DavisGrant

CHARTERED CERTIFIED ACCOUNTANTS
REGISTERED AUDITORS
TAX & BUSINESS ADVISORS

AUTOMATIC ENROLMENT

A Guide on how we can help you with the changes in Workplace Pensions

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Are you an employer?

The law on workplace pensions means that you must now automatically enrol eligible staff into a qualifying pension scheme. Even if we manage your Payroll you will need to take action or risk penalities from the Pensions Regulator.

Are you prepared to take on your new responsibilities?

You will have to choose a pension scheme, enrol your staff and manage the contributions made by yourself and on behalf of your employees.

The good news is that we are here to help you through the process! If we handle your Payroll for you, then we will need to review the service to make sure everything is covered.

This booklet takes you through all the questions you are likely need to consider and outlines how we are prepared to help you.

“Workie” © The Pensions Regulator, used with permission

About Davis Grant

Davis Grant is a progressive and forward thinking firm who combine the experience and knowledge of a trusted advisor with a first class professional service.

Established in 1948, Davis Grant ensure that each and every client receives and values a bespoke service, provided by a quality, highly trained and enthusiastic team, led by the four directors: Barry Chernoff, Neil Driver, Jay Gandesha and Steven Sandford.

Our focus is to provide clients with useful, relevant and meaningful advice that supports and guides a business from incorporation to exit. As well as conventional proactive services such as tax planning, cash flow forecasting and management accounting.

From start-up companies requiring hands-on mentoring to keep their business on-track, or assistance with the implementation of share investment schemes, to large corporate companies requiring boutique tax planning, estate management and further wealth creation, Davis Grant are able to offer a service which will be tailored to your individual needs and continually exceed your expectations.

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What is Auto-Enrolment?

Auto-enrolling employees into a workplace pension scheme is a legal requirement for all businesses, from those employing hundreds to those with one or two people on the payroll.

Whether you are a hairdresser, architect or employ a personal care assistant, if you employ at least one person you have legal duties.

Over 6 million workers have been enrolled since 2012, with a further 1.8 million due over the next 2 years as the process turns to smaller employers.

The Pensions Regulator has warned that while the majority of companies are complying with the process, a rise in non-compliance is expected from smaller employers who have not prepared properly.

So far 2016 has matched these expectations with 806 fixed penalty notices (bringing the total since 2012 to 2,234) and 96 escalating penalty notices (making the total 127) being issued in the first quarter.

Non-compliance with auto-enrolment can lead to daily fines of up to £10,000 for businesses with 500 or more employees. So it is important that all businesses know exactly what is required of them.

What is required?

Auto-enrolment applies to your business if you employ anyone with annual earnings of over £10,000 that is aged 22 to stage pension age and normally works in the UK.

By your individual staging date (the date set by law when duties come into effect) businesses with these kinds of employees **must**:

- select and set up a suitable pension scheme
- evaluate the eligibility of your staff at every pay period
- add eligible workers to the selected pension scheme
- begin making contributions
- maintain accurate records
- allow employees to opt in, opt out and enrol newly eligible employees.

While it is possible to view auto-enrolment as a logistical burden with potentially dire financial consequences for non-compliance, it is equally possible to view it as an important step in ensuring that employees have the opportunity to save for retirement.

Annual Earnings (2014 - 2015)	Age		
	16 - 21	22 - SPA*	SPA* - 74
Below £5,824	Has the right to join		
£5,824 - £10,000	Has a right to opt in		
Over £10,000	Has a right to opt in	**Must be Automatically enrolled**	Has a right to opt in

SPA - State Pension Age
£5,824 - Lower earnings level of qualifying earnings,
£10,000 - earnings trigger for automatic entrolment
(correct for 2014-2015)

Contributions

The amount you and your staff pay into your pension scheme may vary depending on which scheme provider you choose and what you agree with them. However, by law, you and your staff have to make minimum contributions into the scheme.

