Auto Enrolment 6 years in: This is what you must know for 2018

This guide explains the upcoming changes to auto enrolment that must be implemented, including increases in contributions, re-enrolment and new employers.

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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 have thus brought in automatic enrolment to tackle this very important issue.

As a result, all employees aged between 22 and state pension age and who earn more than £10,000 must be enrolled into an automatic enrolment 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 instead.

Auto enrolment has well and truly evolved since the rollout began in 2012. Over 750,000 small and micro employers reached their staging date last year making it the biggest year ever for auto enrolment. This the final year of the staging date process, but there are also a number of new changes coming within the next twelve months that payroll bureaus need to be aware of.

Auto Enrolment and New Employers

Auto Enrolment & New Employers

Since the rollout of auto enrolment began in 2012, all employers have had a staging date which kick starts their employer responsibilities. Perhaps one of the biggest changes for the year ahead is how new employers will handle auto enrolment.

Although the rollout of staging dates does not end until February 2018, from October last year all new employers will be affected by auto enrolment.

Worryingly, according to research conducted by The Pensions Regulator (TPR), almost half of accountants (49%) did not know that new employers would have AE duties.

If a client becomes a new employer after the 1st October 2017, they will not have a staging date. Instead they will have an auto enrolment 'duties start date'. Your client should be ready to comply with their legal auto enrolment duties as soon as the first employee begins employment.

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> "A good payroll software system should prompt you for the duties start date"

Auto Enrolment & New Employers

Where your client is a new employer and about to employ someone for the first time, they will need to complete certain tasks in preparation for auto enrolment.

- Once registered as an employer with HMRC, you or your client will need to inform TPR of the chosen point of contact for auto enrolment.
- On the duties start date, similar to what happens at staging, all staff must be assessed to see if they meet the criteria to be put into a pension scheme.
- Eligible employees must be automatically enrolled into a qualifying auto enrolment pension scheme, where the employer must also make contributions to the pension pot.
- All employees must receive communications informing them of how auto enrolment will affect them and what their rights are.
- Employers must also complete the declaration of compliance within 5 months of the duties start date, regardless of whether or not postponement is used.

A good payroll software system will prompt you for the duties start date where a staging date has not been entered.

Increasing Minimum Contributions / Phasing

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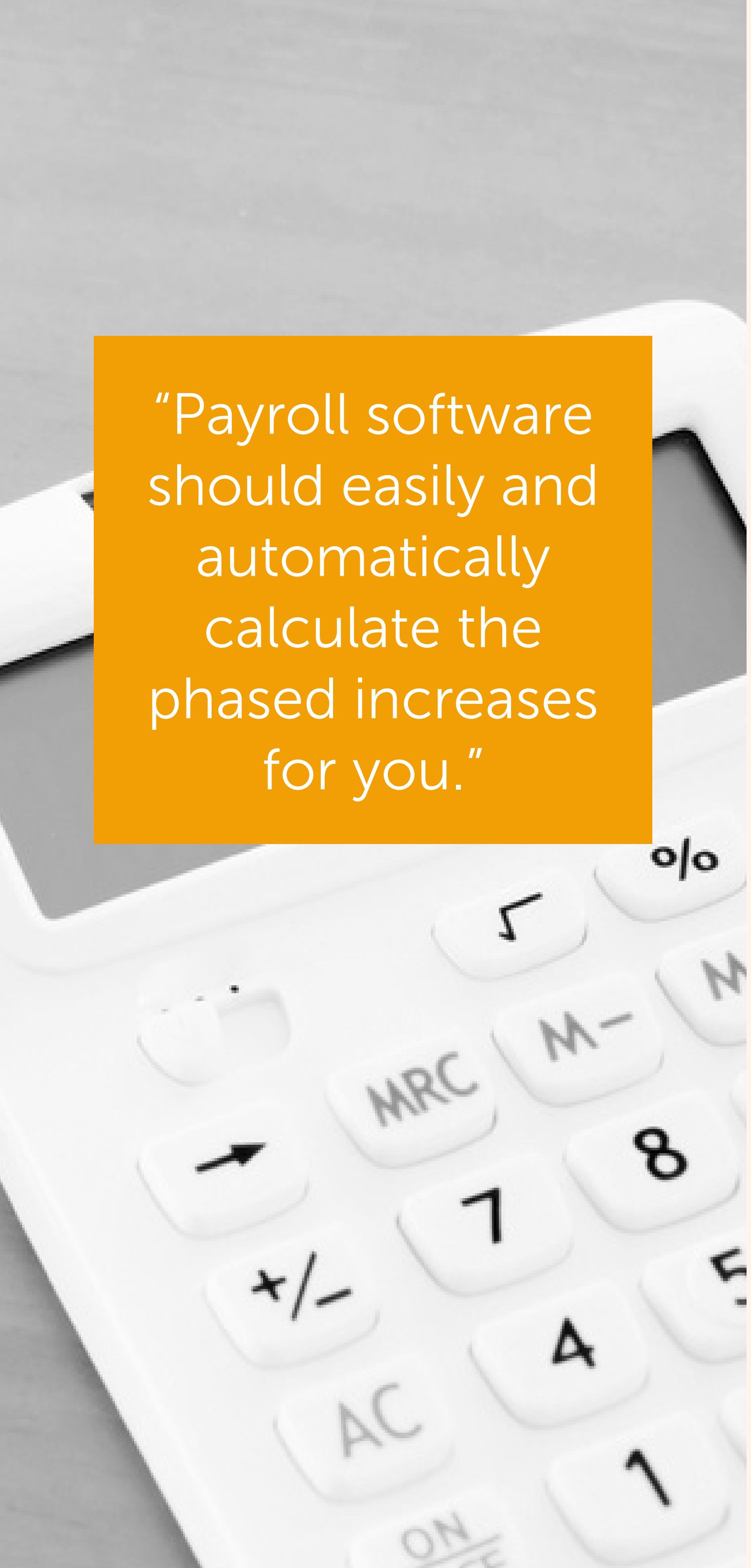
The minimum contributions rates for automatic enrolment are also set to increase within the next 12 months. There are two stages to the increase in minimum contributions, which has been described as phasing. The first increase will take place this coming April and the second increase in April 2019.

