changed. All employers
are required to automatically enrol certain workers into a
pension scheme and make contributions to that scheme.

Automatic
enrolment
is here.
Start your
plan today.

The essential
guide to
automatic
enrolment

Information
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Online employer planning tool

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+ What is automatic enrolment?

Getting ready for automatic enrolment

► Create your action plan for automatic enrolment

► Raising awareness about automatic enrolment

► What is my staging date?

► What will automatic enrolment cost me?

► Nominate a contact

► Know your workforce

► Automatic enrolment declaration of compliance (registration)

► Does your existing scheme qualify?

► Setting up a pension scheme

► Business software

► Automatic enrolment case studies

+ Implementing automatic enrolment

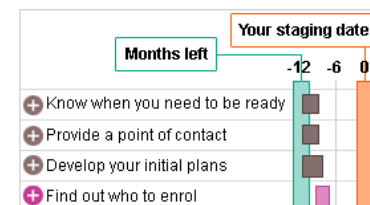
Create your action plan for automatic enrolment



This planner has been created to help you identify what you need to do to be ready for automatic enrolment.

Any employer preparing for automatic enrolment should find it helpful, but it's of particular relevance to you if:

- ✓ you employ up to 249 staff
- ✓ every member of staff is based in the UK
- ✓ you have one Pay As You Earn (PAYE) scheme
- ✓ you have or are planning to set up a defined contribution (DC) pension scheme.



Create your action plan

Allow plenty of time to prepare for automatic enrolment. We recommend starting 12 months before your staging date, though this will vary depending on your individual circumstances – not all employers will need to allow so much time.

Enter your staging date

Please note: staging dates always fall on the first of the month.

DD/MM/YYYY



Create my plan

Find out your staging date

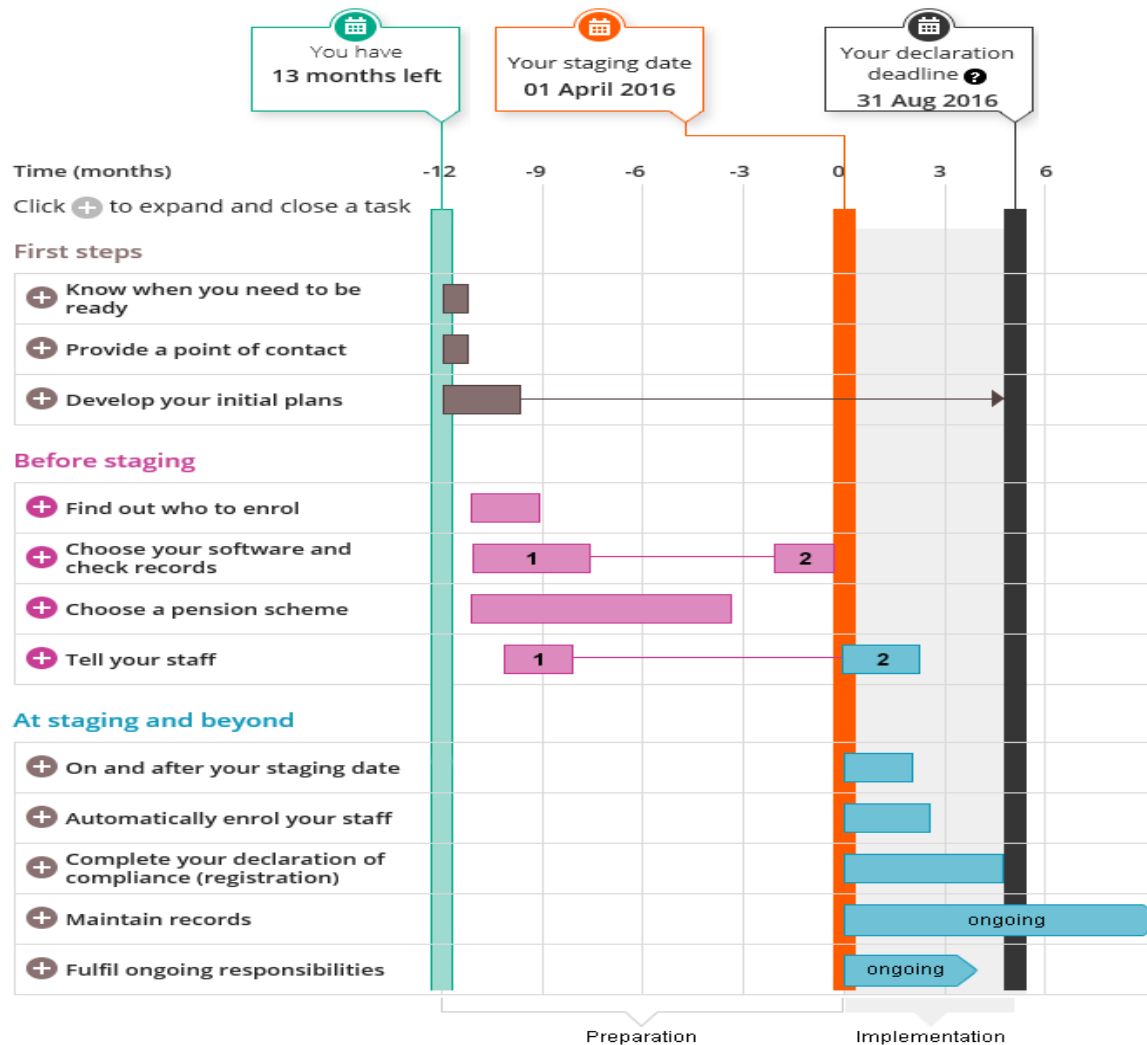
To create your action plan, you'll need your staging date. You can find it by entering your PAYE reference into our staging date tool. Even if you think you know it already, it's a good idea to double-check it prior to creating your plan.

