

# Auto Enrol

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# Introduction

## Background

People are living longer and are likely to sustain a longer retirement. Many people are not saving for their retirement at all, and many who are saving, aren't saving enough.

New legal duties, from October 2012, will require employers to automatically enrol their eligible jobholders into a qualifying pension scheme. The reform will be 'staged' over a six year period depending on the size of the employer.

## What is Auto Enrolment?

Auto Enrolment is a set of duties to make sure all eligible employees automatically become members of a qualifying pension scheme with a high enough level of contributions.

This means new responsibilities for the employer such as:

- Workforce assessment
- Provision and Auto Enrolment into a qualifying scheme
- Facilitating opting out and refunds
- Record keeping

## Time Frames

- Any employer with a PAYE scheme registered before 1st April 2012 will have enrolled their staff by April 2017
- Any employer with a PAYE scheme registered from 1st April 2012 will have enrolled their staff by February 2018

## Why is the Department for Work and Pensions introducing Auto Enrolment?

- 1 The Government estimates about seven million people are not saving at all for retirement, or not saving enough.
- 2 Life expectancy is increasing - people will live longer in retirement and the size of their pension fund needs to be greater to fund this.
- 3 The Government may not be able to afford to keep state pensions at their current level in the longer term.

# Auto Enrolment

# Preparing for Auto Enrolment

It's vital that you familiarise yourself with Auto Enrolment now and make sure you understand the impact on your business.

Workplace pensions law is changing and every employer will have to act to fulfil their new legal duties. It is vital that you understand your new responsibilities.

#### Your first 3 steps are as follows:

- 1 Know your staging date - when to act
- 2 Assess your workforce
- 3 Review your pension arrangements

#### Know your staging date:

##### When to act

The date that the new law applies to your company is known as your staging date. This date is determined by the size of your largest PAYE scheme on 1st April 2012.

For more information about staging dates, please visit <http://www.thepensionsregulator.gov.uk/employers/staging-date-timeline.aspx>

#### Assessing your workforce

Workers who will need to be automatically enrolled in a pension scheme are called 'eligible jobholders'. An eligible jobholder is:

- Aged between 22 and state pension age
- Working or ordinarily working in the UK
- Earning above £9,440\*

You will need to assess who in your workforce is an eligible jobholder. You must automatically enrol eligible jobholders into a qualifying pension scheme and make contributions on their behalf to that pension scheme.

Workers who are not eligible jobholders will still have a right to opt into a pension scheme or a right to join one.

#### Review your pension arrangements

If you have an existing pension scheme for your workers, you may wish to consider enrolling all eligible jobholders into this scheme. To do this, your existing scheme will need to qualify as an automatic enrolment scheme.

If you do not have an existing pension scheme or you cannot use your existing pension scheme(s) for automatic enrolment, you will need to choose another pension scheme. In this case, all eligible jobholders will need to be automatically enrolled in your new pension scheme.

If you need to select a qualifying pension scheme, you can choose from a number of pension providers including the National Employment Savings Trust (NEST) which has a public service obligation to accept all employers that apply to join it.

To be a qualifying scheme, minimum contributions or above must be made or it must provide a minimum rate at which benefits will build up.

You will need to assess who in your workforce is an eligible jobholder. You must automatically enrol eligible jobholders into a qualifying pension scheme and make contributions on their behalf to that pension scheme.

\*Automatic enrolment earnings thresholds for 2013/2014. These figures are expected to change each tax year.



# The seven steps to enrolment

# 1

## Know your staging date - when you Act

The date that the new law applies to your company is known as your staging date. This date is determined by the size of your largest PAYE scheme as at 1st April 2012. Companies that have PAYE schemes that are shared by multiple employers will have the same staging date in most cases. For multiple companies within one organisation, it is the largest employer that will dictate the staging date and this date will apply to all companies of that PAYE scheme.

For more information about staging dates, please visit <http://www.thepensionsregulator.gov.uk/employers/staging-date-timeline.aspx>

# 2

## Access your workforce

Workers who will need to be automatically enrolled in a pension scheme are called 'eligible jobholders'. An eligible jobholder is:

- Aged between 22 and state pension age
- Working or ordinarily working in the UK
- Earning above £9,440\*

# 3

## Review your pension arrangements

**Review your existing pension scheme:** If you have an existing pension scheme for your workers, you may wish to consider enrolling all eligible jobholders into this scheme. To do this, your existing scheme will need to qualify as an automatic enrolment scheme - see information on qualifying schemes below.

