Auto Enrolment Guide for Payroll Bureaus

brightpay

automatic enrolment

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What is Auto Enrolment?

Auto Enrolment is about the legal requirement of employers to enrol their employees into a pension scheme. It started for larger employers in 2012 and all employers should be included by the end of 2017.

The date that an employer must enrol its employees is called the "staging date". The Pensions Regulator writes to employers at least 12 months before they are due to stage. This date can also be found on the Pensions Regulators website armed with the employer PAYE number.

Useful Link – Find out your clients staging date here:
http://www.tpr.gov.uk/checking-your-clients-staging-date.aspx

Enrolment can be postponed for up to 3 months after the staging date. If postponement is used, it is important that employees are told within 6 weeks of the staging date. Before staging, employers should register with a pension provider so that they can enrol their employees with this provider at staging.

Worker Categories

At the staging date (and assuming no postponement), the employer must assess all employees based on their age and earnings level.

All employees aged from 22 to state pension age and who earn more than the earnings trigger (£192 per week in 2015/16) must be enrolled. These employees are all referred to as "**eligible jobholders**" or, using the more recent user friendly jargon, "employees who must be enrolled".

All other employees (aged from 16 to 74), who earn over the £112 per week, can ask to be enrolled. In AE speak these employees are called "**non-eligible jobholders**".

The remainder of employees (aged between 16 and 74) can ask to join a pension scheme but the employer has no obligation to contribute. This final group of workers is referred to as "**entitled workers**". The employer has no AE duties in relation to employees under 16 or over 74.

AE Exemptions

Other exclusions from AE include:

- a sole director where that director is the only employee
- a worker who is in their notice period
- a worker who has previously ceased active membership of a qualifying pension
- a worker with HMRC protected status for their pension savings
- a worker who has received a pension winding up lump sum payment

Deductions & Contributions

Auto Enrolment does not just mean signing up the employees to a pension scheme. It also means that the employer must administer the deduction of pension amounts and must also contribute to the pension pot. Legislation sets out the minimum deductions and contributions that must be made. For now, these minimums are 1% EE and 1% ER. Eventually, these will increase to 5% EE and 3% ER.

Date	Employer Minimum Contribution	Total Minimum Contribution
Staging date to 05/04/18	1%	2% (including 1% staff contribution)
06/04/18 – 05/04/19	2%	5% (including 3% staff contribution)
06/04/19 onwards	3%	8% (including 5% staff contribution)

The pension deductions and contributions must be paid over by 22nd of the following month (at the latest) and must be shown clearly on the employees' payslips. This must be done for all eligible jobholders and for all non-eligible jobholders who opt in. For entitled workers, the employer must facilitate them in joining a pension scheme but, unlike the other employee categories, is not required to make an employer contribution.

The employee deductions are made from net pay and 20% tax relief is obtained from the taxman. Therefore the initial employee deduction is 0.8%. The earnings that these percentages are applied to are all earnings (including SSP, overtime etc.) in excess of £5,824 and up to a maximum of £42,385 (2015/16 levels).

In some cases (depending on the rules of the particular AE scheme), the employee deduction is made from their gross and this enables the employee to get relief at the marginal rate on their contribution. This deduction from Gross is called a "**Net Pay Arrangement**". The Net Pay arrangement will not result in NI relief for either the employee or employer and salary sacrifice arrangements are being used to obtain this additional relief.

Salary Sacrifice

An employer and employee may agree to use '**Salary Sacrifice**' (sometimes known as a 'SMART' scheme). If this happens, the employee gives up part of their salary and the employer pays this straight into the pension. Usually this results in less tax and National Insurance for both the employee and employer unlike the "Net Pay Arrangement" which usually only results in tax savings. Technically a salary sacrifice arrangement is an agreement between an employer and an employee to change the terms of the employment contract to reduce the employee's entitlement to cash pay.

Auto enrolment is a legal requirement and although a salary sacrifice arrangement will result in savings for both the employer and employee, the employee cannot be forced to accept such an arrangement. Some employees may not be comfortable showing their pay reducing by the sacrifice. They may need their P60 to show as much pay as possible if they are going for a mortgage. Also, salary sacrifice cannot reduce an employee's pay below the minimum wage.

On the other hand, apart from the tax and NI benefits, there are other possible advantages to an employee using salary sacrifice. They may wish to show lower earnings in order to maintain their entitlement to certain state benefits. In many cases the employer will take the amount that they save on employer's NIC and pay this into the pension, thereby increasing the employee's pension pot.

Many employers are using the postponement period to allow their employees the time to decide if they wish to avail of salary sacrifice. Where salary sacrifice is being used, there will only be an employer's contribution. The employee's deduction is zero. Some AE schemes may not be able to accept salary sacrifice and it will be important to check with your proposed pension provider.

Employee Communications

Employee communications is a big part of the employer's AE responsibilities. At staging, the employer must write to (or email) all the various worker categories telling them all they need to know.

Eligible jobholders must be told that they are being enrolled, how much is being deducted/contributed and how this will change up to 2018. They must also be told that they can opt out of auto enrolment if they wish. An employee may decide to opt out of the auto enrolment pension scheme and, as long as they do so within one calendar month (of the later of achieving active membership of a scheme or receiving the notice of enrolment communication), any deductions will be fully refunded by the employer. If they leave it longer than that, it will be between them and the pension provider.

