
EMPLOYER DUTIES:
**STEP-BY-STEP GUIDE TO
AUTOMATIC ENROLMENT**

BOOLERS



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INTRODUCTION

How will this guide help you?

We have put this guide together to give small businesses a toolkit to work from when tackling the employer duties for Auto Enrolment.

We hope this will provide the information and the tools required, for those employers that wish to comply with their duties without receiving advice and paying the costs involved. However, if you feel that you require advice please do not hesitate to contact us and we will be happy to provide further details.

What is automatic enrolment?

Every employer, even those with only one member of staff, now has a duty to enrol eligible staff into a workplace pension scheme and to contribute towards it. This is known as automatic enrolment.

It is called automatic enrolment as it is automatic for your staff and they do not need to take any action. It is the employer's duty to take action on their behalf, ensuring eligible staff are enrolled and that contributions are paid for them.

If you already pay contributions for your staff you will still need to ensure that the method you use meets the automatic enrolment rules.

You will have to complete the following tasks:

- Review your existing pension scheme / Set up a new pension scheme
- Enrol eligible staff
- Ensure deductions from salary and all Employer contributions are correct
- Complete a Declaration of Compliance to tell The Pensions Regulator you have followed all of the Auto Enrolment steps

GETTING STARTED:

STEPS 1 - 4

The following steps will guide you through the journey of auto enrolment and help ensure you comply with The Pension Regulators rules.

There are four steps in this section to complete before any implementation stage. These are:

- **Know your staging date** – This is the date given to you by The Pensions Regulator and is the date that you have to be ready to enrol your staff by
- **Provide a point of contact** – You will need to let The Pensions Regulator know who at your business will be responsible for Auto Enrolment
- **Check who you need to enrol** – You will need to assess which of your staff are eligible
- **Create your action plan** – You will need to create a plan of how you will fulfil your duties

STEP 1: KNOW YOUR STAGING DATE

Completed (tick)

Your staging date is when your automatic enrolment will come into effect. Different businesses have different dates, therefore, you may have more than one date if you have two or more payroll numbers.

The Pensions Regulator will send you a letter with your staging date on, however it is good to find this out prior to receiving your letter, so that you can start to prepare.

If you don't know your staging date, you can find it using your PAYE reference. If you don't pay your staff through a PAYE scheme, your staging date will be **1 April 2017**.

How to find your staging date

To find out your staging date you will need to visit The Pensions Regulator website via the following link:

<http://www.thepensionsregulator.gov.uk/employers/staging-date.aspx>

You will need your PAYE reference to hand for this. If you don't know your PAYE reference, it can be found on a P6/P9 coding notice or on your white pay slip booklet P30BC.

Staging date _____

Postponement

You have the option to postpone auto enrolment for up to 3 months. This is for all of your staff however, if you choose to do this you will have to write to them to tell them you are doing so within 6 weeks of your staging date. You can use postponement from the following dates:

- Your staging date (please note however, that the scheme will still need to be in place on your staging date and members can choose to opt in from that date. It is only the automatic payments that can be postponed for 3 months)
- A staff member's first day of employment
- The date a staff member first becomes an eligible jobholder for automatic enrolment

Top tips

- You should do this as soon as possible so that you are aware of when you should start the other steps
- This will take around 5 minutes
- You need your PAYE reference number & the internet

STEP 2: PROVIDE A POINT OF CONTACT

Completed (tick)

As an employer you are responsible for complying with the changes in workplace pension law. When you receive your letter from The Pensions Regulator confirming your staging date, it will ask you to provide a 'Primary Contact' and if applicable a 'Secondary Contact', to receive further correspondence from The Pensions Regulator.

A 'Primary Contact' is the business owner or most senior person in the business. The 'Secondary Contact' is the person who will be responsible for the day-to-day running and management of auto enrolment tasks, if different from the Primary Contact. Guidance emails will then be sent to that person to help them through the stages of auto enrolment.

How to provide a point of contact

You will need to visit the following website: <https://automation.thepensionsregulator.gov.uk/Nomination>

Enter the reference number from The Pensions Regulator's letter, and your payroll number.

Top tips

- You should do this around 12 months before your staging date
- Make sure your secondary contact is in the office regularly
- This will take around 15 minutes
- You will need your letter, PAYE reference and the internet

STEP 3: CHECK WHO YOU NEED TO ENROL

Completed (tick)

You will need to assess your staff to see how many of them will need to be auto enrolled. There are three categories for auto enrolment which are detailed below. This will include all staff paid via your payroll. They are assessed on age and earnings regardless of hours worked.

| Monthly gross earnings | Age | | |
|------------------------|--------------------------------------|---------------------|-----------------------|
| | From 16 to 21 | From 22 to SPA* | From SPA to 74 |
| £486 and below | Has a right to join a pension scheme | | |
| Over £486 up to £833 | Has a right to opt in | | |
| Over £833 | Has a right to opt in | Automatically enrol | Has a right to opt in |

Amounts are for 2015/2016 tax year.

