Staying on track

The Pensions Regulator reminds employers of their auto-enrolment responsibilities and recommends that new employers should get to know their workplace pension responsibilities.

TEN SECOND SUMMARY

1. **Research shows that automatic enrolment of employees into a workplace pension scheme is easier to implement than anticipated.**
2. **The start of "instant duties" means that workplace pension responsibilities start as soon as an employee is taken on.**
3. **It is the employer's ultimate responsibility to make sure they use a qualifying scheme and that the correct pension contributions are paid.**

With more than 800,000 employers having now put about 8.7m staff into a pension, the roll-out of automatic enrolment continues to be a success.

Recent research by the Department for Work and Pensions (*Automatic enrolment: Qualitative research with small and micro employers* at tinyurl.com/ycsbmxrb) has shown that employers took a pragmatic approach to automatic enrolment and found it easier to implement than they had anticipated. The Pensions Regulator's website was the first port of call for employers and those who were surveyed urged other employers approaching automatic enrolment to start planning in good time. They said a clear majority of their staff did not choose to opt out and thought that automatic enrolment was a "good idea". Employers were also aware of and prepared for the increase in minimum contributions.

Challenges

The research illustrates how far we have come since the start of automatic enrolment five years ago; however, we continue to be alive to the challenges ahead. We will continue to ensure employers and their advisers are equipped with the information and tools they need to meet their duties.

Advertising

Recent TV advertising launched by The Pensions Regulator and the Department for Work and Pensions highlights the benefits of automatic enrolment for employees. The message is that while they work, their pension works for them. The advert aims to encourage staff not to see their pension as something complex, but as a benefit they should engage with. At the same time, radio advertising will target employers with the message that automatic enrolment is the law and, as well as other things they provide their staff, they have a legal duty to provide a pension.

Instant duties

This autumn saw the start of "instant duties". This means that as soon as a business has been set up and staff taken on, the employer will have workplace pension responsibilities. The Pensions Regulator has a suite of new tools and information (tinyurl.com/ycwalycn) for new employers and their advisers. These will tell them quickly the action they need to take and when to do this. Advisers should help ensure clients setting up a new business build automatic enrolment into their plans from the start.

Increase to minimum contributions

The minimum pensions contributions for employers is set to increase in April 2018 and

The Pensions Regulator

The Pensions Regulator
The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. We make sure that employers put their staff into a pension scheme and pay money into it. We also make sure that workplace pension schemes are run properly so that people can save safely for their later years.

© iStockphoto/PJPhoto69

there are several tasks employers and their advisers will need to do to ensure staff receive the contributions they are entitled to.

Employers will be required to increase their staff's total minimum contributions to 5%. Employers will need to increase their contributions to at least 2% and their staff's contribution will be increased so their contributions make up the shortfall needed to bring the total minimum contribution up to 5%.

In April 2019, the contribution levels increase again. The employer will be required to pay a minimum of 3% with the total minimum contributions needing to reach 8%. The employer's staff must then make up the shortfall.

The increase in the minimum contributions should be simple, but business advisers can help clients by ensuring their payroll systems are ready to deduct the increased contributions when they rise in April 2018 and 2019.

Employer responsibilities

Advisers should also ensure their clients are aware that, although pension scheme providers are already making the necessary changes to support the increases, it is still the employer's ultimate responsibility to make sure they are using a qualifying scheme and that the correct amount of pension contributions are paid into it.

When staff were first automatically enrolled, the letter they received from their employer should have advised them that contribution levels will increase over time. There is no additional legal requirement for employers to write to their staff about the increases, but they may wish to do so to help minimise queries or reduce the number of employees subsequently opting out.

More information about contribution increases can be found at tinyurl.com/y9jqlb27.

Re-enrolment

As well as preparing for increases to minimum contributions, employers also need to complete re-enrolment. So far, 30,000 employers have done this, meaning that they put those eligible staff who opted out originally, back into a pension.

Employers have a six-month window for choosing their re-enrolment date, which is three months either side of the third anniversary of their staging date. Within this window, employers can choose a date for re-enrolment that is suitable for their business. Employers must assess their staff and write to them about re-enrolment and they must then complete a re-declaration of compliance. More information about re-enrolment can be found at tinyurl.com/y9ke5yr3.

Compliance and enforcement

Earlier this year, The Pensions Regulator started to carry out spot checks on employers in towns and cities in the UK.

These checks help to identify employers who are not meeting their duties correctly or not paying across the pension contributions their staff are entitled to. It is not fair if some employers are non-compliant when most have met their duties and enforcement action will be taken if necessary.

The inspections also help us understand the challenges employers have and whether we need to update our information and support.

Spot checks have been carried across Glasgow, Edinburgh, Manchester, Sheffield, Birmingham and South Wales and will continue in other areas across the country in the coming months. Employers selected for a visit will receive a statutory notice alerting them.

While compliance remains above 95% and the vast majority of employers do meet their duties successfully, a small minority become non-compliant. We want to help employers, but we will act if an employer fails to meet their duties.

A compliance notice is usually enough to get employers back on track, but some do become subject to financial penalties.

For the small number of employers who remain non-compliant despite being fined, The Pensions Regulator now publishes a list of those who have been subject to county court judgments for failing to pay an escalating penalty notice or failing to comply despite having paid the notice. We publish quarterly compliance and enforcement bulletins showing where these powers have been used (tinyurl.com/yd78s6d4). The next bulletin is due to be published in November.

FURTHER INFORMATION

The Pensions Regulator Website: www.thepensions regulator.gov.uk/
New employers' tools and information: tinyurl.com/ycwalycn
Quarterly compliance and enforcement bulletins: tinyurl.com/yd78s6d4
Online suite of information and tools for new businesses and their advisers: www.tpr.gov.uk/employers
For clients: www.tpr.gov.uk/employers
For business advisers: www.tpr.gov.uk/business-advisers
For director-only businesses: www.tpr.gov.uk/director-exemptions-from-automatic-enrolment