[Find out your staging date using your PAYE reference](#)



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Planning timeline - www.tpr.gov.uk/planner

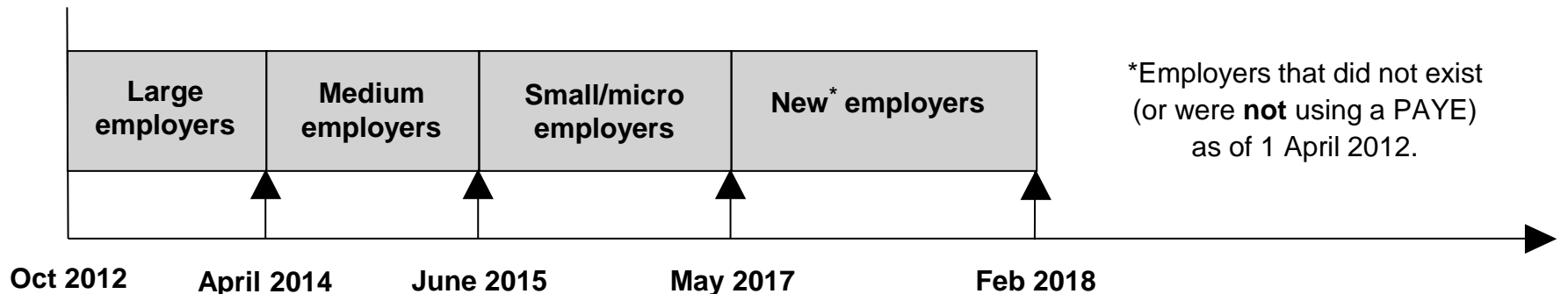


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Staging

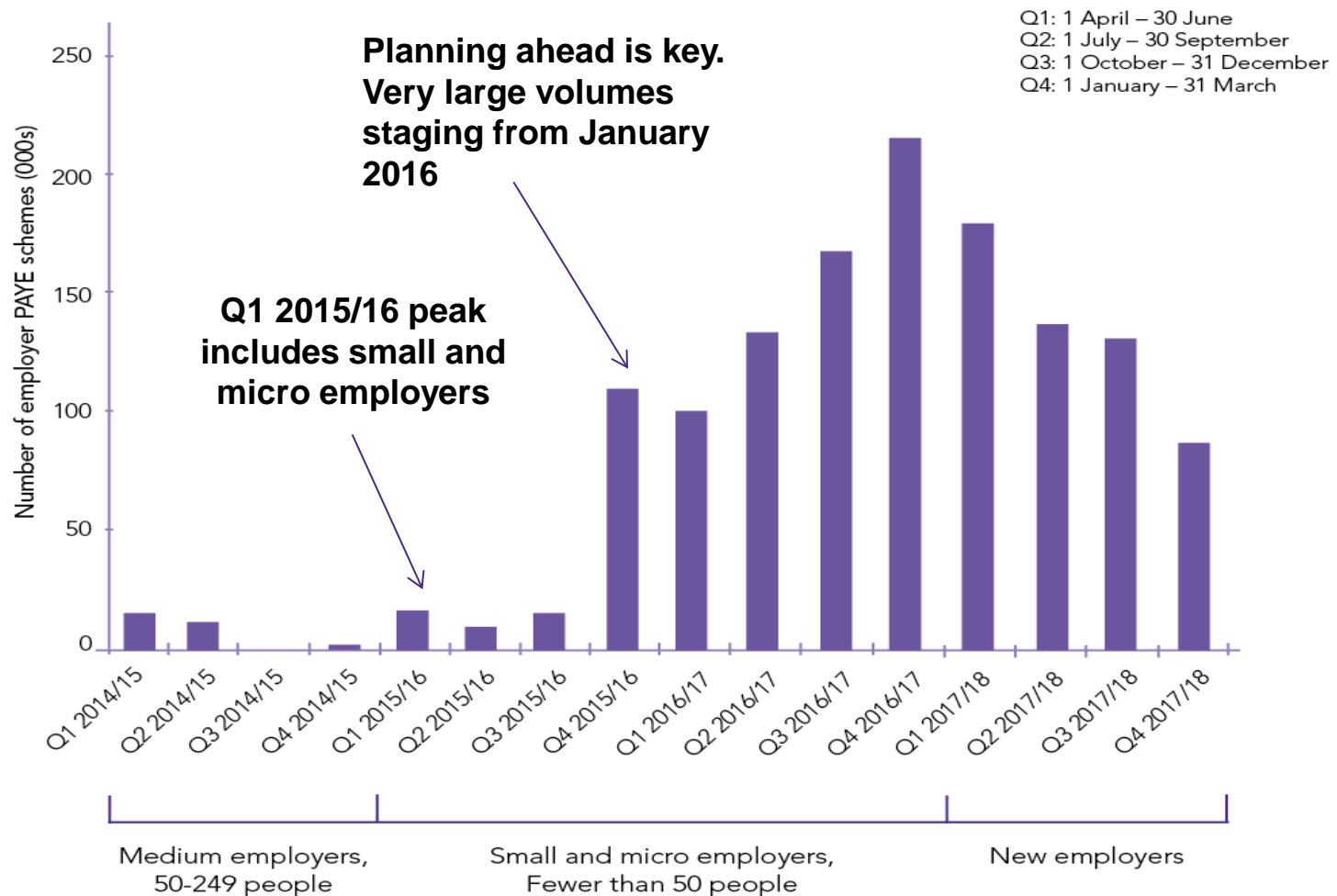
- The employer duties apply to each employer from their **staging date**:
 - the duties apply to **all** of the employer's workers from that date.
- The staging date is based on the number of people in the employer's PAYE scheme(s) as of **1 April 2012**:
 - any subsequent changes in PAYE size or usage have **no** effect on the staging date.
- Generally, larger employers will stage before smaller ones:
 - new employers* will go last, from May 2017.

Do **not** assume you know the number of people - use our tool



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Staging profile (volumes of employers)



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Find your clients staging date

- Our latest research shows that around 20% of small employers and almost half of micro employers did not know the exact date they needed to comply with auto-enrolment laws.
- Help your clients find their staging date by using our staging date tool.
www.tpr.gov.uk/employers/tools/staging-date.aspx
- Allows the project plan to be established.
- Allows you and your client to allocate the necessary resources for the project.