Non-eligible jobholders and **entitled workers** must be told that they can ask to join a pension scheme and the procedure they need to follow to opt in.

If the employer uses **postponement** then the employer must inform all workers about the postponement. If the recipient of the communication happens to be an eligible or non-eligible jobholder at the time of postponement, he/she has the right to be enrolled prior to the deferred date.

There is also a communication used for employees who are members of a defined benefit hybrid scheme which tells them that a transitional period is being applied.

Enrolment

The actual enrolling procedure is usually set out by the pension provider.

With NEST, the employer can log in to their account and type in all the required employee details. NEST also accepts an upload of a CSV file containing this information, plus their API also receives enrolment information.

With The Peoples Pensions and NOW: Pensions, the contribution file and enrolment file are merged.

Ongoing Duties

The employer's responsibilities do not end at staging. Obviously deductions and contributions must be calculated, deducted and paid over to the pension provider each month.

The pension provider will also require details after each pay period of what has been deducted etc. This slots alongside RTI as part of the list of "to do" items each pay period. The pension provider will use these details to work out the monthly payment which will normally be collected through direct debit. The periodic contribution file is uploaded as a CSV file.

NEST and many other scheme providers are planning to offer or are already offering API (application program interface) functionality enabling payroll software to communicate directly with the schemes, thereby avoiding saving files, logging in to pension websites and uploading the files.

Also, as part of the ongoing duties, the employer must monitor all workers who are not currently enrolled to see if any of them needs to be enrolled. This could be because they have reached the earnings trigger or because they have turned 22 years of age. New employees joining the company must also be assessed to see if they need to be enrolled.

In relation to employees who breach the earnings trigger but whose income would not normally be at this level, the employer can use postponement to avoid enrolling that worker. An employer may also use postponement to avoid enrolling workers who have been brought in on a short term (i.e. 3 month or less) contract. The same communications as previously referred to are used for these AE events.

Here are some examples of events that can occur in any pay period. This demonstrates that AE is not just all about what happens at staging, it is an ongoing responsibility.

Scenario	Action
An entitled worker now earns more than £112 per week but less than £192 per week (i.e. becoming an non-eligible jobholder)	Let him/her know that he can opt in to auto enrolment, i.e. communicate
An entitled worker or non-eligible jobholder earns above £192 per week (i.e. becoming an eligible jobholder) and postponement is not used	Enrol, communicate and start deductions/contributions
An entitled worker or non-eligible jobholder earns above the £192 per week (i.e. becoming an eligible jobholder) and postponement is used	Communicate
A worker who is already enrolled now earns below the £192 per week	Continue to calculate on amount in excess of £112 per week – their status does not change – no action required
A worker who is already enrolled now earns below £112 per week	Zero deduction/contribution – their status does not change – no action required
A non-eligible jobholder turns 22 and postponement is not used	Enrol, communicate and start deductions/contributions
A new employee starts and falls into the eligible jobholder category and postponement is not used	Enrol, communicate and start deductions/contributions
An employee who is already enrolled opts out within the opt out period	Unenrol, stop deductions/contributions and refund all deductions to date
An employee who is already enrolled opts out after the end of the opt out period	Unenrol and stop deductions/ contributions

The Pensions Regulator

The Pensions Regulator will let the employer know when their staging date is coming up. The Pensions Regulator also provides a tool on their website for finding out the staging date well in advance. BrightPay also has integration with The Pensions Regulator, allowing users to find out their staging date from within the software, using the employers PAYE reference.

Useful Link – Find out your clients staging date here:
http://www.tpr.gov.uk/checking-your-clients-staging-date.aspx

The employer must register their auto enrolment compliance with The Pensions Regulator within 5 months of their staging date (5 months at the latest) by submitting a declaration of compliance.

Useful Link – Complete your declaration of compliance here:
http://www.tpr.gov.uk/completing-the-declaration-of-compliance.aspx

Pay reference periods

The subject of pay reference periods can get very complex. There are rules to figure out which pay period's earnings to use to assess an employee's status. There are also (separate) rules to figure out which period's earnings you calculate deductions on.

For assessment purposes, the relevant **pay reference period** is the pay reference period in which the assessment date falls e.g. the staging date or postponement date or date of starting employment or date of turning 22. However, contributions don't need to be calculated until the **first full pay reference period** (subject to scheme rules).

NEST – Groups and Payment Sources

If a company is using NEST (or indeed any other scheme), they can use different levels of contributions for different sets of employees e.g. the floor workers may be set up using the 1% and 1% levels whereas the managers might be put straight on to the "Quick Start" 5% and 3% levels (the minimum levels which apply in 2018).

Various combinations of EE% and ER% can be used subject to the provisos that the employer must contribute at least 1% and the total must be at least 2%. The different categories of workers should be attributed group names, e.g. 'shop workers' and 'managers' might be used as the two groups in the example above. If all employees are treated the same, there will be just one group name.

NEST processes each contribution file validating that the contributions for each member is in line with the groups they are assigned to. If the pension amounts for different groups are to be paid from different bank accounts (payment sources), then this must be input when setting up with NEST. Separate contribution files are required for different payment sources. If there are weekly and monthly employees, these will also require separate contribution files.

Communications – who issues them?

Communications is probably one of the biggest sources of confusion so far. Not necessarily the letters/emails which need to go to the various classes of employee but who is actually responsible for doing the communicating.

