



# Auto enrolment

## A guide for employers

In future years, the number of people in retirement will rise, and those people will be claiming a pension for longer. The state may be unable to sustain this financially, unless people also make their own provisions by building up a pension.

**In an effort to ensure that people are saving enough for their retirement, the government has introduced the Workplace Pensions Reform.**

*Rather than leave it to individuals to select a pension provider and make contributions into a pension, starting from October 2012, UK employers have a legal obligation to enrol certain employees into a pension scheme as a matter of course and pay contributions into that scheme. This is referred to as automatic enrolment.*

***It's important for employers to understand the process involved. This guide provides a brief overview.***

*Automatic enrolment means that employers now have a legal obligation to ensure that certain employees are enrolled into a suitable pension scheme.*

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## What is automatic enrolment?

Automatic enrolment is the process by which employers enrol certain workers into a qualifying pension scheme as a matter of course. The worker does not have to take any action; it is the duty of the employer to select an appropriate pension scheme and automatically enrol the worker into that scheme. Both the employer and the employee then make contributions into the pension scheme.

Automatic enrolment is also referred to as auto enrolment. In this guide, both terms are used interchangeably.

*Not everyone on your payroll may have to be automatically enrolled.*

*There are certain rules which set out who must be automatically enrolled and who does not have to be.*

## The key terms

### **Staging date**

The date on which an employer's auto enrolment duties come into force. Auto enrolment is being rolled out in stages to encompass employers over a number of years. Employers are being "staged" based on the number of people they employed in April 2012. The process started in October 2012 with the largest employers and is gradually incorporating smaller ones. It will be completed by 2018.

### **Eligible Jobholder, Non-Eligible Jobholder, Entitled Worker**

These are all specific terms which are used in the context of auto enrolment to define an employer's duties towards different categories of their workforce.

### **Auto enrolment pension scheme/qualifying pension scheme**

The scheme which you select to enrol your eligible jobholders into must comply with certain criteria in order to be suitable for use with auto enrolment.

## The key steps

- Find out your staging date
- Establish the necessary administrative and payroll processes to enable you to fulfil your new duties
- Select a suitable pension scheme and understand the process for joining the scheme
- Communicate the changes to your workforce
- Assess your employees to determine what duties you'll have towards them
- Prepare the data to send to the pension provider
- Ensure that your payroll software can support you in your new duties

Visit <http://www.thepensionsregulator.gov.uk/employers/planning-for-automatic-enrolment.aspx> to create your individual step-by-step auto enrolment plan.

## 1

## Your staging date

The starting point of your auto enrolment duties is your staging date. Staging dates are based on the number of employees an employer had on their largest PAYE scheme on 1 April 2012. Broadly speaking, employers are being staged as follows:

- Employers with 250 or more employees: between 1 October 2012 and 1 February 2014
- Employers with 50 to 249 employees: between 1 April 2014 and 1 April 2015
- Employers with fewer than 50 employees: between 1 June 2015 and 1 April 2017
- New employers setting up business from 1 April 2012 up to and including 30 September 2017 will have staging dates between 1 May 2017 and 1 February 2018

The Pensions Regulator is writing to employers to inform them of their individual staging date 12 months and again 3 months before it comes into force. To find out your staging date now, use the following link and have your PAYE reference to hand: <http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx>.

### Moving your staging date

It's possible to bring your staging date forward. To do this, first you must:

1. Contact a pension scheme that can be used to comply with your auto enrolment duties
2. Get confirmation that the selected scheme can be used from the new (ie earlier) staging date.

It's not possible to push your staging date back, unless you meet The Pensions Regulator's definition of a 'small employer'. 'Modified' staging dates have been set for these small employers by The Pensions Regulator.

If bringing your staging date forward you must notify The Pensions Regulator. This is also recommended, though not compulsory, if pushing it back.

For full details on staging please refer to:

<http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-2.pdf>

### Postponement

Auto enrolment rules allow you to postpone employee assessment, and therefore the duties that derive from it, for up to 3 months after your staging date. You can use postponement in respect of one, some or all of your workers.

If you decide to use postponement, you need to inform the workers involved by issuing them with the appropriate Postponement Notice, of which there are four prescribed types (see Appendix). The last day of the postponement period is called the **deferral date** and it must be included in the Postponement Notice.

You can only use postponement for a worker on certain dates:

1. Your staging date, for workers employed by you on your staging date
2. The first day of employment, for workers starting employment with you after your staging date
3. The date one of your workers becomes an Eligible Jobholder after your staging date.