*State Pension Age

Has a right to join a pension scheme – These members of staff will not be auto enrolled. They have the right to join the pension scheme, however, you do **NOT** have to pay contributions (you can choose to pay contributions if you wish).

Has a right to opt in – These members of staff will not be auto enrolled. They have the right to join the pension scheme, and if they choose to join you **WILL** have to pay contributions for them.

Automatically enrol – These members of staff must be auto enrolled, you do not need to ask their permission. (if a member of staff has given or been given notice to leave before the process is complete, they do not have to be auto enrolled).

Once enrolled, staff will have the opportunity to opt out. Bear in mind it is against the law to try to influence your staff to opt out of your pension scheme. A full assessment of the staff will be needed when you get to your staging date.

How to check who you need to enrol

- Create a list of your staff details including age and salary
- Filter this list to see which staff members are likely to be in each of the above categories

Top tips

- You should do this around 9 months before your staging date
- This should take less than an hour
- You will need each staff member's age and salary

STEP 4: CREATE YOUR ACTION PLAN

Completed (tick)

It is important to have a plan as your staging date will come around quickly and it will be very difficult to meet your employer duties if you leave this to the last minute. Leaving it too late will make your duties more complex and possibly more costly as you will have less choice.

You may want to use this time to delegate tasks within your management team, between business owners or to the person who runs the payroll. You also may want to engage with your accountant.

How to create your action plan

- Decide who will need to do which parts of the process
- Decide when each part will be completed

Top tips

- You should do this around 9 months before your staging date
- This should take a day or so



GETTING READY:

STEPS 5 - 7

The following 3 steps will help you implement your auto enrolment scheme to fulfill your duties:

- **Work out your costs** – You will need to budget for the contributions you will need to pay
- **Check your records and payroll processes** – Staff records must be correct to ensure the right people are auto enrolled and payments are made correctly. You will also need to make sure that your payroll software can be used for automatic enrolment
- **Check your existing pension scheme and/or set up a new one** – You will need a qualifying workplace pension scheme to enrol your staff into

STEP 5:

WORK OUT YOUR COSTS

Completed (tick)

The contributions you pay for your staff have to be at a certain level to ensure you meet your employer duties. The minimum levels are detailed below:

| Date | Employer minimum contribution | Total minimum contribution |
|-------------------------|-------------------------------|--------------------------------------|
| Before April 2018 | 1% | 2% (including 1% staff contribution) |
| April 2018 – April 2019 | 2% | 5% (including 3% staff contribution) |
| April 2019 onwards | 3% | 8% (including 5% staff contribution) |

Contributions need to be calculated and made from your staging date and will be either a fixed amount or based on a percentage of earnings.

There may also be costs to set up the pension scheme and payroll systems which will need to be factored in when budgeting for auto enrolment.

How to work out your costs

- The Pensions Regulator has an online tool to help you work out how much the contributions you need to pay are likely to be: <http://www.thepensionsregulator.gov.uk/employers/employer-contributions.aspx>
- Factor this new expenditure into your business plan
- Do not forget the costs of setting up the pension and payroll system if these are not already in place

Top tips

- You should do this around 9 months before your staging date
- This should take a day or so
- Don't forget to budget for all likely costs
- Don't anticipate lots of opt-outs, early signs show opt-outs are around 9% only

STEP 6: CHECK YOUR RECORDS AND PAYROLL PROCESS

Completed (tick)

It is imperative that all your staff records are up to date to ensure the correct staff are auto enrolled and that the correct contributions are made. You will also need to keep records of the contributions you pay for future reference.

Your payroll software can do a lot of the work for you. It can assess your staff and provide information to your pension scheme to simplify the amount of work you have to do. Therefore, if you don't currently have a payroll system this is a good time to look into it.

If you do use a payroll system it may be that you will have to add a separate package to use it for auto enrolment. Also do not assume that all software providers will offer this, as some don't. You may be able to ask your pension provider to give you a checklist of things that they will want your payroll system to do.

The payroll system will not only need to assess the staff initially, it will also need to continue to do this on every payment date. This will then auto enrol any staff that become eligible later on.