To be a qualifying scheme, minimum contributions must be made or it must provide a minimum rate at which benefits will build up. A scheme suitable for automatic enrolment must also **not**:

- Impose barriers to joining the scheme, such as probationary periods or age limits for members
- Require staff to make an active choice to join or take other action prior to joining
- Require the provision of extra information in order to stay in the scheme

# 4

## Communicate the changes to all your workers

You must inform all your workers in writing about the changes detailing how they are affected by the changes. This communication must be provided in writing (which can include being sent by email) and must be specific to the individual.

The duty is on the employer to provide the right information to the right individual, at the right time.

# 5

## Automatically enrol your eligible job holders

There is a process that you will need to follow in order to make an eligible jobholder a member of an automatic enrolment pension scheme. Certain information about your eligible jobholders will also need to be supplied to pension scheme managers for example at specific points in the process.

# 6

## Register with The Pensions Regulator and Keep records

You are required to inform The Pension Regulator how you have fulfilled your new automatic enrolment duties by registering this information online shortly after your staging date. You will also need to maintain specified records about enrolled workers, their status within the scheme, the payment of contributions and the qualifying scheme itself.

# 7

## Contribute to your workers' pensions

Starting on your staging date, you must contribute to your chosen pension scheme on behalf of your workers. The minimum contribution rates that an employer must pay into their workers' pension scheme will be introduced gradually over a 6 year period (from 2012 to 2018). This is known as 'phasing'. The minimum overall contribution will be 2% rising to 8%. Where your employee doesn't contribute towards the pension, the employer will be expected to contribute the full minimum amount.

Phasing will apply to most, though not all, types of pension scheme (your scheme provider will be able to tell you if phasing applies to you).

\*Automatic enrolment earnings thresholds for 2013/2014. These figures are expected to change each tax year.

Identifying your eligible jobholders and enrolling these individuals onto a qualifying pension scheme is one distinct activity of Auto Enrolment.

## Ongoing assessment

Identifying your eligible jobholders and enrolling these individuals onto a qualifying pension scheme is one distinct activity of Auto Enrolment. In addition to this, there are also ongoing responsibilities and key activities.

The employer should assess circumstances for employees on an ongoing basis, to determine where circumstances have changed and enrolment to a qualifying pension scheme is due.

### These circumstances could include but are not exhaustive of;

- 1 The deferral date for the worker if using worker or eligible postponement
- 2 The first day of employment
- 3 The worker's 22nd birthday
- 4 The first day of a pay reference period

Each event is considered to be an assessment date, the date on which the employer must assess the status of the worker to establish if they are considered to be an eligible jobholder and must be auto enrolled in a qualifying pension scheme.

### Triennial re-enrolment

The employer must conduct a review every 3 years to automatically enrol or re-enrol any employees who at that date are not an active member of a qualifying pension scheme or who have previously opted out of the qualifying pension scheme.

This review date is a global date for all employees and is not specific to the circumstances of each individual.

### Opts outs and contribution refunds

The ultimate goal is for every employee to be a member of a qualifying pension scheme and actively saving for their future and retirement. For certain individuals this isn't always possible and the time of Auto Enrolment may come at a difficult period or they may have alternative methods of saving available to them. For such individuals, there is the option to opt out of a pension scheme.

To opt out from the pension scheme, the jobholder has one month from the later date of either:

- i) the auto enrolment letter sent from the employer (see step 4 on page 6)
- ii) active membership of the pension scheme.

On completion of the-opt out process, the employer must stop deducting contributions.

### Postponement

Postponement is an additional flexibility for an employer that allows them to choose to postpone automatic enrolment for a period of their choice of up to three months.

Postponement can only be used for a worker on certain dates:

- The employer's staging date, in respect of any workers employed on their staging date
- The first day of employment, in respect of any worker starting employment after the employer's staging date
- The date a worker employed by them meets the criteria to be an eligible jobholder after the employer's staging date

# The top ten Auto Enrolment terms and their definitions

## 1 Jobholder

A worker who:

- is aged at least 16 and under 75
- works, or ordinarily works in the UK, and
- earns above the lower earnings level for qualifying earnings

## 2 Eligible jobholder

So-called because they are 'eligible' for automatic enrolment.