Categorisation of workers ￥

Earnings[†]	Age Range →	16-21	22-SPA*	SPA*-74
Under lower earnings threshold (<£5,824 pa) (in 2015-16)	Entitled worker (can request to join a scheme)			
Between £5,824 pa and up to £10,000 pa (in 2015-16)	Non-eligible jobholder (can Opt-in to an autoenrolment scheme)			
Over earnings trigger for automatic enrolment >£10,000 pa (in 2015-16)	Non-eligible jobholder	Eligible jobholder (must autoenrol)	Non-eligible jobholder	

† Qualifying Earnings contractually due to be paid in Pay Reference Period

* SPA = State Pension Age

￥ Who work / ordinarily work in the UK (the Channel Isles and Isle of Man are outside the UK)



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Thresholds v Pay Reference Periods (PRP) 2015-16

Subject to parliamentary approval

Pay Reference Period [†]	Lower Earnings Threshold (LET)	Earnings trigger for automatic enrolment	Upper Earnings Limit
Annual	£5,824 pa	£10,000 pa	£42,385.00 pa
Bi-annual	£2,912.00	£4,998.00	£21,193.00
1 quarter	£1,456.00	£2,499.00	£10,597.00
1 month	£486.00	£833.00	£3,532.00
4 weeks	£448.00	£768.00	£3,221.00
Fortnight	£224.00	£384.00	£1,631.00
1 week	£112.00	£192.00	£815.00

[†] For other PRP durations, multiply the number of weeks in the PRP by the weekly amount (eg £192.00) or number of months by the monthly amount (eg £833.00) etc - or pro-rata if not an exact multiple of any of the above.

N.B. The Secretary of State will review these figures each tax year.

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Assessing your workers

- Employers will need to assess **all** their workers on their staging date
 - unless they choose to use ‘postponement’ (described in later slides).
- All **qualifying earnings must** be used to assess a worker’s category (ie eligible jobholder, non-eligible jobholder or entitled worker).
- Qualifying earnings is any component of pay that could be considered one of these pay elements (an employer should use their reasonable judgement):
 - salary/wages, commission, bonuses, overtime and some statutory payments (excluding expenses and dividends).
- Eligible jobholders **must** be automatically enrolled into a suitable scheme
 - but any active member of a ‘qualifying’ pension scheme **with that employer** will **not** need to be automatically enrolled.
- **After** the staging date, employers will have to:
 - assess all new workers who join them
 - assess some workers every pay period (see planning tool ‘ongoing responsibilities’)
 - assess some workers again every three years.



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Check suitability of payroll and IT systems

- What software will you use to carry out:
 - assessment
 - enrolment
 - communications, and
 - calculation of pension contributions
- This is likely to require data held by payroll and HR systems.
- Choices:
 - payroll software, and/or
 - non-payroll software or service (can be referred to as “middleware”)
 - this may be offered by the pension scheme provider.