For detailed information on postponement, please refer to

<http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-3a.pdf>

*The postponement period can be any length of time between one day and three months after your staging date.*

# 2

## In preparation

Once you have established your staging date, there are steps you must take in good time in order to meet your auto enrolment deadlines when they arrive.

- **Decide whether to bring your staging date forward:** you may find bringing your staging date forward useful in order to align it with other important dates in your payroll calendar.
- **Decide whether to use postponement on your staging date:** this will determine what your duties will be when your staging date is reached.
- **Investigate pension schemes and select one that can be used for automatic enrolment.** You then need to understand the process and timescales for joining the scheme to ensure that you'll be able to automatically enrol your workers within the timeframe required by The Pensions Regulator.

Then you need to look at setting up the administrative and payroll procedures that will allow you to comply with your new duties.

### Administrative procedures

- **Prepare the information to provide to your workers regarding the new pension legislation and how it affects them:** there are several types of information that you are required by law to provide to the different categories of worker at set times.
- **Prepare the data to provide to the pension scheme:** ensure that you hold all the employee data you'll be required to submit to the pension scheme and that you're familiar with the process you'll need to follow.
- **If you decide to use postponement:** source and prepare the relevant notices that you must provide to your employees (see Appendix).

For details on providing information to your workers please refer to <http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-10.pdf>.

### Payroll procedures

You need to ensure in advance that your payroll system or processes will be able to support you in your new duties, which will include the following:

- Calculating employer contributions (taking into account possible different contribution rates) and paying them into the pension scheme
- Calculating employee contributions according to the new requirements (eg possible different contribution rates and different components of pay the contributions are based on), making the deductions and paying them into the pension scheme
- Tax relief issues: you need to establish from the pension scheme whether tax relief is to be based on net or gross pay and set up your payroll accordingly.

## 3

## Your pension scheme arrangements

An essential part of the auto enrolment process is ensuring that you are using a pension scheme suitable for auto enrolment.

If you already offer a pension scheme to your workforce, you'll need to ensure that it's a **qualifying scheme** in order to continue to use it for your Eligible Jobholders who are already members of the scheme. A qualifying scheme is one that meets the minimum requirements for auto enrolment plus certain other qualifying criteria.

If you don't already offer a pension scheme to your workforce or if you have Eligible Jobholders who are not already active members of a pension scheme, you'll need to put in place an **auto enrolment scheme** to use for auto enrolment. An auto enrolment scheme is one which, in addition to meeting the minimum requirements and qualifying criteria, also:

- must not contain any provisions that prevent the employer from making arrangements to auto enrol, opt in or re-enrol a jobholder, and
- must not require a jobholder to make any kind of choice or provide any information in order to become or remain an active member of the scheme.

A key feature of an automatic enrolment scheme is that it is the employer's responsibility, working with the pension scheme trustees/managers or provider, to achieve active membership for the Eligible Jobholder. The jobholder must not be required to provide any information or make any kind of choice in order to either join or remain a member.

For detailed information on minimum requirements, qualifying criteria and which pension schemes are suitable for auto enrolment, refer to <http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-4.pdf>.

## NEST

NEST (National Employment Savings Trust) is an auto enrolment pension scheme set up by Government with a public service obligation to accept any employer who wishes to use it. This is in order to ensure that all employers have access to a suitable scheme to help them comply with their auto enrolment duties. To find out more about the NEST scheme visit [www.nestpensions.org.uk](http://www.nestpensions.org.uk).



## 4

## Assessing your workforce

Firstly, you'll need to determine which of your employees are classed as 'workers' who 'ordinarily work in the UK' under the terminology and rules set up specifically for auto enrolment purposes.

Assessment of your workers must take place at certain times specified by The Pensions Regulator. The first of these times is your staging date. The purpose of assessment is to categorise your workers into one of the following, based on their age and qualifying earnings:

- **Eligible Jobholder:** Aged between 22 and state pension age with qualifying earnings above the Auto Enrolment Threshold
- **Non-Eligible Jobholder:** Aged between 16 and 74, with qualifying earnings below the Auto Enrolment Threshold but above the Qualifying Earnings Lower Threshold **OR**, Aged between 16 and 22 or between state pension age and 74, with qualifying earnings above the Auto Enrolment Threshold
- **Entitled Worker:** Aged between 16 and 74 with qualifying earnings below the Qualifying Earnings Lower Threshold

In clarification of the above:

- **Auto Enrolment Threshold:**  
£9,440 for tax year 2013/14, and £10,000 for tax year 2014/15
- **Qualifying Earnings Lower Threshold:**  
£5,668 for tax year 2013/14, and £5,772 for tax year 2014/15

Whilst the age-related aspect of eligibility is straightforward, attention must be paid to the earnings-related aspect, where each worker's **pay reference period** and **qualifying earnings** must be determined as part of the assessment. This is a complex process which your payroll software package should be able to handle for you by performing the necessary calculations.

