



## Auto Enrolment and Employer Duties: Key Facts

Auto enrolment legislation was introduced in October 2012. This requires all employers to automatically enrol some or all members of their workforce (depending on age and salary level) into a pension scheme that meets certain minimum standards (QWPS).

### Employer Duties

The employer duties are being introduced gradually. They've already applied to the largest UK employers and over the next few years they'll apply to most other organisations at which time they are required by law to:

- Automatically enrol some or all of their workforce into a qualifying scheme that meets certain minimum standards.
- Pay contributions for employees who do not opt-out
- Inform their workers of how the reforms affect them, even if they're not eligible for automatic enrolment.
- That means telling them about the selected scheme, whether they're being automatically enrolled, whether they're entitled to contributions from the employer and when they'll be affected.
- Review their workforce at every paypoint
- Keep accurate records to meet compliance guidelines

### The Effect on Pension Schemes

Most employers will have to set up and contribute to a pension scheme suitable for automatic enrolment. Automatic enrolment schemes must meet three sets of criteria:

- Automatic enrolment criteria
- Qualifying criteria
- Quality requirements

Employers must register with TPR that they have an automatic enrolment scheme in place by five months after their staging date then re-register roughly every three years.

### The Pensions Regulator (TPR)

The new employer duties are not optional. TPR will ensure that employers comply with their new duties. Although their approach will be to educate and encourage compliance, employers will face substantial fines or even imprisonment if they don't comply.

We have already seen such fines levied against companies who have not complied with the new legislation.

## When is it happening?

It's essential to know when your employer duties will affect your organisation. This way you can make sure you're in the best position to comply with the new legislation. As an employer you need to identify your staging date to determine when the duties first apply.

## Timetable

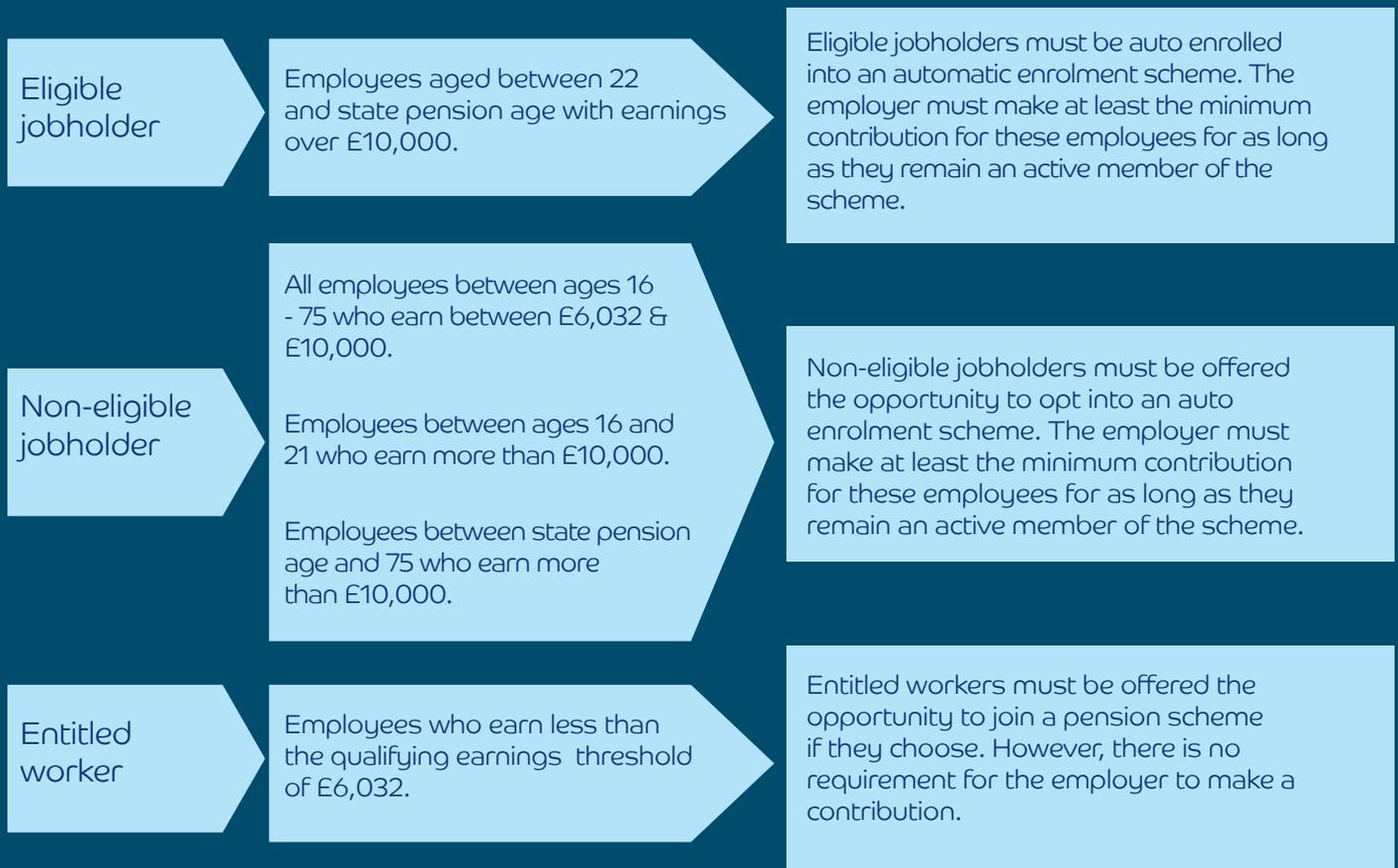
The size of an employer's largest PAYE scheme will determine at what point the new duties affect their organisation. The Pensions Regulator will write to employers 18 months before their auto enrolment staging date. Full details of every staging date can be found on the Pensions Regulator website at:

<http://www.thepensionsregulator.gov.uk/employers/staging-date.aspx>

Number of employees	Staging date
800 - 120,000	From 1 October 2012 - 1 October 2013
250 - 799	From 1 November 2013 - 1 February 2014
50 - 249	From 1 April 2014 - 1 April 2015
Fewer than 50	From 1 April 2015 - 1 April 2017
New businesses with first PAYE income payable from 1 April 2012	From 1 May 2017

## Who is Eligible?

An employer is responsible for assessing its workforce with employees falling into one of three categories (see overleaf).



All employees will have to be auto-enrolled unless:

- They are already in a qualifying workplace pension scheme
- They are under the age of 22
- They are over the State Pension Age, or;
- They earn less than £10,000 a year (in 2018/19 terms).

## Qualifying Earnings

The minimum contribution level to meet the contribution quality requirement is based on qualifying earnings and can be phased in over six years from October 2012. Contribution rates required to meet the contribution quality requirement as a percentage of qualifying earnings are as follows:

Date	Total minimum contribution	Minimum employer contribution	Minimum difference to be made up by the employee (gross)*
until 5 April 2018	2%	1%	1%
6 April 2018 – 5 April 2019	5%	2%	3%
6 April 2019 onwards	8%	3%	5%

\* The minimum difference includes tax relief available on employee contributions. Qualifying earnings are a band of earnings of more than £6,032 and £46,350 or less. These are the figures for 2018/19 and are expected to increase each year. Qualifying earnings include; basic pay, bonuses, overtime, commissions and certain statutory benefits such as sick pay. However, auto-enrolment is not "triggered" unless earnings exceed £10,000 (for the tax year 2018/19).

## Certification

Employers can choose to certify that their scheme meets contribution quality requirements as an alternative to using the qualifying earnings basis.

A certificate can cover all workers or groups of workers. For example, employers can use the qualifying earnings basis for one group of workers and use certification for another. They can also use different certification levels for different groups of workers. The contribution levels for certification can be phased in over six years from October 2012. There are three certification options available: 9%, 8% and 7%.

Employers who use the 9% and 8% certification options can use a scheme definition of pensionable salary and contributions must be based on the first pound of pensionable salary. Pensionable salary must be at least basic pay. Basic pay must include earnings before deductions such as tax and National Insurance, holiday pay and certain statutory benefits but doesn't have to include variable pay such as bonuses, overtime and commission. If employers use the 7% certification option, all earnings must be pensionable and contributions must be based on the first pound of earnings.

## Options

The Government set up NEST specifically for auto enrolment to ensure that every employer had access to a scheme which met at least the minimum requirements of the new rules. Employers needing to set up a QWPS now have a much wider choice of Pension Providers when seeking professional advice.

## Contact Us

Auto enrolment has been designed to encourage a retirement savings culture in the UK. Armstrong Watson can help you initiate auto enrolment to your workplace, from choosing the right pension scheme to implementation, which allows you to focus on running your business.

For more information on how auto enrolment will affect you, and what you need to do to make sure you comply with the new legislation, contact us.

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