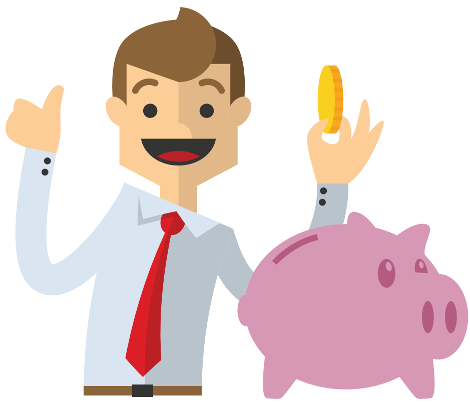
This is currently set at 2% of your member of staff's earnings. You, the employer, must pay at least 1% of this, but you can choose to pay more. The minimum contribution will increase over time. The dates when this will happen and the percentage increases are shown in the table below.

Date	Total Minimum	Employer Minimum
Before 05/04/2018	2%	1%
06/04/2018 to 05/04/2019	5%	2%
06/04/2019 onward	8%	3%

When you work out how much to pay into your pension scheme you need to know what staff earnings to use in your calculation. This will depend on the type of scheme you choose.

If you pay the minimum of 2%, you will need to base your calculation on a specific range of earnings. For the 2016/17 tax year this range is between £5,824 and £43,000 a year (£486 and £3583 a month, or £112 and £827 a week). These figures are reviewed each year by the government.

You will also need to include all the following types of staff pay in your calculation: salary, wages, commission, bonuses, overtime, statutory sick pay, statutory maternity pay, ordinary or additional statutory paternity pay and statutory adoption pay.



Opting in and out

Individual employees can choose whether they want to be part of the pension scheme you have chosen.

There are a number of rules that determine which workers are allowed to opt in and the circumstances under which they can do so if they are not automatically eligible.

Opting out

An employee has the right to not participate in a workplace pension scheme if they have already been enrolled or opted in.

The opting out process consists of the following steps:

- the individual must provide the employer with an opt out notice (usually provided by the pension scheme provider)
- the employer removes the individual from the scheme
- the employee is refunded any money they are due for contributions made (a full refund is due if the employee opts out within a month of being enrolled).

There is also a legal requirement for employers to keep records of all opt outs for 4 years.

Every 3 years an employer is required to essentially repeat the initial process of evaluating employee eligibility (including those that have opted out) and enrolling the relevant people (unless they choose to opt out).

All employees, even those who do not qualify for auto-enrolment, should be given as much information as possible so that they can make an informed decision about what is best for them.

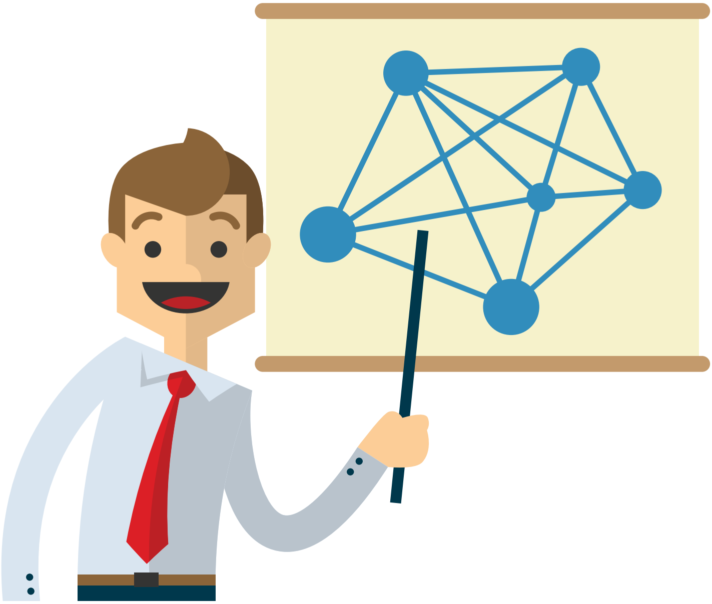
Penalties

The penalties levied on companies who fail to comply with their auto-enrolment obligations come in 3 stages:

- the employer receives a compliance or unpaid contribution notice informing them of the nature of the offence and the timescale for rectification
- if the matter is not rectified, the employer receives a fixed penalty of £400
- if non-compliance continues, daily accrual charges will begin to be applied.

The daily penalties relate to the number of employees the business has.