- NEST generally prefers the employer to issue the statutory communications but they will also double up at enrolment by sending their own communications
- The Peoples Pension prefers to handle the communications for enrolled employees and for the employer to handle everything else
- NOW: Pensions prefers to handle all communications

Summary of legal duties

The employer must:

- automatically enrol all eligible jobholders
- communicate to workers providing timely and appropriate information
- allow non-eligible jobholders to opt-in and entitled workers to join
- manage opt-outs within the opt-out period and promptly refund contributions
- automatically re-enrol eligible jobholders every three years
- complete declaration of compliance with the Regulator
- keep records
- maintain payments of contributions

Personal Service Workers

A personal services worker is deemed to be a worker for the purposes of AE. The employer needs to judge whether or not an individual (who is not a director) with a contract to perform work or services personally is undertaking the work as part of their own business.

To determine this, you must establish if the employer:

- has control over an individual's method of work (e.g. hours worked)
- provides any employee benefits
- bears all the significant financial risks in carrying out the work (e.g. is the worker financially responsible for their faulty work)
- provides what is required for the individual to carry out the work (e.g. tools)

This list is not exhaustive and an employer must take into account all relevant considerations and make a reasonable judgement.

If most or all of the above are true, then it would be reasonable to consider that they are not undertaking the work as part of their own business and they are a personal services worker. All of these considerations are very similar to HMRC IR35 guidelines.

Employee Safeguards

The employee safeguards state that employers:

- must not induce workers to opt-out or cease membership of a scheme
- must not indicate to a potential jobholder that their decision to opt-out will affect the outcome of the recruitment process

Useful Link – Employee Safeguards:
http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-8.pdf

Single director companies and similar

A director of a company is not classed as a worker, unless:

- the individual works for the company under a contract of employment
- there is at least one other person working for the company under a contract of employment

A director who is not working under an employment contract is never classed as a worker. The exemptions can apply to more than one director working for the same company. For example, if there are 2 directors, neither of whom has a contract of employment (written or implied) and these directors are the only employees, then the employer is exempt.

In all cases, a single director company, where the director is the only employee, is exempt from the requirements of auto enrolment. Strictly speaking, the above employers are not regarded as employers for the purposes of AE. You must inform The Pensions Regulator by filling out a pre-populated email. This will stop any further communications coming from them.

Useful Link – Inform The Pensions Regulator here:
www.tpr.gov.uk/employers/what-if-i-dont-have-any-staff.aspx

If circumstances change so that automatic enrolment duties do apply, the employer will need to inform TPR of this as soon as possible. This would happen if they took on a member of staff other than a director, or if at least two directors started working for them under contracts of employment.

Pension Scheme Selection

It is the **employer's responsibility** to choose a pension scheme for their workers. TPR recommends that a scheme is chosen approximately 6 months before the staging date. After choosing a scheme, registration with that scheme should take no more than half an hour.

If you have no employees earning more than £192 per week, you could leave scheme registration until you have eligible employees. In many cases, small employers are leaving scheme choice and registration until after their staging date and using postponement to give them the time necessary to do so.

Useful Video – Setting up a pension scheme in BrightPay:
https://www.brightpay.co.uk/tutorials/pension-scheme-set-up/

If there is an existing pension scheme in place and you want to continue using this scheme for AE, then you need to check that it is suitable. It must be a "**qualifying scheme**". You will need to check with the scheme provider that it is suitable and that they are willing to allow it be made an "automatic enrolment scheme".

The National Employment Savings Trust (NEST) is a pension scheme that has been established by the government and has a public service obligation to accept all employers that apply to join it.

These are the key things to consider when choosing a pension scheme:

- whether the scheme can be used for automatic enrolment and will accept all staff you need to put into a scheme (this is a must)
- how much the pension scheme you choose will cost you and your staff (charges are important, particularly now that The Peoples Pension and NOW: Pensions have announced that they will be charging employers either one off or annual fees of in or around £500)
- if you use payroll software, whether the scheme will work with it (ask your payroll software provider for help with this)
- whether the scheme will write to your staff on your behalf to tell them about automatic enrolment

- whether the scheme will work out which of your staff must be put into a pension scheme (if not, ask your payroll software provider if the software does this)
- does the scheme support the use of postponement
- does the scheme allow 'salary sacrifice'
- your staff's annual earnings and how they get tax relief on their contributions

There are two ways that your staff may get tax relief on their contributions. One way may be more appropriate for staff who don't earn enough to pay tax, whereas the other way might be better suited to higher rate tax payers. Ask your provider for more information on how tax relief works with their scheme.

It is also good business practice for employers to consider what features are important for their workers, for example:

- can employees make top ups
- online member services (employee access to their contribution history and fund value online)
- choice of funds other than the default strategy (e.g. Sharia, ethical)
- options at retirement and/or from age 55 (e.g. drawdown options)
- member communications (are they available in multiple languages)
- whether they provide 'one pot per member' and rules on transfers

TPR recommends that you speak to a financial adviser about finding a scheme. Private sector organisations may be able to assist you with finding a financial adviser.

An accountant or employee benefit consultant (EBC) may also be able to help find a scheme or an adviser that can help. There are also online tools that can help with scheme selection e.g. Pension Playpen and AE in a Box.