It's important to note that, under auto enrolment, assessing your workers for auto enrolment will be an ongoing duty.

Detailed information on assessment can be found on

<http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-3.pdf>.

*Assessing your workers for auto enrolment will be an ongoing duty.*

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*The result of assessment determines your duties towards each of your workers.*

## After the first assessment

The category an employee falls under determines your duties towards them. Once you have completed the assessment, the next step is to automatically enrol, apply a postponement period or provide specific information to each of your workers, depending on the category they fall under. Broadly speaking, your duties towards each category of worker are as follows:

### Eligible Jobholders

- *Eligible Jobholders who are not already members of a qualifying pension scheme:* You must either automatically enrol those workers into a suitable pension scheme, or apply postponement in respect of those workers.
- *Eligible Jobholders who are already members of a qualifying pension scheme:* You must confirm to these workers that they are indeed members of a qualifying scheme and refer them to <https://www.gov.uk/workplace-pensions> for further information.
- You must make contributions into the pension scheme in respect of Eligible Jobholders who have been auto enrolled.

### Non-Eligible Jobholders

- *Non-Eligible Jobholders who are not already members of a qualifying pension scheme:* You must provide these workers with prescribed information about their right to **opt in** to an automatic enrolment scheme, ie request to become active members of an automatic enrolment pension scheme.
- *Non-Eligible Jobholders who are already members of a qualifying pension scheme:* You must inform these workers about their active membership of the scheme.
- You must make contributions into the pension scheme in respect of Non-Eligible Jobholders who opt in for automatic enrolment.
- You must continue to assess Non-Eligible Jobholders who have not opted in to track when they might become Eligible Jobholders.

### Entitled Workers

- *Entitled Workers who are not already members of a pension scheme:* You must provide these workers with prescribed information about their right to join a pension scheme.
- *Entitled Workers who are already members of a pension scheme:* If the pension scheme is not a qualifying pension scheme, you must continue to assess these workers on the first day of each pay reference period, to track when they may meet the criteria to become an Eligible Jobholder or Non-Eligible Jobholder.
- If an Entitled Worker gives you notice that they wish to join a pension scheme you must arrange for them to become an active member of a pension scheme; please note that the scheme does not have to be an automatic enrolment scheme, or even a qualifying one, but must be UK tax-registered.
- You do not have to make contributions in respect of Entitled Workers who join a pension scheme.

For detailed information regarding your duties towards each category of worker please refer to

<http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-3c.pdf>.

# 6

*Employer contribution levels are being phased: they are at 1% until 30/9/2017, rise to 2% between 1/10/2017 and 30/9/2018, and then to 3% from 1/10/2018.*

## Auto enrolment

After you have carried out the assessment of your workers and you have an appropriate pension scheme in place, your next step will be to arrange for your Eligible Jobholders to become active members of the scheme on their automatic enrolment date and provide the relevant information to them.

Auto enrolment must be completed within 6 weeks of the Eligible Jobholder's automatic enrolment date; this period is called the '**joining window**'.

### Automatic Enrolment Date

An Eligible Jobholder's **Automatic Enrolment Date** is one of the following:

- The assessment date, for a worker identified as an Eligible Jobholder on the first assessment
- The first date that the criteria for auto enrolment are met, for a worker not identified as an Eligible Jobholder on the first assessment
- The deferral date, if you chose to use postponement.

### An Eligible Jobholder's automatic enrolment date is key:

- It's the date from which active membership of a pension scheme must start
- It's the start date for the calculation of contributions to be paid into the pension scheme.

### Automatic enrolment process

Automatically enrolling your Eligible Jobholders involves the following:

- Providing the jobholder's personal information to the pension scheme
- Providing auto enrolment information to the jobholder
- Making arrangements to achieve active membership of the scheme for the jobholder with effect from their auto enrolment date

### Providing information

The information you must provide to the Eligible Jobholders you have auto enrolled includes the following:

- that they have been auto enrolled into a suitable pension scheme
- the details of the pension scheme into which they have been auto enrolled
- the value of the contributions that will be payable into that scheme by the employer and by the employee
- that they have the right to opt out after they have been auto enrolled
- that they have the right to opt back in after opting out

You can choose to provide this information either in writing or by email, but it must be specifically sent to each Jobholder, ie you can't merely put up posters or refer jobholders to an online resource.

