

Automatic Enrolment Special

Since the first state pension was paid in 1909 at the rate of 5 shillings per week to the "hard working poor of good character", there has been an expectation that every UK citizen has an entitlement to some state funding for their old age and, of course, our national insurance contributions following the National Insurance act of 1946 compounded that belief, because now there is a common belief that we are actually paying into the pot which will ultimately be paying us back!

Since the early 1980's there has been a widely held knowledge that the number of individuals being paid from the pot was growing faster than the number of those contributing to the pot and as such, meltdown was not too far in the distant future.



With an aging population not only living longer but also having greater expectations on the quality of life in retirement, governments (of every colour) have had to consider the provision necessary to keep the elderly out of poverty. Tax reliefs for private contributions was one golden carrot which was taken by many tax payers but not sufficient to make a substantial difference. Having had various other attempts at legislation it was inevitable that tough action would be taken to bring home the necessity of making provision for all of our futures.

Pensions Act 2008 - how will this impact on YOU?

I'm an employer



As an employer have you a clear understanding of your obligations under the new regulations? If the honest answer is no, then take comfort from the fact that you are not alone. However read on because you will need to take action and for some employers this action will be required sooner rather than later.

You may have seen the advertisements on TV where the work force are all shouting



or the rap version which has recently been released. This is all designed to attract attention to the fact that enrolling your workforce into a pension scheme becomes compulsory from a date specific to you at some time between today and October 2018.



That doesn't apply to my firm – does it?

Actually it does, if you employ anyone in your firm who is paid over £5660 per year, and is aged over 16 then yes, it does apply to your firm.



But 2018 is ages away, I've got lots of time – haven't I?

There is little doubt that some firms will have until October 2018 to comply with the regulations, but do you know if that applies to your firm?

Employers with 30 workers or more on their payroll will all have to abide by these new rules by October 2015, so with that in mind, it becomes slightly more important to understand how the new rules will affect you as an employer and your work force.



When does this all start to apply to me?

As an employer you will have already been allocated a "staging date", that's the date that the government have allocated for your workers to start to be enrolled into a pension scheme. One year before your firms staging date you will receive notification from The Pensions Regulator (TPR) of the date, but it does not all start then. There are certain actions which need to be taken prior to the staging date to ensure you are ready to proceed with minimum disruption to your work force, or to your business, and that any unplanned for issues do not give rise to a statutory penalty notice and a daily penalty.

There is always a threat of a penalty – TPR won't really impose these – will they?

Unfortunately, it is proving to be the case that TPR will issue statutory notices which will give rise to penalties. Starting with a fixed £400 penalty followed by daily penalties of between £50 and £5,000 per day! If you have between 5 and 49 employees the penalty is £500 per day! And these penalties will be applied, some of the large UK employers have already received statutory notices either for non-compliance or for complying but without the standard of record keeping or checking which TPR requires.

I've heard about this but my pension company will deal with it all – won't they?

You certainly cannot take this for granted. Whilst many pensions companies are providing software to deal with the operation of Automatic Enrolment the responsibility lies with the employer to satisfy themselves that the scheme is acceptable and that the relevant workers are enrolled automatically from the firms allocated staging date.

Well, if the pension companies are not dealing with this I assume my IFA is looking after it?

Again, this can't be taken for granted. Your IFA will be well placed to look at the existing pension schemes to check if they comply and should be able to set up a pension scheme if one is not already in place.

It is unlikely that your IFA will deal with the day to day administration of assessing your workforce and deducting the pension contributions or the transfer of those deductions to the pension scheme.

The pension scheme or the master trust is the pot into which your employees' and your own pension contributions are paid, but have you considered how you will deduct the contributions, transfer them to the pension scheme and how will you manage the paper trail for up to 6 years (the legal requirement laid down by TPR)?



We are here to help
If you wish to discuss the new pensions regulations and how they will impact on your company, please speak to one of our team who will be happy to help.