Prepare a budget - DC scheme minimum contributions

Phase 1

Phase 2

Phase 3

*% of qualifying earnings

Minimum DC 2% total contribution*

Minimum DC 1% employer contribution*

Min DC
5% total*

Min DC 2%
employer*

Min DC
8% total*

Min DC 3%
employer*

Large
employers

Medium
employers

Small/micro
employers

New
employers

Oct 2012

April 2014

June 2015

May 2017

Oct 2017

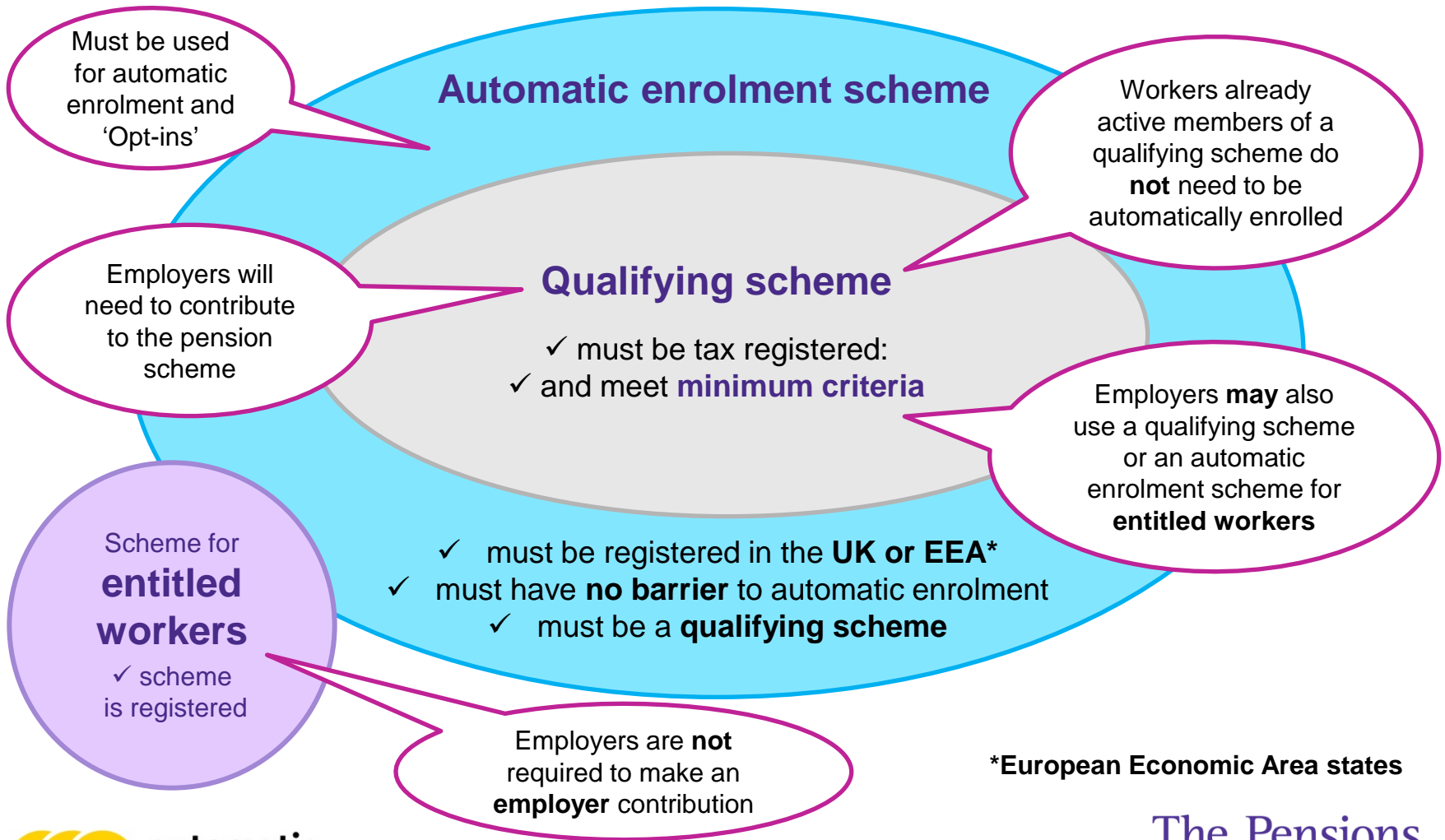
Feb 2018

Oct 2018



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What pension schemes can be used?



Pension scheme selection – advice

- It is the employer's responsibility to choose a pension scheme for their workers.
- Although giving advice to an employer regarding their choice of pension scheme and/or fund is currently unregulated, TPR believes that people without the right skills and knowledge should not be giving advice or expressing an opinion on this and we recommend sticking to fact based communications on this matter.

Pensions scheme selection – providing information

- You can help your clients by showing them where they can find more information on our website.

www.tpr.gov.uk/employers/finding-a-provider.aspx

- As part of your service proposition you may highlight preferred pension providers.
- National Employment Savings Trust (NEST)* is a pension scheme that **all** employers can use to meet their duties.



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Lessons learnt – from employers who have staged

- Plan to have your pension and payroll ready **6 months** ahead of staging.
- Employers/advisors need to know **how** to do each task, not just that it needs to be done.
- Get help and advice if you need it, but remember that the **employer is responsible** for complying with the automatic enrolment legislation.
- Keep in mind the importance and scale of **employee data cleansing** in advance of staging.
- Employers should **test their software** in advance, including:
 - assessment, payroll to pensions provider communications and worker communications.
- Employers may be **fined** if they do not complete a **Declaration of compliance** (Registration) on time.

Topical Issue - Who are your workers?