- On the 6th April 2018, the total minimum contribution will increase from 2% to 5%. Employers will need to contribute a minimum of 2%. Employees will need to contribute a minimum of 3%.
- Minimum contributions will undergo further increases in April 2019, with the total minimum contribution rate increasing to 8%, representing a 3% employer and 5% employee contribution.

It is an employer's responsibility to make sure that they are prepared for these new contribution levels. If an employer wishes, they can decide to pay the total minimum contribution rate which is 5% from April 2018 and 8% from April 2019. In these cases, the employee does not have to pay any contributions, unless the rules of the pension scheme say otherwise.

> "An employer is responsible for making sure they are prepared for increased contributions"



"Payroll software should easily and automatically calculate the phased increases for you."

Increasing Minimum Contributions / Phasing

The employer and the employee can also choose to contribute a higher amount to the pension scheme if they wish. If an employer chooses to pay more than the employer minimum but less than the total minimum amount, then the employee must make up the difference.

Your payroll software should easily and automatically calculate the phased increases for you. It's important that you check that your chosen pension scheme and payroll software can support the phased minimum rates. Pension providers should already be taking steps to ensure they can help their customers comply with the increased rates. If you are looking after auto enrolment for your clients, it will be your responsibility to make sure that the correct amount of pension contributions is being deducted.

New employers who reach their duties start date on or after the 6th April 2018 will immediately be required to comply and implement the total minimum 5% contribution rate. Equally, employers who reach their duties start date on or after the 6th April 2019 will need to comply with the total minimum 8% contribution rate.