Number of employees	Daily fine
1-4	£50
5-49	£500
50-249	£2,500
250-499	£5,000
500+	£10,000



Common Mistakes

With the penalties for non-compliance potentially having a large financial impact on employers, it is important to understand the pitfalls.

Among the most common mistakes that a small business might make with regards to auto-enrolment are:

- not aligning your staging date with payroll payment dates (you can do this by postponing your start date)
- starting the process too late
- forgetting or not realising that regular updates to The Pension Regulator are still required once running auto-enrolment.

Small Business Action Plan

Auto-enrolment can look like an intimidating mountain to climb for smaller businesses, but we can help you get the best out of the process one step at a time.

With the previously stated common mistakes in mind, here is auto-enrolment broken down into manageable steps:

NOW

Get your staging date!
Nominate an internal contact from the business who will be able to receive information from the Regulator.

6 MONTHS BEFORE YOUR STAGING DATE

Choose your pension scheme or check if your current one is suitable for auto-enrolment.

ON YOUR STAGING DATE

Assess your workforce – who is eligible for auto-enrolment?
Enrol those who have not opted out.
Begin contributing as part of your regular Payroll.

WITHIN 6 WEEKS AFTER YOUR STAGING DATE

Communicate the changes – your employees need to be made aware of the changes to their pay and the scheme you are using.

WITHIN 5 MONTHS AFTER YOUR STAGING DATE

Complete a declaration of compliance – this must be sent to the regulator and records keeping initiated.

CYCLICAL AUTOMATIC RE-ENROLMENT

You have ongoing responsibilities including periodically repeating the enrolment process (minimum every three years).

The Effect on Payroll

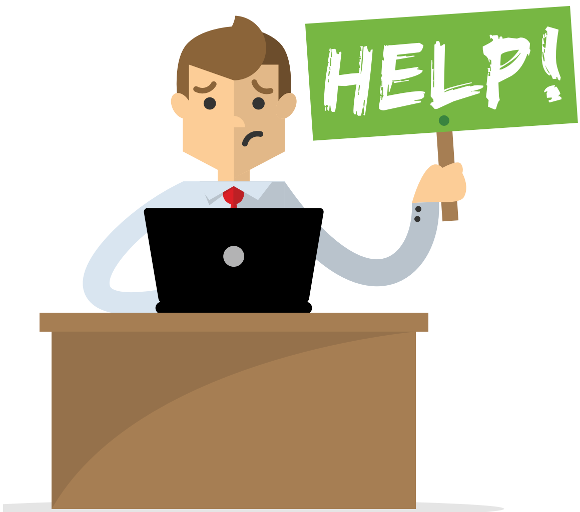
There are additional steps involved in calculating contributions and making deductions.

Here is an example of the steps required if you were to manually process your payroll...

1. Finalise your payroll information.
2. Process your payroll (Tax and NI)
3. Check and confirm.
4. Submit your payroll information to your pension provider.
5. Your Pension provider assesses employees and calculates pension contributions.
6. Add this information to your payroll.
7. Re-run payroll.
8. Check and confirm.
9. Make any final amendments (repeat previous steps?).
10. Payslips and reports produced.

Any delay between the stages could result in your employees being paid late.

But there is a better way thanks to Davis Grant...



Davis Grant's Solution

A Simpler Way to Work

1. Send your Payroll information to us.
2. We process all deductions *including assessing and calculating pension contributions.*
3. After you confirm, we generate the payslips and deliver them using our online sofware.

Key Benefits

- **Save Time** – you do not need to review payrolls multiple times, there is less chance of delay and we send the payslips directly to your employees digitally

- **Accurate** – our software will automatically select employees who meet the entitlement and earnings criteria and calculate the employee and employer contribution every month (unless opted out)

- **Fully Compliant**
  – keep your pension provider informed
  – avoid penalities from The Pensions Regulator
  – be prepared for any required financial audits
  – have an electronic trail to show information has been provided to employees.

- **Secure** – no risk of employees opening payslips sent in the post addressed to other employees. All files are encrypted using SSL/AES and securely accessed via an online portal.