Employers will have duties for workers that are:

- aged 16 to 74 (inclusive), and
- who work or ordinarily work in the UK*, and
- it does **not** matter if they are full or part-time, permanent or temporary.

There may be other people who **will** also be included:

- overseas workers, who are considered ordinarily working in the UK.

Workers will include:

- employees, and
- people (excluding directors) who are **not** employees, who are **personal services** workers.

* the Channel Isles and the Isle of Man are outside the UK



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Are they a personal services worker?

- The employer needs to judge whether or not an individual (who is not a director) with a contract to perform work or services personally is undertaking the work as part of their own business.
- Does the employer:
 - have control over an individual's method of work (eg hours worked)?
 - provide any employee benefits?
 - bear all the significant financial risks in carrying out the work (eg the worker is not financially responsible for their faulty work)?
 - provide what is required for the individual to carry out the work (eg tools)?
 - ➔ If most or all of the above are true, then it would be reasonable to consider that they are not undertaking the work as part of their own business – and they are a personal services worker.
- The list above is not exhaustive and an employer must take into account all relevant considerations and make a reasonable judgement.

Office holders and other people who are not workers

- Serving members of the **armed forces** (including Cadets and ATC) are not classified as workers.
- A director is **not a worker** by virtue of any work that they do for a company if:
 - they do **not have an employment contract**, or
 - they **do** have an employment contract, but there is **no one else** working for the company on an **employment contract**.
- An office-holder (other than a director) may or may not be classified as a worker, depending on their contractual position (like any other individual).
- An office-holder is someone who holds a post which only exists because a law or charter etc says it must exist, or it is an ecclesiastical appointment, or an appointment under the internal constitution of an organisation or under a trust deed.
- Many office-holders (such as trustees or board members of statutory bodies) do not work under any kind of contract, even though they may be paid. They will therefore not be workers.
- However, some office-holders do have an employment or personal services contract, and they will be workers in respect of earnings under the contract.

Contracts and ‘who is a worker?’

Type of work contract between individual and this company	Is this individual a worker? (if number of employees in the company = 1)	Is this individual a worker? (if number of employees in the company = 2 or more)
Employee (and not a director)	✓	✓
Personal services worker (so not on an employment contract and also not a director)	✓	✓
Contractor (not an employee and who is not a personal services worker and not a director)	X	X
Director who is an employee	X	✓
Director who is not on an employment contract	X	X

Non-compliance

How do we know about instances of non compliance?

- whistleblowing
- information analysis, such as comparing declaration of compliance (registration) data with current PAYE data
- sharing intelligence with other agencies
- targeted pro-active visits to employers who are at high risk of non-compliance (possibly as a result of the industry sector they are in)
- employers call us

Non-compliance is not acceptable

Powers available to the regulator

1. Compliance notice (including third party compliance notice)
2. Fixed penalty notice (£400)
3. Escalating penalty notice (£50 - £10,000 daily depending on size)
4. Unpaid contribution notice
5. Inspection powers to enter premises/request information
6. Criminal prosecution for wilful non-compliance.



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Use of powers

- Some of our powers used (to 31 December 2014):
 - 16 information notices
 - 7 statutory inspection notices
 - 1316 compliance notices
 - 8 unpaid contribution notice
 - 169 fixed penalty notices
- We expect to see an increase in how often we need to use our powers with the mass market roll out of automatic enrolment to large numbers of small businesses.
- Our research shows that the majority of employers who have completed the automatic enrolment process regret not allowing more time.

**2,161 cases closed by
31 December 2014**



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Enforcement powers

Informal action

- instructions by telephone, letter, email and in person
- warning letter - for minor alleged breach with timeframe for compliance

Statutory powers – gathering information

- formal requests for information (if a breach is suspected)
 - failure to comply may lead to criminal prosecution/civil penalties
- inspection powers - failure to comply may lead to criminal prosecution