How to check your records and payroll process

- Check that your staff records are up to date and correct
- Make sure you have a payroll system that is suitable for auto enrolment
- Check your payroll system to make sure it can generate a report or file that can be sent to your pension provider

Top tips

- You should do this around 6 months before your staging date
- Take the time to familiarise yourself with your payroll provider's auto enrolment software
- Make sure your payroll system supports auto enrolment as some don't
- The correct input of staff details is the only way you will ensure a correct output

STEP 7: CHECK YOUR EXISTING PENSION SCHEME AND/OR SET UP A NEW ONE

Completed (tick)

If you currently have an existing pension scheme you will need to find out if it can be used for auto enrolment. If the existing scheme cannot be used or you do not have a pension scheme, you will need to set one up.

The government has set up National Employment Savings Trust (NEST) which is a pension scheme that all employers can use for automatic enrolment, however there are other providers available (please see the final pages of this document for guidance).

Things to consider when choosing a pension scheme are:

- That the scheme offers good value for money
- That the scheme is well run
- That the scheme will work with your chosen payroll system

At this point you may also want to inform your staff of your intentions for auto enrolment, they may have heard of it and an initial consultation will help answer any questions.

How to check your pension scheme and/or set up a new one

- You will need to ask the provider of your existing scheme if it can be used for auto enrolment
- Or choose a new pension scheme
- Make sure that your payroll software can send data through to the chosen pension scheme
- Start completing your Declaration of Compliance (save for later)

Top tips

- You should do this around 6 months before your staging date
- This should take a couple of months

AT YOUR STAGING DATE AND BEYOND: STEPS 8 - 11

The following steps are to help you auto enrol your staff and comply with the ongoing duties you have as an employer:

- **Assess and enrol your staff** – You should have everything in place to allow you to do this
- **Write to your staff** – You need to write to your staff to let them know how auto enrolment applies to them
- **Your ongoing automatic enrolment duties** – You will need to be aware of these so that you comply with your duties going forward
- **Complete your declaration of compliance** – You need to let The Pensions Regulator know you have complied with your duties

STEP 8: ASSESS AND ENROL YOUR STAFF

Completed (tick)

Your staging date is the date that the law applies to your business. The steps previously detailed should have helped you meet your duties to ensure you comply with the regulations and enabled you to assess your workforce and enrol those staff that are eligible.

Once you have assessed the workforce, the information will need to be sent over to your pension provider, this will allow the eligible staff to be active members of the pension scheme.

You will need to ensure:

- Staff members that are eligible are auto enrolled (if anyone is in a notice period you don't have to enrol them)
- The staff are given the opportunity to opt out if they have been auto enrolled
- Staff who are not auto enrolled are given the opportunity to join

You can also update more information on your Declaration of Compliance at this point.

How do you assess and enrol your staff

- Send relevant information over to your pension provider
- Put the auto enrolled staff into the scheme and write to them to tell them you have done this
- Complete further information on your Declaration of Compliance
- Send contributions over to your pension scheme
- By law once contributions have been deducted, these must be paid to the pension scheme no later than the 22nd day (19th if paid by Cheque) of the following month

Top tips

- You must do this at your staging date
- The time it takes will depend on your circumstances

STEP 9: WRITE TO YOUR STAFF

Completed (tick)

You have an obligation to write to your staff after your staging date to inform them of how they are affected by auto enrolment and explain their rights. The letter must include information which tells them that the contributions will be deducted from their salary and they have the right to opt out if they want to.

You will need separate letters for the different categories of staff:

- Automatically enrolled staff will need to be provided with details of what you have done and details of the pension scheme they have been enrolled into
- Staff who have a right to opt in should be provided with details of how auto enrolment applies to them
- You must write to staff who have a right to join a pension scheme explaining how auto enrolment applies to them
- You have 6 weeks from your staging date to do this

How to write to your staff

You will need to include the following in your letters:

- Details of the pension scheme you have chosen
- How auto enrolment will affect the member of staff
- You can use the templates on the following pages to help you with this

Top tips

- You must do this at your staging date (within 6 weeks)
- The time it takes will depend on your circumstances

STEP 10: YOUR ONGOING AUTOMATIC ENROLMENT DUTIES

Completed (tick)

You must comply with your auto enrolment duties ongoing, not just at your staging date. The following information will help you do this.

Keep records – You need to keep ongoing records to show you have complied with your duties. This includes:

- Names and addresses of staff members you have enrolled
- Contributions you have paid to the pension scheme
- Details of staff members who have opted in or out
- Your pension scheme reference number
- Information that has been sent to your pension provider.

Records have to be kept for a period of 6 years (Opt outs for 4 years).