Useful Links – Pension Scheme Selection:

- http://www.unbiased.co.uk
- http://www.vouchedfor.co.uk/auto-enrolment
- https://www.pensionplaypen.com/
- http://www.aeinabox.co.uk/

Pre-Staging Checklist

Assuming that you know your staging date, it is recommended that you do the following prior to staging:

1. Provide contact details to The Pensions Regulator

The employer is responsible for complying with the changes to workplace pensions law. When TPR write to you, they will ask you to confirm the most senior person or business owner as the 'primary contact'. Information will be sent to the primary contact once this person is confirmed.

If someone else (e.g. a member of staff, accountant, financial adviser or payroll provider) will be carrying out the day-to-day tasks of managing automatic enrolment, they can be nominated as a 'secondary contact'. This task can be performed on The Pensions Regulator's website.

Useful Link – Nominate a point of contact here:
http://www.tpr.gov.uk/being-a-point-of-contact.aspx

2. Check if you will need to enrol staff

If you are a single director company or similar as outlined earlier, then you should let TPR know that you are not an employer so as to prevent further communications. This task can also be performed on The Pensions Regulator's website.

Useful Link – Inform The Pensions Regulator here:
www.tpr.gov.uk/employers/what-if-i-dont-have-any-staff.aspx

3. Choose and register with a pension scheme

If you have staff who are earning more than £192 per week and aged from 22 to state pension age, then you should have chosen and registered with a scheme prior to staging.

Useful Link – Choosing a Pension Scheme:
http://www.thepensionsregulator.gov.uk/choosing-a-pension-scheme.aspx

4. Check your records and payroll processes

It is important to ensure that your staff records – including their dates of birth, salaries, National Insurance numbers and contact details – are correct and up to date.

5. Educate your staff

It is a good idea to let staff know about auto enrolment well in advance of staging. If the first notice they have is the official auto enrolment communication or the new deduction on their payslip, this could lead to queries and suspicion! TPR recommends a range of key messages across a number of channels.

Useful Link – Educate your Staff:
http://www.tpr.gov.uk/raising-your-clients-staff-awareness-about-automatic-

There are a number of tasks that payroll software should perform. BrightPay, will carry out all of the necessary tasks. If you are not a BrightPay user, then you should ensure that your software, or other payroll processes you use, can perform the following tasks each pay cycle:

- assess your staff, to identify whether you have any that you will need to automatically enrol
- hold the information required for automatic enrolment, including staff names, addresses, dates of birth and earnings, so you pay the right amount of pension contributions for the right people at the right time
- calculate how much you and your staff will need to pay
- generate and send the correct staff data – including information on pension contributions – to your pension provider and in the format required
- generate communications (e.g. letters or emails) for your staff at the right time
- handle staff requests to opt into or join your pension scheme, as well as stop deductions and process refunds for staff who opt out of it
- keep records for up to six years

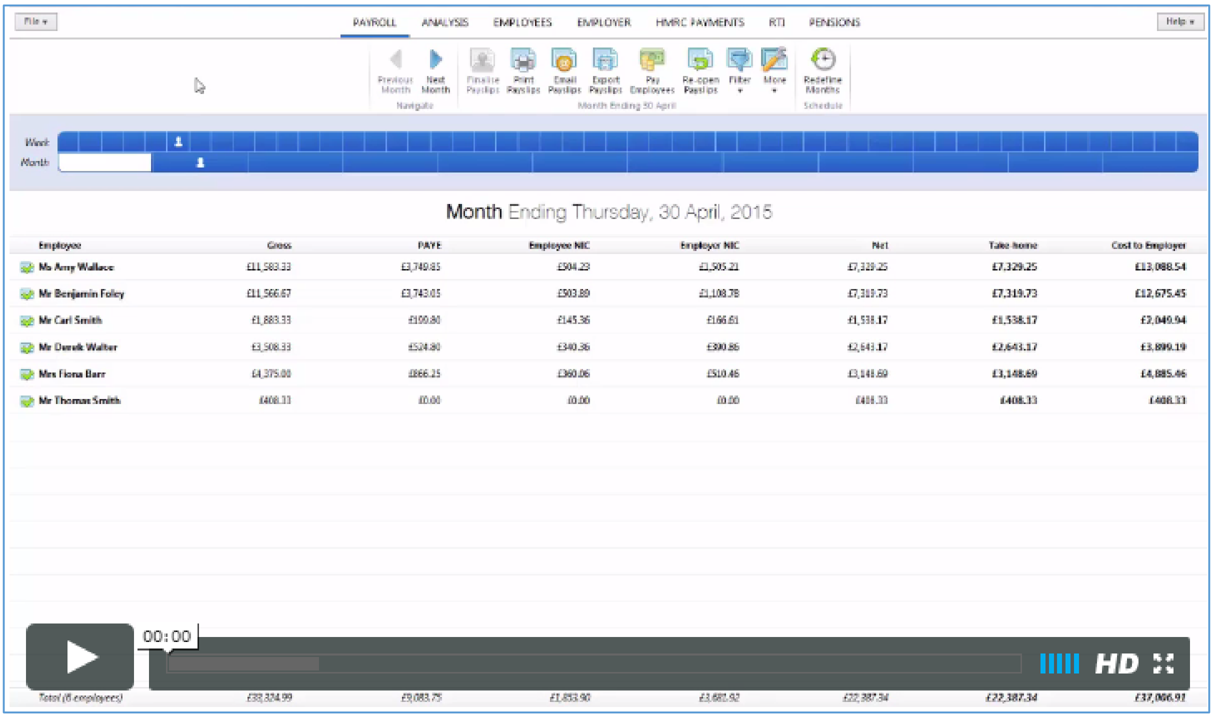
If your software cannot complete these tasks, you should consider updating or changing it. If your software can handle the above tasks but there are significant additional software costs involved, again, you may need to consider changing software.

