

Auto enrolment – be prepared

What is auto enrolment?

Due to longer life expectancy and under saving, the law has now changed to help millions of people, particularly those earning lower wages, build up a pension for their retirement.

Auto enrolment is the government initiative for all companies to provide a workplace pension scheme for their employees.

Employers who do not have a pension scheme already in place will need to find one.

Who is affected by auto enrolment?

Auto enrolment will affect every business. The largest firms started the process in October 2012. Smaller firms will need to have a scheme in place by 2018.

What does this mean for my business?

As an employer, you need to set up a pension scheme for your employees, or ensure that your existing scheme is fully compliant.

You will be responsible for putting in a minimum employer contribution for every member of staff in the auto enrolment pension scheme.

It is the responsibility of the most senior person within an organisation to ensure compliance with the automatic enrolment duties.

When should I start getting ready for auto enrolment?

HM Revenue & Customs (HMRC) write to every company and issue them with a 'staging date'. This is the date by which you need to start automatic enrolment of eligible employees.

Your staging date depends on the number of people you have on your payroll.

You are given four months from your staging date to complete and submit your registration.

You are given one month from your staging date to write to all employees, informing them of their rights and whether they are eligible for auto enrolment.

You are given one month after your staging date to enrol all eligible members of staff as active members into your company's pension scheme.

The Pensions Regulator recommends that employers start preparing for auto enrolment 12-18 months before their staging date.



What happens if I don't meet the staging date I have been given?

You can postpone your staging date by three months. If you choose to do this, you will not need to enrol anyone until the end of this postponement period.

You can also opt to bring your staging date forward if you wish, for example, to coincide with the start of your financial year.

There is a fixed penalty of £400 for any employers who fail to meet their staging date deadline. This is accompanied by escalating penalties based on the number of employees where businesses may be charged between £50 and £10,000 for every day that they do not comply with the regulations.

Who is eligible for auto enrolment?

All workers who meet the criteria below must be enrolled into a scheme:

- Those who are aged between 22 and the State Pension age
- Those with qualifying earnings above the earnings trigger (i.e. £10,000 for the 2015/16 tax year)
- Those who work in the UK

Some staff are not eligible for automatic enrolment but they have a right to opt in to a scheme.

Employers must make a contribution to the pension scheme for everyone who opts in to the scheme.

Staff can ask to join a pension scheme but may not be entitled to a contribution from you.

Opting in and joining a pension scheme is not the same thing

As an employer, you should know which members of staff are eligible for automatic enrolment and which members of staff have a right to opt in or join your company pension scheme.

Can employees opt out of auto enrolment?

Employees can actively opt out of their workplace pension scheme if they wish. You are not permitted to try to persuade employees to opt out (this is known as 'inducement').

At Palmers Solicitors we can advise on all aspects of auto enrolment to ensure your company is fully compliant with the timescales and constraints of the new laws surrounding workplace pensions. For more information, please contact:



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