For full details on the information you need to provide, the arrangements you need to make with regard to active pension scheme membership and the timescales relating to contributions payments, see

<http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-5.pdf>.

## Opting in

Non-Eligible Jobholders have the option to request to become active members of an automatic enrolment pension scheme. This is called **opting in**. Entitled workers can also request to join a pension scheme. In these cases, both the employee and the employer must follow set procedures which are set out on <http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-6.pdf>.

## Opting out

Eligible Jobholders who you have automatically enrolled and Non-Eligible Jobholders who opted in to auto enrolment have the right to subsequently request for their membership of the pension scheme to be undone. This is called **opting out**.

Jobholders must opt out within a certain timescale called the 'opt-out' period; The opt-out period is one month after either the date the jobholder becomes an active member of a pension scheme or the date they are given written enrolment information, whichever is latest.

Jobholders opt out by submitting a valid **opt-out notice**, which they must obtain directly from the pension provider; this notice should not be provided to jobholders by their employer. You must then stop deducting contributions, inform the pension scheme that the membership must be undone and issue to the jobholder any applicable refunds of contributions already made.

You must keep track of Eligible Jobholders who opt out as you will be required to automatically re-enrol them on their automatic re-enrolment date. You must also keep either paper or electronic records of all opt-out notices for four years.

Entitled Workers who ask to join a pension scheme don't have opt-out rights. They only have cancellation rights as per the Financial Conduct Authority rules.

For full details of opt-out timescales, opt-out notices and contribution refunds please refer to <http://www.thepensionsregulator.gov.uk/docs/detailedguidance-7.pdf>.

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## After auto enrolment

After you have auto enrolled Eligible Jobholders, you must calculate and pay your own contributions to the pension scheme, as well as calculate, deduct and pay the jobholders' contributions in a timely manner, according to the schedule of payments required by law. The calculation and deduction of contributions should be handled by your payroll software package.

Other employer responsibilities include:

- Managing the opt-in and opt-out process
- Continuing to assess workers who haven't been auto enrolled for eligibility
- Keeping records
- Putting jobholders whose membership of the pension scheme has ceased back into pension saving. This is called **automatic re-enrolment**.

### Record-keeping

Record-keeping requirements include maintaining employee information (employee name, National Insurance number, date of birth, earnings etc) and pension scheme information (pension scheme reference, name, address etc). Most of this will already be stored in your payroll system. But you need to ensure that you also keep records of opt-in/joining/opt-out notices etc. These records must be kept for six years, with the exception of those relating to opt-outs which must be kept for four years. Electronic copies of the originals are acceptable provided they are legible.

For details of all the record-keeping requirements please refer to <http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-9.pdf>.

### Automatic re-enrolment

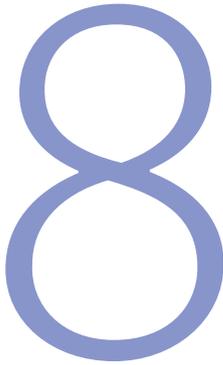
Since the main principle of auto enrolment is for the employer to ensure their jobholders are in pension saving, another employer duty is automatic re-enrolment of jobholders whose membership of a pension scheme has ceased.

There are two types of automatic re-enrolment:

- **Cyclical:** Eligible Jobholders who opted out or chose to cease membership after your staging date must be put back into an automatic enrolment scheme after three years, and thereon on a three-yearly cycle.
- **Immediate:** Jobholders whose active membership of a qualifying scheme has ceased not on their own account must be put back into an automatic enrolment scheme immediately when certain conditions are met.

Please note that postponement is **not possible** at re-enrolment.

The process for automatic re-enrolment is the same as for automatic enrolment. For details on automatic re-enrolment see <http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-11.pdf>.



## Auto enrolment and your payroll software



Employer duties under auto enrolment rules are multiple, complex and ongoing. Thankfully, a good payroll software package can ease much of the strain, and the functionality in **Opera 3 Payroll**, **Opera II Payroll** will automate and streamline many of the processes involved.



When it comes to assessing your workers, Opera 3 Payroll and Opera II Payroll will perform all the necessary calculations of employee age and earnings to determine what category of worker each employee falls under (Eligible Jobholder, Non-Eligible Jobholder etc). You can then auto enrol your employees on a global or on an individual basis. The facility to postpone employees is also provided. With Opera 3 Payroll and Opera II Payroll you can also capture information such as whether a pension scheme is to be used for automatic enrolment and whether contributions should be based on an employee's earnings between the automatic enrolment thresholds.