What happens at staging?

At staging you are required to enrol your eligible jobholders into a qualifying pension scheme (assuming you are not using postponement – see below). Eligible jobholders are those employees earning above £192 per week and aged from 22 to state pension age.

Communications must be issued to staff to tell them about the pension scheme and how automatic enrolment applies to them. Staff, who are not being automatically enrolled at this point, will get information on how to opt in to the scheme.

The best way to demonstrate this is to show how it is handled in BrightPay and assuming NEST is our chosen scheme.



Useful Video – What happens at staging?
https://www.brightpay.co.uk/tutorials/what-happens-at-staging/

Submissions to pension schemes

NEST requires an enrolment file whenever employees are enrolled in NEST, along with a contributions file each pay period. Most of the other pension providers combine the enrolment and contributions information in one file. This combined file must be prepared and submitted after each pay period is finalised.

Continuing on with our BrightPay example, pension files can be prepared for submission to NEST. With our employer, this happened with effect from the staging date and therefore an enrolment file needs to be prepared on finalisation of January's payslips. Assuming none of the remaining employees opt in and there are no new employees in February, an enrolment file will not be required again in February.

Useful Video – Preparing Enrolment & Contribution files:
https://www.brightpay.co.uk/tutorials/creating-ae-csv-files/

NEST have developed an API (Application Program Interface) which enables payroll software to communicate directly with NEST, thereby saving the various tasks of preparing, saving and uploading files. In BrightPay, this works very similarly to RTI where you just click one button and the submission is made.

Useful Video – NEST API / Web Services:
https://www.brightpay.co.uk/tutorials/nest-web-services-in-brightpay/

Similar APIs are also in working progress for both Smart Pension and pensionsync. With pensionsync, BrightPay users will be able to transfer pension data directly from BrightPay to a number of auto enrolment pension schemes, including NOW: Pensions, The People's Pension, Aviva, Legal & General, and more.

Useful Video – Pensionsync API:
https://www.youtube.com/watch?v=9DgjKmhp0GA

Employee Communications

You must write to each staff member after your staging date to tell them how automatic enrolment applies to them and explain their rights. You must let them know that contributions will be deducted from their pay and that they have a right to opt out of the pension scheme if they wish to do so. Communications must be done in writing and within six weeks of your staging date. As explained already, your payroll software should be able to produce the required employee communications for you.

You must write to staff who are being automatically enrolled (eligible jobholders) explaining that you have done so and provide details of the pension scheme you have chosen for them. This communication will also tell them about how the contributions will increase from the basic 1% and 1% to 5% and 3% by 2018 (assuming that you are starting from the minimum base levels).

You must write to staff who have a right to opt in to an automatic enrolment pension scheme (non-eligible jobholders) explaining how automatic enrolment applies to them. You must write to staff who have a right to join a pension scheme (entitled workers) explaining how automatic enrolment applies to them.

Useful Video – AE Communications in BrightPay:
https://www.brightpay.co.uk/tutorials/ae-communications/

It is the employer's responsibility to give the statutory information to a worker. 'Giving' information, in The Pensions Regulator's view, includes sending hard copy information by post or internal mail, handing over hard copy information by hand, sending information in the body of an email, sending information in PDF format or other attachments by email.

'Giving' information does not include merely signposting to an internet or intranet site, attaching a URL or displaying a poster in the workplace.

Practical Tip:
Send the employee communications around about the same time as you are submitting your pension file. If you send the communications too early and employees contact the scheme to opt out, the scheme will have no record of the employees and therefore will not be in a position to process their opt-out requests.

Employees Opting Out & Opting In

Opt Out Requests

A core feature of auto enrolment is the ability of employees to opt out. AE is optional for the employee but mandatory for the employer. If any of your staff choose to opt out within one month of being enrolled, you need to stop deductions of contributions and arrange a full refund of anything that has been paid to date. This refund must happen within one month of their request. Usually the refund will be processed in the next payroll after you get the opt-out notice.

Useful Video – Opt Outs & Refunds:
https://www.brightpay.co.uk/tutorials/opt-outs-refunds/

The decision to opt out must be taken freely by the employee. Staff cannot opt out until after they have been automatically enrolled. The opt-out period is one month from when active membership is created, or from when they receive your letter with the enrolment information, whichever is latest.

Staff cannot opt out before the opt-out period starts or after it ends. If they decide to leave the scheme outside this period, they will instead be 'ceasing active membership'. Whether they get a refund of contributions will depend on the pension scheme rules.

Staff opt out by getting an opt-out notice from the pension scheme which they then complete and give to you. In most cases the employee informs the pension company directly (by phone or by online form completion) and the pension company in turn lets you know which means that you do not have to know when exactly the opt-out period commences.

If you receive an invalid opt-out notice from an employee (for example they have not used a notice supplied by the pension scheme or have not completed all of the information), the opt-out period can be extended to 6 weeks to allow the employee enough time to correct it.

In 99.9% of cases, you can be sure that if you receive an opt-out notice within one month of the pay date when you enrolled the employee, then it is within the opt out period. The opt-out period may even extend for another week or two depending on when the employee received their communication and when the pension scheme made them an active member.