Statutory notices issued to employers or third parties

Penalties

- Fixed penalty notices £400 / Escalating penalty notices £50-£10,000 daily

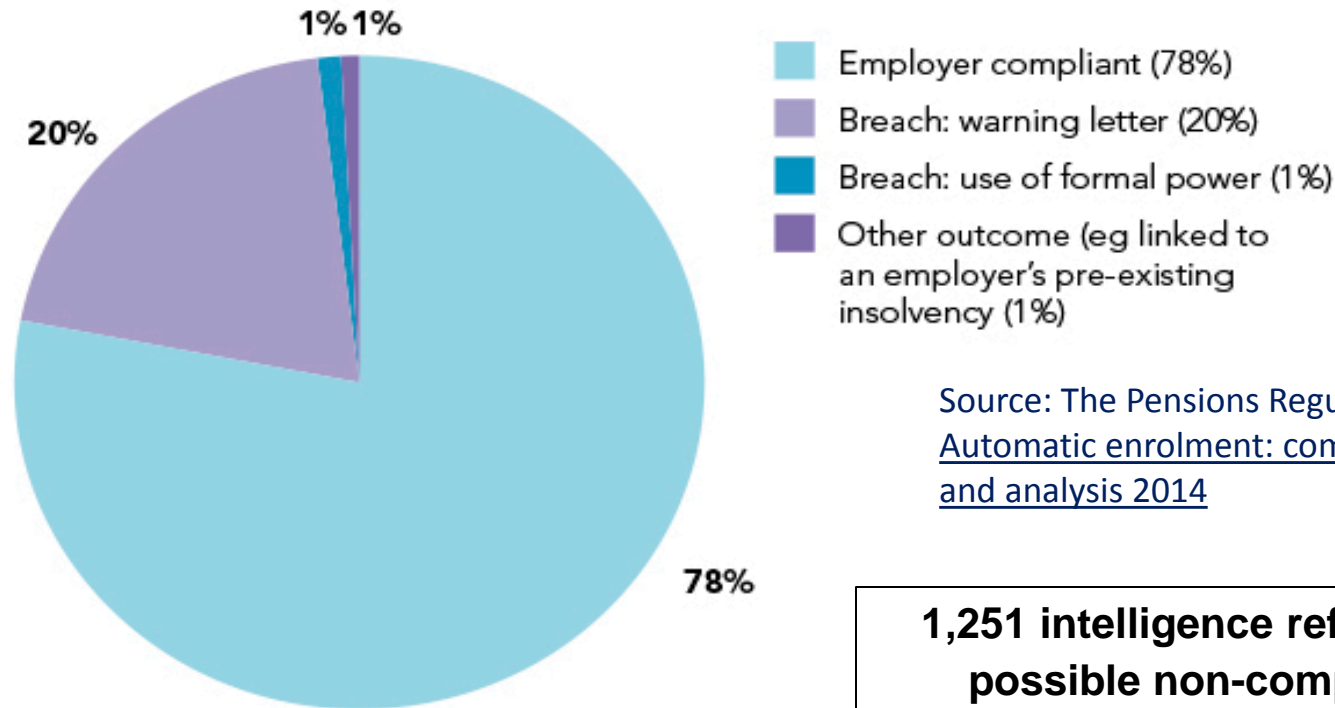
Civil debt recovery

Criminal prosecution / Proceeds of Crime Act 2002

Investigations

‘99% of employers who have completed their declaration of compliance (registration) with us have done so without the need for us to use our powers’.

Outcomes of closed cases April 2013 to March 2014



Source: The Pensions Regulator
[Automatic enrolment: commentary and analysis 2014](#)

1,251 intelligence referrals for possible non-compliance

Examples of breaches

- Breaches include (but are not limited to):
 - failure to automatically enrol eligible jobholders
 - eg late issuing of postponement notices may lead to failure to automatically enrol on the staging date
 - failure to enrol non-eligible jobholders who give notice to Opt-in
 - failure to arrange active membership for an entitled worker
 - inducements
 - unpaid contributions - not paid over to pension scheme
 - failure to keep certain records (eg where the employer destroys them)
 - failure to refund contributions following automatic enrolment when an Opt-out notice has been received
 - criminal offences where the behaviour is wilful.

Remedying a breach

What if an employer makes a mistake and fails to carry out their duties?

Tell the Regulator about the breach. TPR's approach is an employer:

- should take reasonable steps to put the worker back in the position they would have been in if compliance had occurred on time, and
- should **not** profit from their mistake.