Furthermore, as well as the existing pension reports that can be extracted from Opera 3 Payroll or Opera II Payroll, **Pegasus XRL** is the award-winning reporting tool which will help you run reports on the data you hold so you can ensure that you have all the employee information you'll need to submit to your pension provider. Pegasus XRL can also be used to extract employee data from the Opera 3 or Opera II payroll system for use in mail merging the information letters you'll need to provide to your employees.



Opera 3 offers **integration with NEST and NOW: Pensions**, to help automate the process of submitting contributions to these providers. The integration component creates the necessary employee enrolment files and employee and employer contribution files, ready for submission. For other pension providers, the **Pegasus Solutions Marketplace** offers add-on solutions for your Opera 3 or Opera II software to help you prepare the required data for submission.



And when it comes to your record-keeping duties, the **Document Management** application for Opera 3 and Opera II can help significantly. You'll be able to store documents such as opt-in, opt-out and joining notices electronically and retrieve them quickly and easily whenever required.



For smaller businesses, **Pegasus Capital Gold Payroll** holds key employee and payment information, creates a nominated auto enrolment scheme and defines qualifying earnings and pensionable pay, and categorises the workforce into entitled workers, non-eligible jobholders and eligible jobholders. In addition, Capital Gold Payroll also links to NEST Pensions and a number of other pension providers.



**To enquire about Opera 3 Payroll and any of the other applications, please contact us:**

**0800 919 704**  
**info@pegasus.co.uk**  
**www.pegasus.co.uk**

# APPENDIX

## FURTHER INFORMATION

**Further information on auto enrolment for employers and employees can be found on:**

The Pensions Regulator: [www.thepensionsregulator.gov.uk/employers.aspx](http://www.thepensionsregulator.gov.uk/employers.aspx)

The National Association of Pension Funds: [www.napf.co.uk/Automatic-Enrolment.aspx](http://www.napf.co.uk/Automatic-Enrolment.aspx)

The Pensions Advisory Service: [www.pensionsadvisoryservice.org.uk/automatic-enrolment](http://www.pensionsadvisoryservice.org.uk/automatic-enrolment)

**For pension providers offering pension schemes for auto enrolment, visit:**

Association of British Insurers: <https://www.abi.org.uk/Insurance-and-savings/Products/Pensions/Automatic-enrolment/Providers>.

## RESOURCES

Here are some resources that The Pensions Regulator has compiled to help employers with providing information to their workers.

### Letter templates for providing information to employees

- Letter template for Eligible Jobholders who are already members of a qualifying pension scheme: [www.tpr.gov.uk/already-qualifying](http://www.tpr.gov.uk/already-qualifying)
- Letter template for Non-Eligible Jobholders where you are not using postponement: [www.tpr.gov.uk/non-eligible-no-postponement](http://www.tpr.gov.uk/non-eligible-no-postponement)
- Letter template for Entitled Workers who are not members of a pension scheme where you are not using postponement: [www.tpr.gov.uk/entitled-no-postponement](http://www.tpr.gov.uk/entitled-no-postponement)

### Notices for postponement

**General Notice A:** [www.tpr.gov.uk/postponement-all](http://www.tpr.gov.uk/postponement-all)

General Notice A is issued to any worker irrespective of worker category and whether or not they are a member of a qualifying scheme with that employer.

**General Notice B:** [www.tpr.gov.uk/postponement-all-except](http://www.tpr.gov.uk/postponement-all-except)

General Notice B is only issued to a worker or workers who are not active members of a qualifying scheme with that employer. It's the same as General Notice A but excludes the information for jobholders who are active members of a qualifying scheme with that employer.

**Tailored Notice for Non-Eligible Jobholders:** [www.tpr.gov.uk/non-eligible-postponement](http://www.tpr.gov.uk/non-eligible-postponement)

Tailored Notices for Jobholders contain information specific to jobholders who are not active members of a qualifying scheme with that employer.

The above template can be adapted to use for Eligible Jobholders or where you have only identified Jobholder status.

**Tailored notice for an Entitled Worker:** [www.tpr.gov.uk/entitled-postponement](http://www.tpr.gov.uk/entitled-postponement)

Contains information specific to an Entitled Worker who is not an active member of a qualifying scheme with that employer.



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The information contained in this guide is intended for general guidance only and is correct as at January 2014.