Useful Link – Opting Out:
http://www.thepensionsregulator.gov.uk/opting-out.aspx

Opt In Requests

As part of your employer duties, you will have written to the employees who were not eligible for automatic enrolment telling them about their right to opt into, or join, a pension scheme. Staff can decide to opt in or join at any point.

All requests to opt in or join must be in writing and signed by the person asking to opt in or join. If they send it to you electronically, it must include a statement from them that they have personally submitted the request. It could be months or even years after you first told staff about their right to opt in or join. You will need to check they are still entitled to opt in or join by checking their age and earnings. Your payroll software should help you.

Useful Video – Opting In & Joining:
https://www.brightpay.co.uk/tutorials/opting-in/

Checking the right to opt in (non-eligible jobholders)

Staff who can opt in are:

- aged 16-21, or state pension age to 74 and earning above £192 per week, or
- aged 16-74 and earning above £112 up to and including £192 per week

You must enrol staff who have opted in into a pension scheme you are using for automatic enrolment. You must usually do this within a month of receiving their request. Once in the pension scheme, they are treated the same as staff you have automatically enrolled which means you must pay an employer contribution.

Checking the right to join (entitled workers)

Staff who can join are aged 16 to 74 and earning £112 or less per week. The pension scheme you put these staff into doesn't have to be one you use for automatic enrolment. You do not have to pay an employer contribution unless you want to. The scheme provider will tell you the date when the staff member will go into the scheme.

Postponement

An employer can choose to postpone automatic enrolment for up to three months for some or all employees. Staff must be written to telling them that automatic enrolment is being postponed for them.

One of the times that postponement can be used is at staging. Typically this will be used for all staff to allow the employer enough time to choose and register with a pension scheme. If postponement is used at the staging date, you must write to notify the staff who have been postponed within six weeks of the staging date. This is a key point as many employers mistakenly believe that postponing for the 3 months means they have no duties during that 3 month period.

One of the main reasons you might decide to postpone is if you have temporary or short-term staff who you know will stop working for you within three months. Another common reason is where an employee has had a one off spike in earnings but where normally they would not be earning enough to be classed as an eligible jobholder.

Useful Video – Postponement in BrightPay:
https://www.brightpay.co.uk/tutorials/postponement/

When postponement might be used:

- at the staging date
- on a staff member's first day of employment (first pay day)
- the date a staff member first becomes eligible for automatic enrolment

In all cases, where postponement is being used, the employee must be communicated with telling them about the postponement.

On the last day of the postponement period, you will need to determine whether any member of staff whose automatic enrolment you have postponed is still eligible to be automatically enrolled. If they are eligible, you must put them into a pension scheme straight away. You cannot apply a further period of postponement even if you postponed for less than the three months allowed.

Your payroll software should allow you to apply a period of postponement for some or all of your employees so that when the postponement period concludes, you will be reminded to enrol or perform any other task required.

Declaration of Compliance

Once you have enrolled your staff, you must complete your declaration of compliance within 5 months of your staging date. Your declaration confirms to TPR that you have complied with your duties. If you have all the relevant information to hand, TPR states that it can take as little as 15 minutes.

Completing your declaration is a legal duty and, if you fail to complete yours within five months, you could be fined. Even if you have not had to enrol anyone (but had staff on your staging date), you still need to complete your declaration to tell TPR this. The declaration can be completed online on the Pensions Regulator's website.

Useful Link – Complete your declaration of compliance here:
http://www.tpr.gov.uk/completing-the-declaration-of-compliance.aspx

You will need your letter code and PAYE reference to access the declaration of compliance online service. The letter code is a 10-digit reference beginning with a '1' that's unique to every employer. It can be found on all written correspondence from TPR.

You will need to tell TPR things like how many people were in employment on your staging date, how many of those you have automatically enrolled and how many people were already in a pension scheme with you. You will need to account for everyone who worked for you on your staging date.

TPR also needs details about the pension scheme (or schemes) you are using for automatic enrolment, particularly the employer pension scheme reference (EPSR) or pension scheme registry number (PSR number). If you do not have this reference on your scheme paperwork, make sure you contact the trustees or managers of the scheme to get this in good time.

Because the purpose of the declaration is to tell TPR about every person who was in employment on your staging date, you will not be able to complete it or submit it until after the staging date. If you have postponed automatic enrolment for any of your staff, you must not submit your declaration until after the postponement period has ended.

Useful Link – Declaration of Compliance Checklist:
http://www.tpr.gov.uk/docs/automatic-enrolment-online-registration-

Penalties

There are 3 main sources of intelligence that TPR rely on when deciding if they should take further action.

- If the **declaration of compliance** is not received within 5 months of the staging date, then it is usually a good indicator of non-compliance.
- Notification by a pension scheme of **non-payment of pension contributions**. In such cases either pension files have not been submitted by the employer or the employer has not discharged the amounts deducted as per these files.
- **Employee whistleblowing** - if an employee is being advised by the employer to opt out of auto enrolment, this represents a serious breach of the regulations.

Action taken by TPR will usually commence with guidance and instruction by telephone, email, letter, in person, or they can send a warning letter confirming a set time frame for compliance with the duties.

Statutory notices can direct you to comply with your duties and / or pay any contributions you have missed or are late in paying. **Penalty notices** will issue to punish persistent and deliberate non-compliance.