Cloud Software Included as Standard

Benefit from access to our software platforms: OpenPayslips and OpenEnrol. View all payslips, summaries and communications online securely - 24 hours a day, 7 days a week. Employees automatically receive email notifications and instant access online via the web or mobile App. *Including the ability to send enrolment letters and information.*

Help Choosing a Pension Scheme

We have a list of recommended and regulated independent pension advisors that we can introduce you to. They will recommend the right scheme for your business and support with the necessary compliance elements.

You may then choose to nominate Davis Grant as a secondary contact for communicating with The Pensions Regulator and your pension provider.

Frequently Asked Questions

Why is this happening? Are you just trying to increase my fees?

The law on workplace pensions was changed by the government to force workers and employers to save for retirement. As such there is no agenda from us beyond making sure you remain compliant with the law.

So, there are additional fees involved?

Unfortunately there are costs involved in making sure you are compliant with auto-enrolment. At staging you will need to setup the scheme and then there are the ongoing payments for processing contributions and staff enrolment.

You already handle my payroll - surely this is your problem?

Auto-enrolment represents a big change and responsibility for setting and implementing a scheme remains your reponsibility. Don't worry though - we are here to help!

Will this increase my staff costs?

In short - yes. Depending on the scheme you select the minimum contribution levels for employers are 1% of qualifying earnings. This is matched by 0.8% from employees and 0.2% in tax relief.
Employer contributions will rise to 3% in 6 April 2019 bringing the total contribution to 8%.

Can't you just recommend a scheme for me?

Taking advice from an independant financial adviser authorised and regulated by the Financial Conduct Authority (FCA) makes sure you get the best possible advice.
This may be especially important when taking into account you are selecting a scheme *on behalf of your employees.*

What is the National Employment Savings Trust (NEST)?
NEST is a pension scheme set up by the government mainly to help employers with automatic enrolment.

The main features of NEST are:

- defined contribution scheme
- flexible contributions
- low setup and annual costs but a charge is made on every contribution

NEST may not be the best choice for you and we recommend you take advice from an Independant Financial Advisor.

Can I just rely on staff opting out?
Throughout the UK an overall 20% opt out rate has been factored in. Some employers have so far met this expectation, but others such as Morrisons have only seen a 5% opt out rate. If you assume staff won't be interested you risk the take up rate being higher than expected.

You can face penalties from The Pensions Regulator if you are seen to be encouraging employees to opt out of their workplace pension scheme.

Does auto-enrolment apply to company directors?
Automatic enrolment duties apply *if more than one director or any other staff has a contract of employment.* You won't have any duties if your company has a number of directors, only one of whom has an employment contract and with no other staff employed.

Auto-Enrolment Checklist

Davis Grant

Please complete this checklist to give us the information required for us to setup Auto-Enrolment on the processing of your Payroll.

You can use it as a reference for the information you should gather when setting up your scheme with a Pensions Provider or Independent Financial advisor.

Business Name ☐ Staging Date ☐

☐ I have agreed a deferment

Length of deferment ☐

☐ Not applied to new employees

Designated Contact
(as nominated with the Pensions Regulator)

First Name(s) ☐ Last Name ☐

Phone ☐ Email ☐

Details of Your Scheme

☐ I am using a pre-existing pension scheme that qualifies

Pension Provider ☐ Reference No. ☐

Scheme Type *(select one)*

- Defined Contribution
- Defined Benefit

Deductions made *(select one)*

- Before Tax and NI
- After Tax amd NI

Deductions based on *(select one)*

- Basic Salary
- Pensionable Pay
- Total Pay

Employer Contribution ☐ %

Employees Contribution ☐ %

☐ Limit deductions to qualifying earnings (eg. £5,824 - £43,000)

Print Form

Submit by Email

You can complete this form online at...
www.davisgrant.co.uk/enrol

Important Information

We have used reasonable care and skill in assembling the information in this document. Information or advice implied cannot be tailored to all personal circumstances or particular situations. There may also be factors relevant to your particular circumstances which fall outside the scope of some or all of the information disclosed. Accordingly, this material does not constitute personal advice. You should not rely solely on this material to make (or refrain from making) any decision or to take (or refrain from taking) any action.

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