Auto Enrolment:

This is what you must know for 2017

AE: What you must know for 2017

This year we will see the largest number of employers going through the [automatic enrolment](#) (AE) process. Tsunami and plethora are two adjectives that have been widely thrown around amongst the payroll bureau community. Over 750,000 small and micro employers will need to enrol their eligible jobholders in auto enrolment pension schemes, helping them save for their retirement. Employers must also make contributions to the pension pot.

Many of your clients will need help when it comes to AE, particularly when we look at the [small and micro employer](#) segment. A large portion of these employers will look to their accountant, bookkeeper or payroll bureau for help and advice. For bureaus, this offers the perfect opportunity to offer AE as a chargeable service that clients should expect to pay for.

This guide will take you through important factors to consider, which will make it easier to communicate with clients about the AE process.

Auto Enrolment - What's the point???

In recent years, people living in the UK are healthier and, as a result, living longer. Currently the majority of people in the UK are not saving enough for their retirement. The Pensions Regulator (TPR) and the government brought in automatic enrolment to tackle this very important issue.

As a result, all employees aged between 22 and state pension age and earn more than £10,000 must be enrolled into an AE pension scheme by their employer. Employees who are not in this worker category have the option to join or opt in to a workplace pension scheme.

Set up & Administrative Process

The process of completing a client's auto enrolment duties should be very straightforward. Payroll bureaus can look up their clients staging date on TPR's website. Payroll software should provide an automated system to process these duties once the staging date is reached. Payroll should kick into action at the staging date by assessing employees automatically.

In a matter of minutes, users should be able to enrol all eligible jobholders and issue AE communications to all employees. If this setup is taking any longer than a few minutes to complete then an alternative automated payroll system should be considered.

Setting up a Pension Scheme

Employers who have eligible employees need to set up a pension scheme that is compliant under the rules of auto enrolment. Recently, TPR changed the rules for employers who have no eligible jobholders. In this case, these employers do not have to set up a pension scheme but they will still need to complete the other employer auto enrolment duties.

Just to note, if a non-eligible jobholder or entitled worker exercise their right to opt in to or join a pension scheme, then the employer must put one in place. It would be advisable to have a scheme in mind for if this situation arises. Be aware, employers are breaking the law if they encourage their employees to opt out of the pension scheme.

Good payroll software should support the main pension providers including NEST. BrightPay supports customised export files for 17 auto enrolment pension schemes. We also provide direct integration (known as an API) with both NEST and Smart Pension. This allows users to send the pension contribution file directly through to the pension provider instantly.

We have further integration with NEST where users can process payments from within BrightPay and validate that information entered in both systems is matching. We are working closely with a number of other major pension providers to offer further integration to send the pension files directly through to pension providers.

Employee Assessment

All employees must be assessed to determine which worker category they fall into. Depending on the employee's age and earnings, each employee will either be known as an eligible jobholder, a non-eligible jobholder or an entitled worker.

In the background, payroll software should be able to access this information and notify the user of which worker category each employee falls into. Be aware that with auto enrolment employees must be assessed each pay period in case an employee's worker category status has changed. A payroll bureau's workload will be reduced each pay period if this process is automated.

Communications to Employees

An important part of an employer's auto enrolment responsibilities is to send the mandatory communications to all employees, regardless of their worker category. Each employee must receive this communication in order to be informed about auto enrolment and their rights. This communication must be sent to all employees by post or email and must be sent within six weeks of the staging date or a new employee start date.

- **Eligible jobholders** must, by law, be informed of their contribution rates, how this will increase over the coming years and their option to opt out.

- **Non-eligible jobholders** need to be informed that they have the right to opt in to the scheme. Where a staff member opts in, the employer must also contribute into the pension scheme.

- **Entitled workers** must be informed that they can join the pension scheme but the employer does not have to contribute to the pension scheme.

Minimum AE Contributions

Currently the total contribution into an employee's pension scheme is 2% with at least 1% employer contribution. Pension contributions can be paid either as a fixed amount or on a percentage basis. If an [automated payroll system](#) is in place, these calculations can be automatically and easily calculated.

