



A Beginner's Guide to Auto Enrolment for Employers



What is Automatic Enrolment?

Automatic enrolment is a Government initiative in the UK to help more people save for later life through a pension scheme at work. People are not saving enough for retirement and as a result may not be able to afford to live comfortably in their retirement on just the State Pension. As people are also living longer, there is increasing strain on the government to provide the State Pension.

Automatic enrolment means that all employers will need to enrol all employees into a workplace pension scheme. It is being rolled out in stages, across all employers. It started with the larger employers in October 2012, but, by October 2018 all employers will be required to offer workplace pension schemes to eligible workers.

Who is enrolled?

Auto enrolment applies to all employees in the UK but not all of them have to be enrolled automatically. You do not need to enrol an employee automatically if they:

- Are under the age of 22 or over the State Pension age
- Earn less than the threshold, currently £10,000 per year
- Work outside of the UK
- Work for a one person company
- Are already enrolled in a qualifying pension scheme

Employees need to be treated differently depending on their employee category. An employer may fall into one of three categories; eligible jobholders, non-eligible jobholders, and entitled workers.

Eligible Jobholders

Eligible jobholders are workers who:

- Work, or ordinarily work, in the UK,
- Are aged between 22 and State pension age,
- Earn above the earnings threshold (currently £10,000).

Automatic enrolment makes it compulsory for employers to automatically enrol their eligible workers into a pension scheme. The employer must also make contributions

into the scheme. Workers who do not want to join the scheme may choose to opt out for a three year period.

Non-Eligible Jobholder

Non-eligible jobholders are workers who:

- Work, or ordinarily work, in the UK,
- Are aged at least 16 and under 75,
- Earn between the lower level of earnings and the earnings threshold (currently £5,772 - £10,000).

or

- Work, or ordinarily work, in the UK,
- Earn above the earnings threshold (currently £10,000) and are under 22,
- Earn above the lower level of earnings (currently £5,772) and are over State pension age.

Non-eligible jobholders will not be automatically enrolled into their employer's pension scheme. However, they may ask to be enrolled. If this is the case, the employer must also contribute to the pension scheme.

Entitled Workers

Entitled workers are those who:

- Work, or ordinarily work, in the UK,
- Are aged at least 16 and under 75,
- Earn the lower level of earnings or less (currently £5,772).

Entitled workers are not automatically enrolled. They may ask to join the scheme, which is different to being enrolled. The employer is not required by law (but may if they wish) to make employer contributions to the scheme.

It is important to note that employers do not have to set up a pension scheme if there are no eligible jobholders. However if an employee decides to opt into or join a pension scheme the employer must then set one up.

Preparation

A key part of preparation is having adequate payroll software in place at the beginning of the tax year. Switching payroll software provider mid-year can cause many complications. Some payroll software providers are avoiding auto enrolment, others are charging for the auto enrolment functionality, and others offer great assistance, it is important that the employer knows what is being offered.

[Read: 10 Pitfalls When Choosing Payroll Software for Auto-Enrolment](#)

As there will be a high number of employers staging at the same time it is critical that seeking pension advice is not left until the last minute. Advisors cannot tell employers what pension scheme to choose for their business. Instead they can inform employers of all the different options available. Ultimately, the employer must make the final decision.

In the run up to their staging date, employers must also gather employee information. Every employer must review their workforce before their staging date to identify the categories that employees belong to (eligible jobholders, non-eligible jobholders, entitled workers). This information will need to be monitored at each pay period.

Once the employer has chosen a pension provider for their company, they must register with that pension provider. Once this is done, they can now set up a pension scheme in their payroll software.

Staging

A company's staging date is the date they must begin to start the automatic enrolment process and offer a workplace pension scheme to certain employees. The staging date can be found by entering the employer PAYE number on the Pension Regulator website. Companies with a large number of employees began enrolling employees in 2012, with smaller companies due to enrol before October 2018.

The staging date is based on the number of workers a company employed in April 2012. Any company set up since April 2012 will stage at the end, i.e in 2018. If an

employer has 2 or more PAYE numbers, the staging date of all employees is based on the scheme with the largest number of employees.

Postponement

An employer may postpone enrolling employees for a maximum of three months. This can be done for individual employees or for all employees. There are many reasons why an employer may use postponement.

Delaying assessment can enable employers to:

- Avoid enrolling employees who may have a temporary rise in earnings
- Alter the enrolment of different categories of employees
- Allow for workers with short term contracts

Communication

Communications is a vital employer responsibility when it comes to auto enrolment and is often considered the most time consuming part of the auto enrolment process. With auto-enrolment, you need to write to each member of staff individually depending on their employee category. Eligible jobholders, non-eligible jobholders and entitled workers all have different rights, and so each must receive different letters outlining their entitlements.

Letters to eligible jobholders must state that they have been automatically enrolled and have the option to opt out within the opt-out period. Non-eligible jobholder letters must state that they have the option to be enrolled, and that the employer must pay contributions if they choose to opt in. Entitled worker letters must state that they can choose to join the pension scheme, however they are not treated the same as those who are enrolled. PDF Examples: [Eligible Letter](#) | [Non-eligible Letter](#)

If postponement is used, you must also write to the postponed employees to notify them. Furthermore, if you already have a qualifying pension scheme in place you still need to write to staff members who are in the scheme to let them know that they are not affected.