- A fixed penalty notice will be issued if you do not comply with statutory notices, or if there is sufficient evidence of a breach of the law. This is fixed at £400 and payable within a specific period.
- TPR can also issue an escalating penalty notice for failure to comply with a statutory notice. This penalty has a prescribed daily rate of £50 to £10,000 depending on the number of staff you have.
- TPR can issue a civil penalty if you fail to pay contributions due. This is a financial penalty of up to £5,000 for individuals and up to £50,000 for organisations.

Where employers 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 the number of staff the employer has.

Useful Link – What happens if you don’t comply with AE?
https://www.brightpay.co.uk/guides/What%20happens%20if%20you%20don't%20comply%20with%20Auto%20Enrolment.pdf

Ongoing AE Responsibilities

Automatic enrolment is an ongoing responsibility. It does not just end after staging and handling the various opt-outs and opt-ins that result from staging.

Every pay period, your payroll software (or other payroll process) should do the following:

- Assess all staff (including new starters) who are not already enrolled, or who have not previously opted out, to see if they should now be enrolled (i.e. if they have exceeded £192 per week and/or turned 22)
- For those staff who should now be enrolled, process their enrolment (or postponement) and issue the relevant employee communications
- Calculate and pay your own contributions to your pension scheme on behalf of your staff, as well as calculating, deducting and paying over your staff's own contributions
- Process opt-outs and opt-ins received during the pay period
- Prepare the pension file submissions
- Keep records of how you have complied with your automatic enrolment duties

Useful Video – Ongoing Monitoring in BrightPay:
https://www.brightpay.co.uk/tutorials/ongoing-monitoring/

Keeping Records

You must keep records of the following for six years and opt-out notices for four years:

- Records about jobholders and workers, e.g. name, National Insurance number, date of birth
- Gross qualifying earnings in each pay period, the contributions payable in each pay period by an employer to the scheme, and the amount payable (including contributions due on the employer's behalf and deductions made from earnings)
- The date contributions were paid to the pension scheme
- Any opt-in, joining or opt-out notices (hard copy or scanned copy)

- Copies of any postponement notices
- Records about the pension scheme, e.g. employer pension scheme reference and scheme name and address

Employers can use their existing business documentation (e.g. payroll records) for the purpose of collecting and storing records, but should note that the notices (an opt-in notice, joining notice or opt-out notice) must be retained in the original format, as this is proof of an individual exercising a right.

Copies of the original format, or electronically-stored versions, are acceptable. However, all records must be kept in such a form and manner that they are legible or can be provided to the regulator in a legible format.

Employers who outsource business or pensions administration to a third party can continue to do so. They may authorise the third party to keep, preserve or provide the records on their behalf. However, it remains an employer's legal responsibility to ensure these records are kept and, if requested, produce them.

Useful Link – Ongoing Duties:
http://www.tpr.gov.uk/ongoing-duties-after-your-clients-staging-date.aspx

Automatic Re-enrolment

Automatic re-enrolment occurs every three years after your staging date and is basically a repeat of the duties that you carried out on your staging date – or deferral date if you used postponement. You must re-enrol eligible staff into an automatic enrolment pension scheme if they are not already active members of one. Postponement cannot be applied at re-enrolment.

You will have three months either side of the third anniversary of your staging date in which to choose your re-enrolment date. This gives you a six-month window in which you can choose a re-enrolment date, but you must have the same re-enrolment date for all staff you have to re-enrol.

Useful Link – Re-enrolment:
http://www.thepensionsregulator.gov.uk/re-enrolment.aspx

How to Charge for AE Services

Figures released by TPR in August 2015 showed that 1.8 million employers were still to stage with the vast majority of these staging between January 2016 and the end of 2017. Around 55% of these will have eligible jobholders to enrol and few of these will have the in-house resources or expertise to deal with AE.

It is estimated that that 7 out of 10 SMEs will turn to an accountant, bookkeeper, or payroll bureau for help with auto enrolment. Many will leave their preparations to the last minute. Over 50% of micro employers staging this year have not started making plans for automatic enrolment. Do not assume that clients will come to you prior to their staging date.

You may wish to proactively contact your clients to find out when their duties start. It is possible to look up your clients staging date on The Pensions Regulator's website if you have their PAYE employer number. It is important to engage with these small and micro employers that have not yet staged to help reduce the number of latecomers.

Useful Link – Find out your clients staging date here:
http://www.tpr.gov.uk/checking-your-clients-staging-date.aspx

The main difficulty that an accountant or bureau provider faces when charging for something new like AE is the lack of understanding of the client. The client is unaware of just how far reaching and onerous AE is. It is therefore important to impart this information to them.

One way of doing this is to offer a free AE consultation with clients. This consultation allows you to explain the various administrative aspects of AE to your existing clients and potentially gain new clients. Typically a consultation will last for a half an hour.

The three main advantages of this consultation approach are:

- The client will begin to understand how much is involved in AE
- The client will be much more receptive to your fee quotation
- The consultation approach will hopefully eliminate your clients seeking AE advice from you for free

It is also useful to produce a PDF for your clients explaining each of the AE duties. This information and a number of guides are available on The Pensions Regulator's website.

Here is an example of this tiered approach for a client that has 10 employees, which gives the client a menu of different options to choose from.