Integration between payroll & pensions

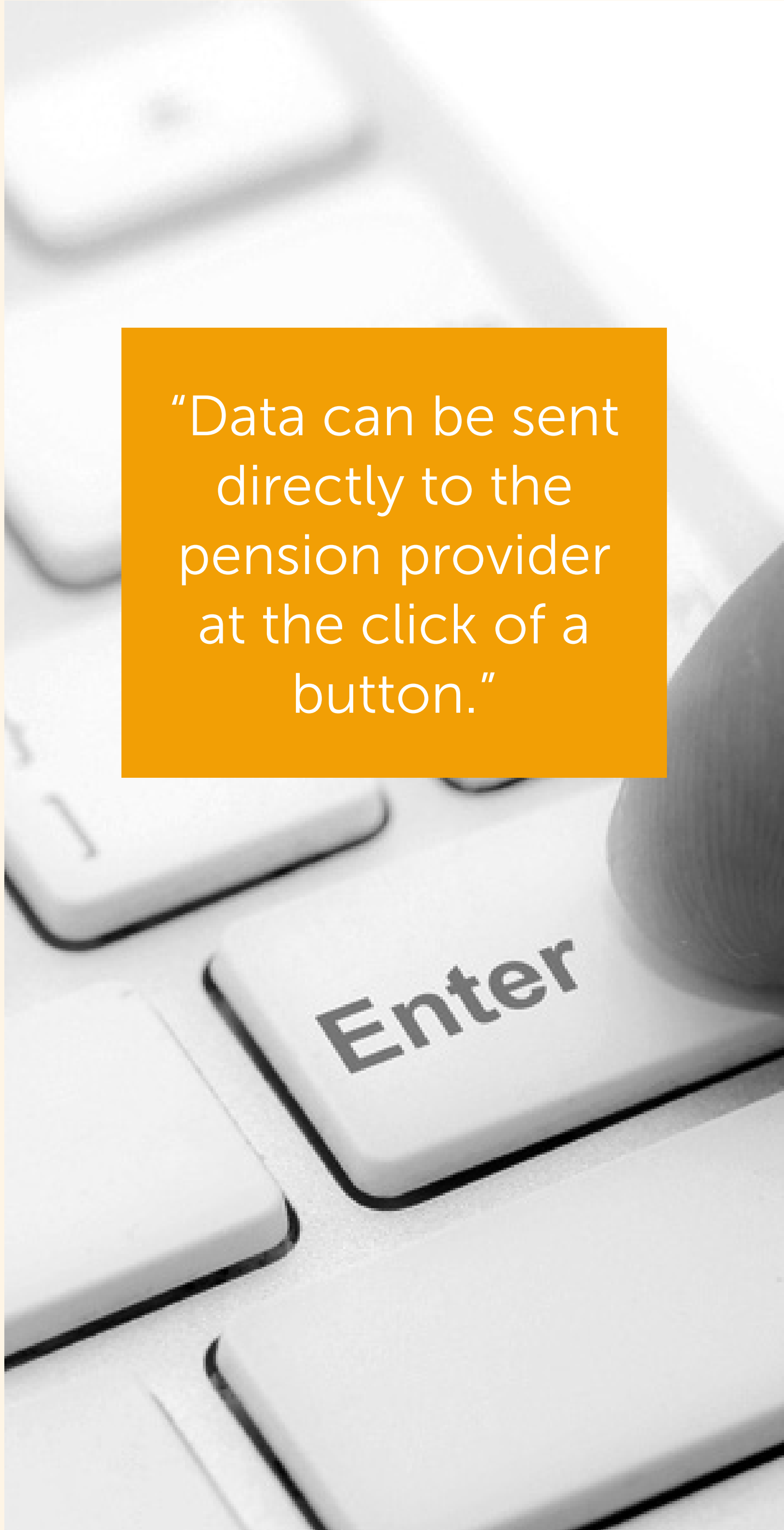
Integration between payroll & pension providers

This year we will see an increasing number of key pension providers developing an API option that will allow payroll software to fully integrate with them. Certain payroll providers such as NEST, have made real head way in terms of automation.

Direct API integration allows payroll software and the pension scheme to communicate or talk directly to each other, which is a similar concept to RTI.

API integration means that users no longer need to export and save the data file to their PC and then log into the pension provider web portal to upload the data.

Instead, data can be sent directly to the pension provider at the click of a button from within the payroll software.



