



# Auto-Enrolment Pensions

The pensions revolution started in October 2012 when the UK's largest employers - and their employees - were required to contribute to a pension scheme, many for the first time. Since then other employers have reached their 'staging date' and the process for existing businesses will continue until April 2017.

Each employer has their own Staging Date (by which their new arrangement has to be in place) set by the Pensions Regulator based on HMRC Payroll Data as at April 2012. The table below summarises the dates for employers but you can go to the website [www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx](http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx) and find your actual Staging Date by entering the employer's PAYE reference where requested.

All employers, even those with just one employee, **must** comply; fines apply for non-compliance of up to £5,000 per day so, unlike Parliament's previous attempt at encouraging pension saving (with Stakeholder pensions), there is no "do nothing" option. In addition fines would apply if an employer were to 'encourage' employees to opt out of the firm's scheme.

Auto-enrolment is complex and the responsibilities on employers are onerous; there are a total of 33 new responsibilities with which employers have to comply, including:

- Categorising workers into those who are eligible for the scheme and those who are not, and being aware that this can change on a regular basis. Bear in mind also that some workers, though not eligible for automatic enrolment, are nevertheless entitled to apply to opt into the scheme and must be offered the opportunity to do so.
- Making a pension scheme selection.
- Considering the benefits of postponement (which can be for up to three months). The pension scheme must already be in place, however.
- Communicating at the outset and regularly thereafter with the employees regarding the scheme; different employees will require different communications, many of which will be time-specific.
- Keeping detailed records of 'opted-in' and 'opted-out' employees – auto-enrolment for some staff members can be a moveable feast in that there is not one set scenario that remains the same for the full period of their employment; e.g. someone who opts out can opt back in (and vice versa), and detailed records **must** be maintained at all times.
- Managing your payroll to ensure that the correct contributions, including employee contribution deductions, are paid for each employee at every payroll run.
- Offering your employees the benefit of salary exchange in order to increase their pension pot – also beneficial from a National Insurance perspective for employer as well as employee.

The key issues to date with auto-enrolment appear to be the considerable amount of work needed initially to establish the right kind of auto-enrolment scheme and the requirements needed for ongoing scheme maintenance.

Even if you already have a pension scheme for employees there is no guarantee that it will be suitable for auto-enrolment in its present format – indeed it is likely that changes will need to be made to make it compliant with auto-enrolment. In addition your existing provider may be unwilling to continue to underwrite the scheme – this is a major issue, and there have been many instances of providers rejecting requests to upgrade existing schemes to make them compliant, leaving employers potentially liable for considerable fines.

It is, therefore, essential that employers deal with the auto-enrolment issue well in advance of their staging date – we would recommend at least 6 months before.

At Wright Johnston & Mackenzie our Wealth Planning team is able to offer you a cost-effective solution that will ensure your scheme selection and onward management and maintenance are quick and efficient. We can help you meet your auto-enrolment responsibilities by facilitating the provision of a complete end-to-end solution including everything from strategic consultancy (to aid cost savings) to dedicated implementation consultants (to help with the practical delivery and set up).

We have assured access to a quality pension plan from one of the UK's most trusted pension brands; terms include discounted policy charges for all your employees.

#### Minimum contribution rates for Auto-Enrolment Pensions

There are different levels of minimum contribution based on different definitions of pensionable pay. Most employers will use "Qualifying Earnings" (based upon a band of earnings between a lower and upper limit: £5,772 - £41,865 for 2014/15). The following table shows the minimum employer and employee contributions during the phasing-in period.

	Up to 30/09/2017	From 01/10/2017	From 01/10/2018
<b>Employer</b>	1.00%	2.00%	3.00%
<b>Employee</b>	1.00%	3.00%	5.00%

#### Staging Dates Table

Number of Employees	Staging Date
<b>61</b>	1 <sup>st</sup> August 2014
<b>60</b>	1 <sup>st</sup> October 2014
<b>59</b>	1 <sup>st</sup> November 2014
<b>58</b>	1 <sup>st</sup> January 2015
<b>54-57</b>	1 <sup>st</sup> March 2015
<b>50-53</b>	1 <sup>st</sup> April 2015
<b>40-49</b>	1 <sup>st</sup> August 2015
<b>30-39</b>	1 <sup>st</sup> October 2015
<b>Fewer than 30</b>	The date is dependent on last 2 characters in the Employer's PAYE reference number: June 2015 to April 2017
<b>New employers from April 2012 to September 2017</b>	Timings depend on when PAYE income was first payable: May 2017 to February 2018
<b>New employers from October 2017 onwards</b>	Immediately

Please get in touch with the Wealth Planning team if you wish to discuss your responsibilities on auto-enrolment, amend an existing pension scheme or set up a new compliant scheme.

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