Monitor your staff – You must continually assess the ages and salaries of your staff (including new staff) to identify when a staff member becomes eligible and needs to be auto enrolled. You will need to write to anyone who becomes eligible within 6 weeks of the day they become eligible.

Manage opt out requests – If you have any staff members wishing to opt out within one month of being enrolled, you are required to stop deductions and provide a refund of contributions to date. This has a one month timescale from the request. Failure to do so could result in a fine.

How to undertake your ongoing automatic enrolment duties

- Make sure that records are kept for the correct period of time
- Assess your workforce ongoing to ensure anyone who becomes eligible is auto enrolled
- Write to all new staff informing them of their eligibility within 6 weeks of them becoming eligible
- Pay contributions to the pension scheme within the timescales required

Top tips

- You must carry out these duties at your staging date and ongoing
- The time it takes will depend on your circumstances
- Automatic enrolment is an ongoing responsibility

STEP 11: COMPLETE YOUR DECLARATION OF COMPLIANCE

Completed (tick)

Once you have enrolled your staff you must complete your Declaration of Compliance. This confirms to The Pensions Regulator that you have complied with the rules.

As long as you have all the relevant paperwork and information to hand this will not take very long. Especially if you have been completing parts as you have been going through the above steps.

If staff are not eligible for auto enrolment, a Declaration of Compliance must still be completed.

If this is not completed within 5 calendar months of your staging date, it could lead to you being fined by The Pensions Regulator.

Ongoing duties – Automatic re-enrolment

This is required every three years and is really a repeat of the duties that you carried out at your staging date. Therefore, we would recommend that you retain this guide to help you in the future. At these re-auto enrolment dates you must ensure that eligible staff are enrolled. This could also include anyone who has previously opted out.

Top tips

- The Declaration of Compliance must be done within 5 months of your staging date
- The Declaration of Compliance should take around half an hour
- Don't leave until the last minute
- Don't forget to do your auto re-enrolment every 3 years from your staging date



PROVIDER: OPTIONS



Completed (tick)

Nest

Nest has been set up by the Government especially for Auto Enrolment and has an obligation to accept every employer's scheme, unlike other providers. Due to this it would be very unlikely that using Nest as your provider would be criticised regarding suitability ongoing.

Nest offers the following:

- Online access
- It has been built specifically for Auto Enrolment
- Good value with a simple charging structure
- An award winning investment approach
- Set up and management guidance for employers
- Nest has over 2 million members
- Nest manages £420m
- Nest is a non-departmental public body
- Reports to Parliament through the Secretary of State for Work and Pensions

Charges

There are no set up costs for you as the employer. The employee, as a member, will pay an annual management charge (AMC) of 0.3% per annum and a contribution charge of 1.8% of each new contribution paid into the member's pot.

Investment Funds

Once enrolled into Nest, each employee is placed into Nest's 'Retirement Date Fund', which differs depending on the date the member reaches their retirement age (this is initially based on their State Pension Age but can be changed).

The '**Retirement Date Fund**' has the following underlying investments:

- Global Equities
- Emerging Market Equities
- UK and International Gilts
- UK Corporate Bonds
- UK and International Property

The percentage of the employee's fund that will be invested in each area will depend on how far away from retirement they are. There are three phases of the '**Retirement Date Fund**':

- Foundation (which is the first phase for early stages of retirement savings)
- Growth (which represents the largest phase of retirement savings)
- Consolidation (which is the last phase for employees typically with 10 years or less to retirement)

Should the employee wish to do so once enrolled they can change their retirement date or funds invested. The following list of funds are available:

- Nest Higher Risk Fund
- Nest Lower Growth Fund
- Nest Ethical Fund
- Nest Sharia Fund
- Nest Pre-retirement Fund

How to set up your pension plan with Nest

Visit Nest online at:

<https://www.nestpensions.org.uk/schemeweb/NestWeb/public/employers/contents/set-up-your-workplace-scheme.html>

Call Nest on: **0300 020 0393**

Other providers

Although the Nest scheme has been set up by the Government other Auto Enrolment scheme providers are available which you may consider more suitable for your employees.

The Pensions Regulator offers the following information regarding choosing a pension scheme which can be found at: <http://www.thepensionsregulator.gov.uk/en/employers/duties-checker/outcomes/i-am-an-employer-who-has-to-provide-a-pension/choose-a-pension-scheme-or-check-your-existing-one.aspx>.