That means the employer should:

- enrol them, backdated to the original date, and
- ensure backdated employer pension contributions are paid, and
- ensure backdated employee pension contributions are collected.

If TPR decides to take formal action against the employer and the worker should have been enrolled **more** than 3 months ago, TPR has the power to:

- require the employer to pay **both their own and employee** contributions, and
- require **interest** to be added to outstanding contributions.



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In summary

- AE is here to stay
- It applies to all employers
- Being in a workplace pension is becoming and will be “the norm”
- Some employers will head to their accountants for advice on how to automatically enrol
- The Pensions Regulator has guidance for accountants and employers to help them prepare
- The Pensions Regulator’s focus is on educating and enabling.



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Thank you

We are here to help!

Contact us at:

www.tpr.gov.uk/contact-us.aspx

Subscribe to our news by email:

<https://forms.thepensionsregulator.gov.uk/subscribe.aspx>

Connect with us on LinkedIn:

www.linkedin.com/groups?gid=2675456

Follow us on Twitter:

<https://twitter.com/TPRgovuk>



The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

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Automatic enrolment



Useful links

- **Help your clients prepare for automatic enrolment:** www.tpr.gov.uk/help-clients-prepare
- **The essential guide to automatic enrolment:** www.tpr.gov.uk/ae-essential-guide
- **Staging date tool:** www.tpr.gov.uk/staging-date
- **Nominate a contact:** www.tpr.gov.uk/nominate
- **Planning tool:** www.tpr.gov.uk/planner
- **6 month checklist:** www.tpr.gov.uk/six-month
- **Subscribe to our news by email:** www.tpr.gov.uk/subscribe
- **Latest research on automatic enrolment:** www.tpr.gov.uk/research

www.thepensionsregulator.gov.uk



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Useful links

Monthly registration report

www.tpr.gov.uk/docs/automatic-enrolment-monthly-registration-report.pdf

Automatic enrolment: commentary and analysis 2014

www.tpr.gov.uk/docs/automatic-enrolment-commentary-analysis-2014.pdf

Compliance and enforcement quarterly bulletins

www.tpr.gov.uk/docs/automatic-enrolment-use-of-powers-june-2014.pdf

www.tpr.gov.uk/docs/automatic-enrolment-use-of-powers-september-2014.pdf

www.tpr.gov.uk/docs/automatic-enrolment-use-of-powers-december-2014.pdf

Compliance and enforcement strategy

www.tpr.gov.uk/docs/pensions-reform-compliance-and-enforcement-strategy.pdf

Compliance and enforcement policy

www.tpr.gov.uk/docs/pensions-reform-compliance-and-enforcement-policy.pdf



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Useful links continued...

More information about pensions and automatic enrolment:

- **The Association of British Insurers:**
www.abi.org.uk/pensionproviders
- **The National Association of Pension Funds:**
www.napf.co.uk
- **National Employment Savings Trust:**
www.nestpensions.org.uk
- **Independent Financial Advisers:**
www.unbiased.co.uk
www.vouchedfor.co.uk
- **The Pensions Regulator:**
www.tpr.gov.uk/docs/selecting-a-good-automatic-enrolment-scheme.pdf
www.tpr.gov.uk/docs/introduction-code-13.pdf



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Useful links continued...

Webinars:

- **Automatic enrolment – dispelling the myths**
www.tpr.gov.uk/press/webinar-automatic-enrolment-dispelling-the-myths.aspx
- **Identifying your workforce and calculating minimum contribution levels**
www.tpr.gov.uk/press/webinar-identifying-workforce-calculating-minimum-contribution.aspx
- **Implementing automatic enrolment systems and pension schemes**
www.tpr.gov.uk/press/webinar-implementing-automatic-enrolment-systems-schemes.aspx
- **Automatic enrolment – are you ready?**
www.tpr.gov.uk/press/webinar-automatic-enrolment-are-you-ready.aspx
- **Automatic enrolment registration.**
www.tpr.gov.uk/press/webinar-automatic-enrolment-registration.aspx
- **Automatic enrolment question time.**
www.tpr.gov.uk/press/webinar-automatic-enrolment-question-time.aspx



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Questions?



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