This is a jobholder who:

- is aged at least 22 but has not yet reached state pension age,
- earns above the earnings trigger for automatic enrolment

## 3 Non-eligible jobholder

So-called because they are not eligible for automatic enrolment (though they can choose to 'opt in' to an automatic enrolment scheme). This is a jobholder who:

- is aged at least 16 and under 75, and
- earns above the lower earnings level of qualifying earnings but below the earnings trigger for automatic enrolment

Or:

- is aged at least 16 and under 22, or between state pension age and under 75, and
- earns above the earnings trigger for automatic enrolment

## 4 Entitled worker

A worker who:

- is aged at least 16 and under 75
- works, or ordinarily works in the UK, and
- earns below the lower earnings level for qualifying earnings

## 5 Qualifying earnings

This includes but is not exhaustive of, the following pay elements (gross):

- Salary
- Wages
- Commission
- Bonuses
- Overtime
- Statutory sick pay
- Statutory maternity, paternity and adoption pay

These earnings are used to identify whether an individual is an eligible jobholder or a non-eligible jobholder, and may also be used to determine the level of contributions a scheme must require. (Determined by pension scheme rules. Please check with your pension provider.)

## 6 Pay reference period

The Pay Reference Period is the period of time by reference to which the employer pays the worker their regular wage or salary. The pay reference period is not the same as the tax period.

## 7 Postponement

Worker postponement: the employer may choose to delay their staging date by up to 3 months, this may be where they require further time to get ready for Auto Enrolment.

Eligible postponement: an employer may choose to postpone an eligible jobholder to avoid pro rata contributions or to 'smooth' a spike in earnings of a worker that could potentially change their status on a temporary basis to an eligible jobholder.

## 8 Qualifying scheme

A pension scheme that meets certain minimum standards by legislation. There are different standards depending on the type of scheme.

## 9 Staging date

The date assigned to an employer based on the number of people in their PAYE scheme as of 1st April 2012 and the date from which the employer will assume responsibilities for Auto Enrolment.

## 10 Phasing

For defined contribution schemes, the gradual phasing-in of contribution levels until they reach the minimum level required by law, starting at a minimum total contribution of 2% from October 2012.



Auto Enrolment: We've got it covered Sage has provided easy to use software for over 30 years, consistently meeting the stringent standard set out by legislation and the needs of our customers.

We're working very closely with The Pension Regulator, investing significant resource to ensure our payroll and HR solutions are ready to provide our customers with a smooth transition into Auto Enrolment, guaranteeing compliance now and in the future.



Whatever size or type of business you run, there's Sage Payroll software for you

Over 500,000 employers in the UK choose Sage Payroll software to pay over **7.6** million employees.



1-15 employees  
Online solution



10 or under employees  
Software and support



10-25 employees  
Software and support



Over 25 employees  
Software for medium and growing businesses

# Take the Auto Enrolment test

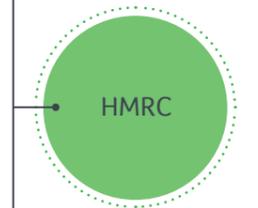
## Do you use Sage to process your payroll and manage HR?



Great, you're in the right place! We'll be in touch soon to tell you more about Auto Enrolment and your software.



It's really important to prepare for new legislation changes. Take a look at our preparation success checklist to ensure that you're fully prepared.



### How do you currently process your payroll?

If you currently use HMRC's free online return and PAYE service it will not be able to help you with the preparation and compliance under workplace pension reform.



Has your payroll provider let you know how your software will support you to comply with workplace pension reform? It's essential that you are using a product that will enable you to assess enrol and contribute to the workers' pensions.



Auto Enrolment could mean another increase in cost. It's not clear how outsourced payroll processing will be able to cope with the workplace pension reform. It will inevitably result in you having to take on more of the burden yourself.

# Get ready... all systems go!

## Preparation is key to success

Make sure your business is prepared as workplace pension reform comes into force. **Tick off** each of these tasks as you complete them.

- I know my staging date which is...
- I have assessed my workforce and I know which employees are eligible jobholders
- I have reviewed my pension arrangements and have confirmed that I have a qualifying pension scheme in place
- I have communicated the changes to the entire workforce
- I'm ready to enrol all eligible jobholders from my staging date
- I'm ready to register with The Pension Regulator
- I have the systems in place to maintain accurate records
- I'm ready to contribute to workers' pensions
- I'm ready to deal with opt out requests



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To find out more about the Sage Payroll range  
please call AlphaLogix Ltd on 01291 688100 or  
e-mail us on [info@alphalogix.co.uk](mailto:info@alphalogix.co.uk)

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