You can choose from the following:

1. Use the Government Nest scheme
2. Use one of the following independently reviewed schemes:
 - Nest
 - The Peoples Pension
 - Now Pensions
 - Welplan Pensions
3. Use a scheme listed by industry bodies:
 - Association of British Insurers: ABI members providing qualifying automatic enrolment schemes
 - Pensions and Lifetime Savings Association (PLSA) Pension Quality Mark website

APPENDIX 1: SAMPLE LETTER

Completed (tick)

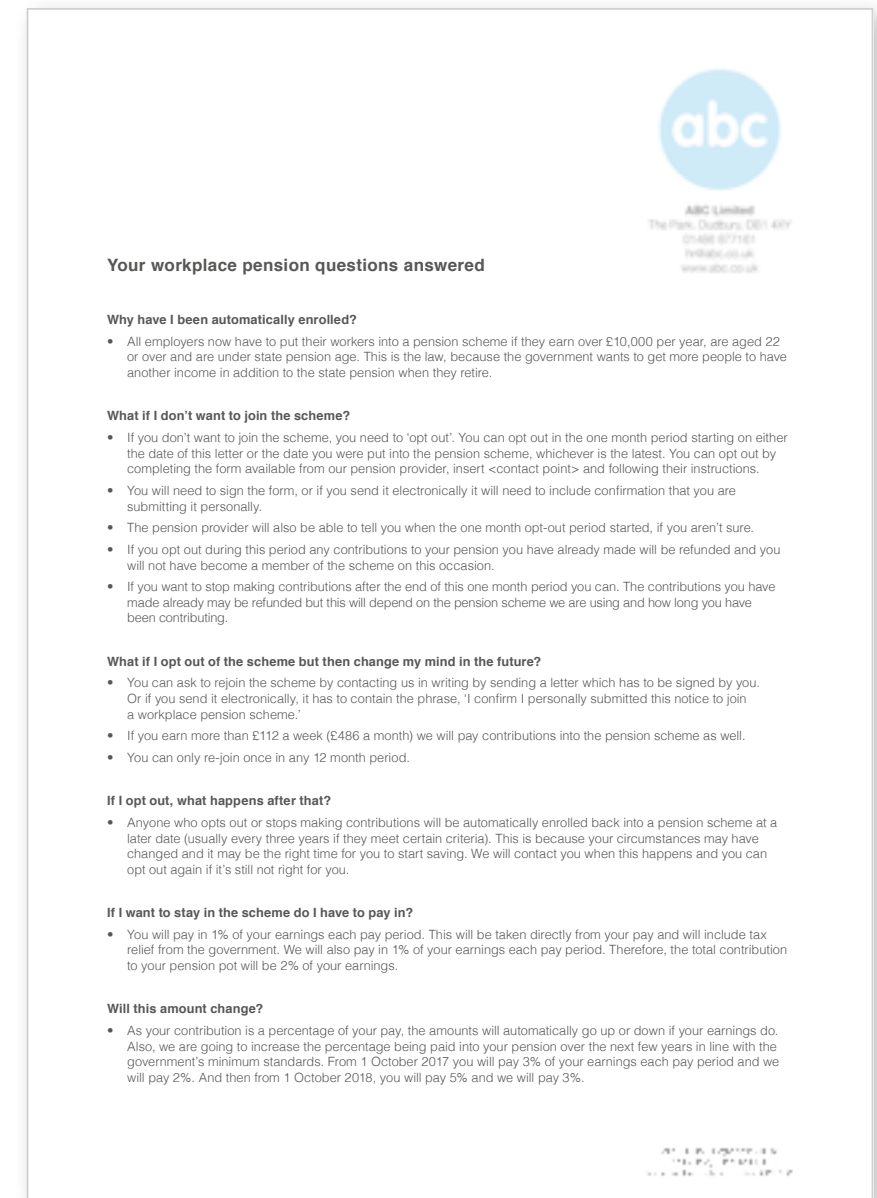
The following template letter and insert is for example only. A full suite of letters is available to download in a Word document format at: <http://www.thepensionsregulator.gov.uk/writing-to-your-clients-staff.aspx>, however your chosen pension provider will also be able to supply templates.

Sample letter




Figures relate to 2015/2016 tax year

Additional insert



Figures relate to 2015/2016 tax year



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This document has been prepared based on our understanding of current legislation and The Pensions Regulator's guidance. Should the current legislation and guidance change in the future this guide may cease to be effective. We cannot accept any responsibility for any errors or omissions. THIS DOCUMENT SHOULD NOT BE CONSTRUED AS ADVICE.

Boolers is a trading name of David Booler and co which is authorised and regulated by the financial conduct authority. Member of the association of member directed pension schemes.

JUNE 2017