Bronze	Silver	Gold	Platinum
Assessment Enrolment Communications Process opt-in, opt-out requests. Issue opt-out refunds On-going monitoring Pension file submission / pay period	Assessment Enrolment Communications Process opt-in, opt-out requests. Issue opt-out refunds On-going monitoring Pension file submission / pay period Postponement	Assessment Enrolment Communications Process opt-in, opt-out requests. Issue opt-out refunds On-going monitoring Pension file submission / pay period Postponement Declaration of compliance	Pre-assessment report Assessment Enrolment Communications Process opt-in, opt-out requests. Issue opt-out refunds On-going monitoring Pension file submission / pay period Postponement Declaration of compliance Payroll & pension reporting
£500	**£550**	**£600**	**£700**

By introducing a tiered pricing system, this enables the employer to decide how much of the auto enrolment process they want to do themselves. If you are already doing their payroll for them, it is unlikely that they will want any part of the AE process and will prefer to leave it all to you.

Useful Link – Three simple but effective Automatic Enrolment pricing plans:
https://www.brightpay.co.uk/guides/three-simple-but-effective-automatic-enrolment-pricing-plans/

Advising Clients

Guidance published in March 2014 jointly by the Financial Conduct Authority ("FCA") and the Pensions Regulator has confirmed that **advising an employer in respect of scheme selection is not a regulated activity**. Therefore, any firm regardless of any investment business authorisations, may assist clients decide on an appropriate scheme.

However, advising individual employee(s) on whether the scheme is appropriate for them is a regulated activity. Therefore **advising individual employee(s) may only be carried out by an FCA authorised firm.**

Investment advice to an employer (in their capacity as an employer) is not a regulated activity. However, investment advice to an individual is regulated and should only be provided if an adviser has the appropriate Financial Conduct Authority authorisation.

It may not always be easy to tell whether an employer is seeking advice as an employer or as an individual (e.g. where the client might join the pension themselves). Consider the ethical standards set by your professional body and the scope of your professional indemnity insurance.

Note: If you offer a payroll service that only works with certain pension providers, you should make your clients aware that there may be other pension providers available to them that could be more appropriate for their staff.

Letter of Engagement

You should specify in the letter of engagement that any advice to an employer is provided to them in their capacity **as an employer and not as an individual.**

One possible approach, instead of issuing a full blown revised engagement letter (which would cover all of your services), is to send a client engagement clarification letter. A **client engagement clarification (CEC)** sheet is essentially a letter that will remind them that they will soon have to comply with the new auto enrolment regime.

- Explain that since it is something new, it is not covered by the scope of the current engagement letter.

- State that you have a professional responsibility to ensure that there is complete clarity over what is and is not included within the scope of the engagement.

- Set out how you can help them with auto enrolment if they want you to extend your engagement, and your fees for doing so.

As suggested, you could meet with the client and outline exactly what is involved in auto enrolment and then let them choose how much work and responsibility they want to take on.

The full extent of auto enrolment services extends to 5 pages in the letter proposed by the **Institute of Certified Accountants**, which is designed for those accountants already providing a payroll bureau service.

Useful Link – Auto Enrolment Letter of Engagement:
https://www.brightpay.co.uk/guides/Letter%20of%20Engagement.doc

The letter should set out clearly the respective responsibilities of you and your client. For example, it is important to point out that the client is responsible for keeping correct records of staff earnings and age and for making payments of pension contributions on time.

It should also cover how penalties and charges might arise and how these can be avoided, e.g. by specifying time limits within which your client must provide you with information.

A useful feature that you can use when communicating with clients is the pre-assessment tool in BrightPay. Essentially, this will give you an estimated snapshot of what auto enrolment might look like when your client stages.

Useful Link – Sample Pre-Assessment Report:
https://www.brightpay.co.uk/downloads/Auto%20Enrolment%20Assessment%20Preview.pdf

Useful Video – BrightPay's Pre-Assessment & Post Assessment Tool:
https://www.brightpay.co.uk/tutorials/pre-assessment-post-assessment-tool/

How can BrightPay help?

BrightPay have embraced auto enrolment and are providing a number of online resources to bureaus across the UK, including free auto enrolment webinars and guides.

Discover just how easy automatic enrolment is in BrightPay. Read about BrightPay's automatic enrolment features on our website.

BrightPay's bureau licence includes unlimited employers, unlimited employees, free phone and email support, and full auto enrolment functionality – all for just £199 plus VAT per tax year.

For more information about BrightPay visit www.brightpay.co.uk. Book a demo with our sales team or try out the software with a 60 day free trial. To contact us, call 0845 3004 304 or email sales@brightpay.co.uk.

Book a Demo **Download Now**

About BrightPay

BrightPay is created by a company with over twenty years of industry experience in the UK and Ireland. We have grown to a team of twenty two talented individuals.

As a team, our collective goal is to intelligently create, successfully deliver and professionally support the best payroll and HR software and services for SMEs in the UK and Ireland.

Our products are currently used by over 80,000 employers across the UK and Ireland. As a customer-focused company, we strive to look after each and every one of them.

BrightPay are highly commended for their level of customer support, their simple pricing structures and their user-friendly software.

Read customer testimonials here.

99.4% customer satisfaction rate

98.8% recommend BrightPay

98.5% satisfied with customer support

Get in touch today to see how BrightPay can help you prepare for auto enrolment.

Call: 0845 3004 304

Email: sales@brightpay.co.uk

Visit: www.brightpay.co.uk

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