Minimum contributions are being increased gradually over the next few years. They will increase to 5% in 2018 (2% minimum employer contribution) and 8% in 2019 (3% minimum employer contribution). Employers must pay the minimum employer contribution but can choose to pay the total minimum contribution if they wish. See the table below.

Option of Postponement

Employers have the right to postpone enrolling an employee for up to three months. The declaration of compliance deadline remains five months after the staging date, regardless of whether or not postponement is used.

Postponement is a useful option if a client has seasonal workers, if an employee has a temporary spike in earnings or if an employee is on a probationary period. However, it is important to remember to issue postponement communications to all postponed employees. Failing to do this will mean postponement never happened and auto enrolment will need to be completed retrospectively back to the staging date.

Date	Employer minimum contribution	Total minimum contribution
Employer's staging date to 05/04/18	1%	2% (including 1% staff contribution)
06/04/18 — 05/04/19	2%	5% (including 3% staff contribution)
06/04/19 onwards	3%	8% (including 5% staff contribution)

Ongoing AE Tasks

Once the initial assessment and enrolment are completed and letters are issued, an employer's auto enrolment duties do not stop there. Importantly, all employees must be assessed on an ongoing basis to see if their worker category has changed. This will occur when an employee turns 22 or if there is an increase in their earnings which goes above the threshold.

Employers must also submit pension contribution files to their pension provider and make the payment of contributions. Make sure clients, or you on their behalf, submit their declaration of compliance on time. The declaration is completed online and informs the Regulator that the employer has complied with their duties on time.

Cyclical Re-Enrolment

Re-enrolment is something that employers must undertake every three years after the staging date (plus or minus three months). It is important to re-assess all employees who have either opted out or ceased membership. Any of these employees that are eligible must then be re-enrolled into a workplace pension scheme.

Once again, the employee will have the same rights and can chose to opt out of the scheme. When the re-enrolment takes place, it is important to re-declare compliance by submitting a re-declaration of compliance.

Avoid Auto Enrolment Penalties

The Pensions Regulator has already issued penalty notices to employers who have not complied with auto enrolment. Some employers have even fully completed their auto enrolment duties at staging but then forgot to submit their declaration of compliance before the five month deadline. Payroll bureaus may also be faced with non-compliance penalties if they fail to communicate with their clients about auto enrolment.

Auto Enrolment in 2017

As we mentioned at the beginning of this guide, the largest number of employers will reach their staging date this year. Payroll bureaus should expect a higher number of clients looking for help with completing their employer duties.

Payroll automation will be key to a time efficient and seamless process for both bureaus and their clients. The cost of payroll and auto enrolment software has been a hot topic in the payroll industry over the last few years. Many payroll suppliers have opted for yearly increased fees plus additional charges for auto enrolment functionality!! Fortunately, there are cost effective solutions on the market that can automate AE duties with no additional charge for auto enrolment.

BrightPay is one such solution. A bureau licence includes unlimited employers, unlimited employees plus free phone and email support. Along with our 99% customer satisfaction rate, BrightPay has a five star rating from the software review website www.softwareadvice.com. Find out more about what our customers think on our testimonials and case studies website pages.

Final Thoughts

We have discussed many of the steps that need to be completed to comply with auto enrolment. BrightPay's thoughts are that auto enrolment does not need to be difficult, time consuming or costly for your bureau. The right payroll tools will allow you to seamlessly process AE and provide you with a perfect platform to increase your bureau's profits.

BrightPay has been designed to automate the auto enrolment process for you, saving you time and drastically reducing your workload. You can view your auto enrolment information, get onscreen alerts for employee assessment, prompts to enrol eligible employees and print-ready, personalised AE letters automatically produced for you. BrightPay is a complete payroll and auto enrolment program that makes your AE journey easy.

Book an online demo where we will take you through staging, assessment, enrolment, sending letters, processing opt in, opt out & join requests, postponement and submission of your data files to the pension provider. Download a 60 day trial to see just how easy it all is.

BrightPay Payroll & Auto Enrolment

BrightPay's bureau licence includes unlimited employers, unlimited employees, phone and email support, and full auto enrolment functionality for just £229 + VAT per tax year.

Unlimited Employees   **Unlimited Employers**   **Free Phone & Email Support**

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

Call: 0845 3004 304

Email: sales@brightpay.co.uk

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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.

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