It is your responsibility to make sure the right information gets to the right member of staff at the right time. There are time limits in place to ensure that employees have

sufficient time to gather information on auto-enrolment so that they can make a well-informed decision.

Opting Out

Once an employee is enrolled they have a 30 day opt out period in which they may choose to opt out and get a full refund of all deductions made. If employees wish to leave the scheme after the opt-out period is expired, they can cease active membership in accordance with the scheme rules. It is illegal for an employer to tell an employee to opt out or to sway their decision to opt out in any way.

Compliance

Every employer is required to fill out a Declaration of Compliance within 5 months of their staging date. This allows The Pension Regulator to monitor employers across the UK to ensure that they are complying with their employer duties. In October 2014, TPR began issuing penalties for non-compliance.

If an employer is not fulfilling their responsibilities, TPR will send them a compliance notice, which allows the employer to complete certain tasks within a specific time period to avoid penalties. If an employer fails to comply with their compliance notice or unpaid contributions notice, TPR may then issue a Penalty Notice, penalising the employer for their non-compliance.

Deductions & Contributions

As an employer, your first ongoing auto enrolment responsibility is to make employee deductions and employer contributions. The contribution rates are agreed when setting up your pension scheme, which must be at or above the minimum amount set by law. The minimum contribution, which is currently 1% for both employers and employees, is set to rise to at least 3% for employers and 5% for employees by 2018.

Employee Opt Out and Opt In Requests

After you have enrolled eligible jobholders, they are entitled to opt out of the pension scheme and get a full refund on any contributions that they have made.

Employees can only opt out within a specific period called the opt-out period. If employees wish to leave the scheme after this, they can cease active membership in accordance with the scheme rules.

In contrast, non-eligible jobholders may choose to opt in to your auto enrolment scheme. Although they are not required to be enrolled automatically, they are still entitled to both employer and employee pension contributions. Entitled workers may also wish to join the pension scheme. Although they would be making employee contributions, it is not required by law for an employer contribution to be made.

Monitoring New & Existing Employees

Another important ongoing responsibility is to monitor all employees on an ongoing basis in order to check if there are any changes to the employees' worker category. You must keep track of any changes to the ages and earnings of your employees. If an employee becomes an eligible jobholder you must automatically enrol them and communicate the necessary information with them.

Every new employee must also be assessed. You must communicate with them according to their employee category, and automatically enrol them if they are an eligible jobholder. Finally, you must monitor employees who have opted out of a pension scheme.

Ongoing Responsibilities

As part of the ongoing process, employers need to do much more than just make pension deductions and contributions at each pay period. Employers are also responsible for managing opt in and opt out requests, monitoring new and existing employees, keeping records up to date, re-assessing employees every three years, and submit a contribution file to the pension provider after each pay period.

Keep Records Up to Date

You must keep up to date records of employee details, when each employee is enrolled, information about your pension scheme, and the contributions you are paying. These records must be kept for a minimum of 6 years.

Contribution File

After each pay period, you must submit a contribution file to your pension provider. This allows the pension scheme to view employee information and a breakdown of all the contributions that are being made. Once you deduct contributions from your employees pay, you are obliged to pass these payments on to your pension provider no later than the 22nd of the next month.

Although there are many ongoing auto enrolment responsibilities for employers, these responsibilities are made easier by using [payroll software](#). Your payroll software should assist with employer responsibilities such as staging, postponement and enrolling employees. You should also make sure your payroll system is compatible with the chosen pension scheme. If you're unsure, check your payroll software or contact your payroll provider.

Re-enrolment

Employers are required to continue automatically enrolling eligible workers who've opted out, every three years. They are also required to complete a re-declaration of compliance every three years for the pension regulator to guarantee their compliance. If employees opted out three years ago and are still eligible jobholders, they must be re enrolled into an auto enrolment pension scheme.

Unfortunately for employers, auto enrolment is not just a once off occurrence. It is ongoing and requires employers to fulfil their responsibilities at every pay period. Fortunately for employers, [payroll software](#) is making auto enrolment responsibilities more and more simplified.

This guide is brought to you by BrightPay payroll & auto enrolment software.

Find more about how BrightPay can help you with your automatic enrolment needs. Visit our website <https://www.brightpay.co.uk/>.

Book a free [online demo](#) now or download our [free 60 day trial](#).

[Book a Demo](#)

[60 Day Trial](#)

About BrightPay

[BrightPay](#) is created by a company with over twenty years of industry experience in the UK and Ireland. We have grown to a team of twenty two talented individuals.

As a team, our collective goal is to intelligently create, successfully deliver and professionally support the best payroll and HR software and services for SMEs in the UK and Ireland.

Our products are currently used by over 80,000 employers across the UK and Ireland. As a customer-focused company, we strive to look after each and every one of them.

BrightPay are highly commended for their level of customer support, their simple pricing structures and their user-friendly software.

[Read customer testimonials here.](#)

99.4%
customer
satisfaction
rate

98.8%
recommend
BrightPay

98.5%
satisfied with
customer
support

Get in touch today to see how BrightPay can help you prepare for auto enrolment.

Call: [0845 3004 304](tel:08453004304)

Email: sales@brightpay.co.uk

Visit: www.brightpay.co.uk

Follow:

