Quilter Financial Planning

Automatic enrolment explained

What we'll cover:

Need additional help reading documents?

More and more of our clients are using screen reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

If you'd like to switch to any of these methods, please let your adviser know and we will be happy to help.

Welcome to your guide to automatic enrolment

The Government introduced 'automatic enrolment' to help more people save for their future and ultimately increase their pension pot. This means that employers must automatically enrol some workers into a workplace pension plan and give other workers the option to join.

In this guide we:

- provide an overview of what automatic enrolment is
- explain what your duties are as an employer and what they mean for you
- outline your duties, how to assess your workforce, and how to avoid penalties
- guide you on how to meet your obligations.

We've based the information on our current understanding of the relevant legislation and regulations which may be subject to change.

A workplace pension is a way of saving for retirement that's arranged by an employer.

An overview of automatic enrolment

Your legal duties as an employer begin on the day your first member of staff starts work. This is known as your 'duties start date'. Here's an overview of what you'll need to do:

1. Where do I start?

First, you'll need to assess your workforce to determine whether they are treated as workers. There are three different categories of worker. The category they fall into will depend on their age and earnings.

2. What next?

Depending on the type(s) of worker you employ, you will need to undertake a number of duties. You'll need to automatically enrol some workers into a pension scheme and arrange membership for others. You're also responsible for the ongoing maintenance of the scheme and have an obligation to keep records.

3. Who checks that I have performed my duties?

You must register your automatic enrolment scheme with The Pensions Regulator (TPR) no later than five months after your duties start date. You'll then have to re-register every three years.

4. What happens if I do nothing?

Your employer duties are not optional. TPR will educate you and encourage you to comply. If you don't, you'll face substantial fines or even imprisonment.

5. What if none of my employees are eligible?

You still have a responsibility to assess your workforce and report this to TPR.

6. How we can help

By working with you and understanding your workforce, we can create a bespoke approach for your company to help you meet your duties as an employer, now and in the future.

Assessing your workforce

You'll need to assess your workforce to determine whether they're treated as a worker. This can also include contractors and agency workers.

The different types of worker

There are three different types of worker.

The categories include:

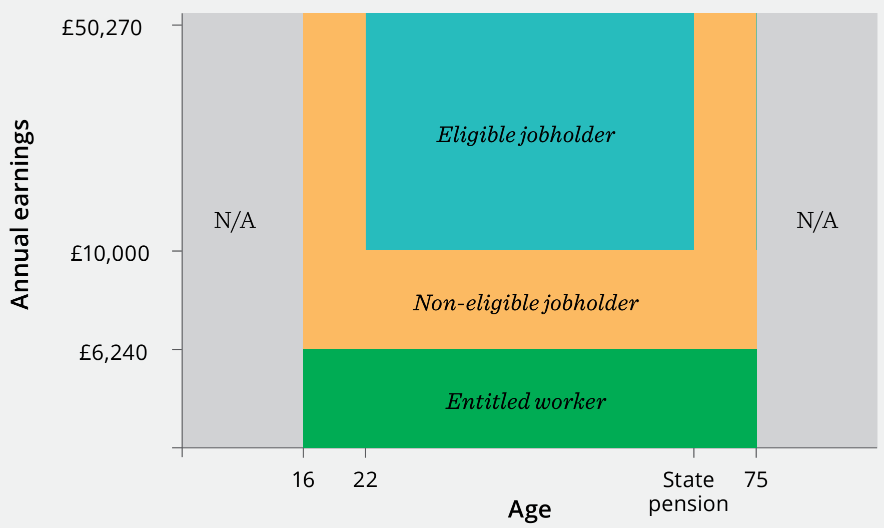
Eligible jobholder
You must automatically enrol eligible jobholders into an automatic enrolment scheme.

Non-eligible jobholder
Non-eligible jobholders have the right to opt in to an automatic enrolment scheme.

Entitled worker
Entitled workers have the right to join a pension scheme.

The following table shows you how to identify each type of worker. The Government updates the earnings figures every year. These figures will continue to apply from April 2024.

Employer duties: Who qualifies for what?



What are your employer duties?

Your employer duties depend on the types of worker you employ. Here's a summary of your employer duties for each type of worker.

1. Eligible jobholders

- Enrol them into an automatic enrolment scheme.
- Deduct contributions from their salary and make contributions on their behalf.
- Process any opt-out notices and refund any contributions already paid.
- Keep records of the automatic enrolment and opting-out processes, and provide them to TPR if asked.
- Every three years, re-enrol those who have previously opted out, stopped making contributions, or ceased membership more than 12 months before each re-enrolment date.

2. Non-eligible jobholders

- Provide information about their right to opt in to an automatic enrolment scheme.
- Arrange their membership of a pension scheme.
- Deduct contributions from salaries and make contributions on their behalf.
- Process any opt-out notices and refund any contributions paid.
- Continually assess their eligibility by checking their ages and earnings.
- Keep records of the enrolment, opting-in and opting-out processes, and provide them to TPR if asked.

3. Entitled worker

- Give them information that explains their right to join a pension scheme.
- Arrange their membership of a pension scheme.
- Deduct contributions from salaries and pay these into the scheme. You don't have to pay contributions, although you can choose to do so.
- Continually assess their eligibility by checking ages and earnings.
- Keep records of the joining process and provide them to TPR if asked.

Postponement

You can defer the assessment of workers and your employer duties. The postponement period can't be more than three months. The end of the postponement period is known as the 'deferral date' and you must assess workers on this date.

What you must do if postponement is used:

You can choose to delay working out who to put into a pension scheme for up to three months for some or all of your staff. You must write to your staff to tell them what you are doing and how automatic enrolment applies to them.

Registering with The Pensions Regulator (TPR)

You must register with TPR to let them know that you have an automatic enrolment scheme in place no later than five months after your duties start date.

You'll also have to re-register every three years. If you have an existing pension scheme, you can use this to meet your employer duties if it meets certain criteria.

There are three sets of criteria:

1. Auto enrolment
2. Quality requirements
3. Qualifying

The following information relates specifically to contributions under the quality requirements.

Minimum requirements

The minimum contribution level required for an automatic enrolment scheme is based on qualifying earnings. Qualifying earnings are a band of earnings between **£6,240** and **£50,270**.

These figures are for the 2024/25 tax year and are expected to change each year. Qualifying earnings include:

- Salary
- Wages
- Overtime
- Bonuses
- Commissions
- Statutory Sick Pay (SSP)
- Statutory Maternity Pay (SMP), ordinary or additional Statutory Paternity Pay, and Statutory Adoption Pay.

You can find out more about automatic enrolment and the role of The Pensions Regulator here: ***www.thepensionsregulator.gov.uk***.

What is certification?

As an alternative to using the qualifying earnings definition, you can choose to use certification. This enables you to use a definition of pensionable earnings that suits you.

Certification

A certificate can cover all workers or groups of workers. For example, you can use one certification basis for one group of workers and a different certification basis for other workers. The contribution levels for certification can be phased in and there are three certification options available, as shown in the table below.

Certifying in advance

You can certify for up to 18 months in advance. You must re-certify at least every 18 months, or sooner if there is a significant change, such as changes to the scheme contribution level or a company takeover or merger.

A certificate can cover all workers or groups of workers.

Earning basis	Minimum contributions from 6 April 2023
Set 1	9% at least 4% to be paid by employer
Set 2	8% at least 3% to be paid by employer
Set 3	7% at least 3% to be paid by employer

Sets 1 and 2 use basic pay counting from the first pound of pay and all statutory payments delivered through payroll to calculate contributions.

Set 2 an additional test applies to ensure sufficiency of basic pay. Other pay allowances may need to be added.

Set 3 uses total earnings counting from the first pound of pay and all statutory payments delivered through payroll to calculate contributions. This is usually the same as qualifying earnings but with no lower band offset, because contributions are calculated from the first pound of pay.

The employer duties are not optional. TPR will be responsible for ensuring that you comply with your employer duties.

Penalties and how to avoid them

TPR will impose penalties if you don't comply with your employer duties, for example, if you fail to automatically enrol eligible jobholders, or fail to refund contributions to those who have opted out. Similarly, you can't encourage jobholders to opt out of the pension scheme or encourage candidates to do so during the recruitment process.

The penalties include:

Non-statutory action

TPR can issue guidance and instructions or send a warning letter confirming a set time frame for compliance with the duties.

Statutory notices

Statutory notices can direct you to comply with your duties and/or pay any contributions you have missed or are late in paying. TPR have further discretionary powers which allow them to estimate and charge interest on unpaid contributions and direct you to calculate and/or pay unpaid contributions.

Penalty notices

TPR can issue penalty notices to punish persistent and deliberate non-compliance.

A fixed penalty notice will be issued if you don't comply with statutory notices, or if there's sufficient evidence that you have breached the law. This is fixed at £400 and payable within a specific period.

TPR can also issue an escalating penalty notice if you fail to comply with a statutory notice. This penalty has a prescribed daily rate of £50 to £10,000 depending on how many employees you have.

TPR can issue a civil penalty if you don't pay contributions that are due. This is a financial penalty of up to £5,000 for individuals and up to £50,000 for organisations.

If you fail to comply with a compliance notice, or there is evidence of a breach, TPR can issue a prohibited recruitment conduct penalty notice. This penalty has a prescribed rate of £1,000 to £5,000 depending on how many employees you have. TPR aims to recover fully all penalties that it issues.

Court action

TPR can take civil action through the court to recover penalties.

Employers who deliberately and wilfully fail to comply with their duties may be prosecuted.

TPR can also confiscate goods where there is a criminal conviction and restrain assets during criminal investigations.

Appealing against a penalty

You have a right to appeal against any penalties imposed by TPR and must do so in writing within 28 days of issue of the notice.

The providers we work with

Using our experience and expertise, we have gathered together the pension providers and payroll providers that specialise in automatic enrolment.

We have chosen these providers for their ability to deliver ongoing good value for employers and workers alike.

AEGON, Standard Life, Scottish Widows, nest, Royal London, Aviva, the people's pension

We're here to help

When it comes to automatic enrolment, many employers have already benefited from dealing with a qualified and authorised adviser, to help them meet their legal obligations in this complex area.

A plan created just for you

Whatever the type or size of your business, your adviser will be able to offer a tailored solution, helping you to choose a qualifying workplace pension scheme and ensure you have the right data available at the right time. This way you can ensure you meet your automatic enrolment duties.

By working closely with you and understanding your workforce and your needs, we can help you:

- deliver a communications plan for your workforce
- assess your workforce and estimate costs for you as the employer
- assess and report on your payroll system and offer solutions necessary to comply with automatic enrolment
- select the right pension scheme for you and your workers
- arrange employee presentations to help your workforce understand what will happen and when
- arrange appointments with employees and give individual advice
- arrange regular reviews to ensure that you comply with the legislative requirements and avoid penalties from TPR.

Your next step:

Reflect on what you want to achieve and contact your financial adviser to discuss.

The Quilter Foundation is Quilter's charity. The Quilter Foundation provides vital funding to carefully selected charitable organisations, focusing on education, employment, and health & wellbeing.

To find out more visit:
www.quilter.com/the-quilter-foundation

www.quilter.com

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