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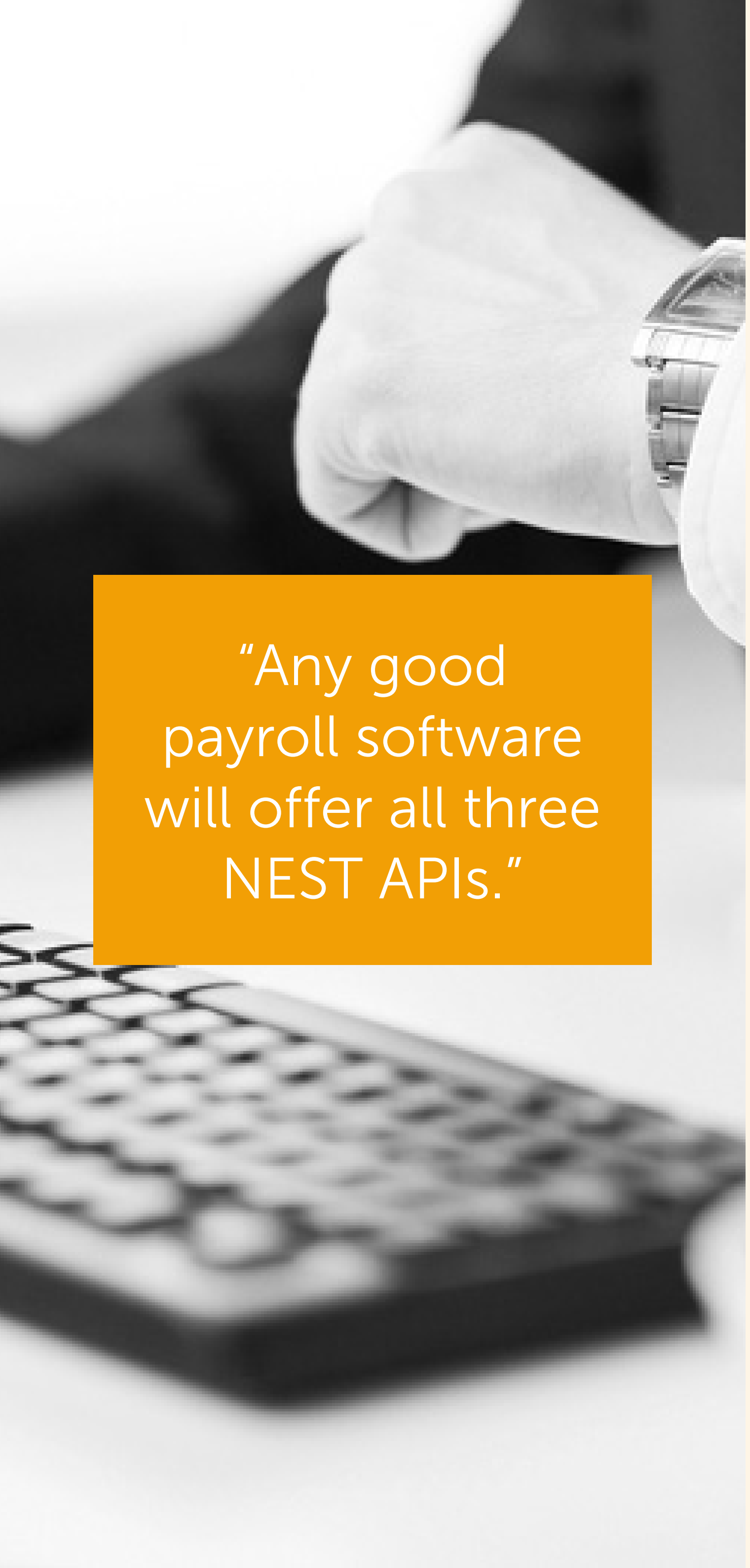

Integration between payroll & pension providers

This method of sending information between two systems will be of particular interest to payroll bureaus who could have a large number of payroll clients.

The integration will enable bureaus to reduce errors and minimise the time spent submitting their clients' files to the pension provider each pay period.

NEST have two other APIs:

- to validate groups and payment sources
- to approve contribution payments from within the software

This integration further streamlines the setup and ongoing tasks involved when using NEST as your pension provider. Again, any good payroll software will offer all three of these NEST API's.

Re-Enrolment & Re-Declaration of Compliance

Re-Enrolment & Re-Declaration of Compliance

Every three years employers must put certain members of staff back into an auto enrolment pension scheme. Some of the larger companies have already gone through the re-enrolment process.

Your duties will vary depending on whether you have staff to re-enrol. You will need to complete a re-declaration of compliance to inform the Pensions Regulator that you have met your automatic re-enrolment duties.

The first step is to choose your re-enrolment date and this should be done as soon as possible. **Your re-enrolment date is chosen by you, with a 6 month window to choose from.** Therefore, you may decide to align your re-enrolment date with your other business processes such as the start of your financial year, or to avoid seasonal peaks.

This window falls three months either side of the third anniversary of your staging date. Regardless of whether or not you used postponement at your staging date, re-enrolment occurs three years after your staging date, not your deferral date.

> "The re-enrolment date can be three months either side of the third anniversary of the staging date."

"Be aware that postponement cannot be used for re-enrolment."

Re-Enrolment & Re-Declaration of Compliance

The chosen re-enrolment date will apply to all staff. You can't use different dates for different staff members or groups of staff. Also be aware that postponement cannot be used for re-enrolment.

Once you reach your re-enrolment date, you will need to assess certain staff to work out if you need to put them back into your pension scheme. You only need to assess staff who have previously opted out or voluntarily ceased active membership of a qualifying scheme. You must determine whether these employees meet the criteria to be automatically re-enrolled.

All employers must complete the re-declaration of compliance, even if you do not have staff to re-enrol into your pension scheme.

This informs The Pensions Regulator that you have completed your automatic re-enrolment duties. Make sure that your chosen payroll software can handle the re-enrolment process.

BrightPay Payroll & Auto Enrolment Software

BrightPay is the perfect solution for payroll bureaus to process auto enrolment duties for their clients. From just £249 + VAT per tax year, BrightPay's bureau licence includes unlimited employees, free phone & email support.

BrightPay also includes full auto enrolment functionality at no extra cost, including alerts for new employers regarding their duties start date, increases in minimum contributions and re-enrolment.

Book a demo today to see just how seamless auto enrolment can be with BrightPay. You can also check out BrightPay customer testimonials or download a 60 day free trial.

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