

SOVEREIGN[®]


Established in 1984




Automatic Enrolment

What you need to know





“ It is vital people make a start at an early stage in their working lives, to eventually have savings that will top up the state pension.



Your business and auto enrolment

What is auto enrolment?

Auto Enrolment is a government initiative designed to encourage more people to save for their retirement. The rules put a duty upon every employer to automatically enrol their qualifying staff who normally work in the UK into a pension scheme and to make contributions on their behalf.

Auto Enrolment was set out in the Pensions Act 2008 and started rolling out across the UK in 2012 with all existing employers being provided with a date by which they needed to comply (known as a staging date).

Since early 2018 this process is now complete and all new employers with UK based employees after the 1st October 2017 have an immediate obligation to automatically enrol their qualifying staff.

Your obligations are detailed within around 300 pages of legislation which cover what the duties are, when they will apply and what happens if you don't follow the rules.

It's likely you will need the help of an expert to guide you through the duties as they apply to your business.

Sovereign are experienced pension advisers and have been setting up workplace pension schemes since 1984 so have the knowledge, expertise and know-how to help you prepare your workplace pension.

This brochure will show you:

- what your obligations will be.*
- Why you need to plan ahead.*
- What you need to do.*
- What will happen if you do nothing.*
- How Sovereign can help you.*

What are my responsibilities?

How the rules apply to your new business.

If you set up a new business and employ eligible staff in the UK you are responsible for ensuring a suitable pension scheme is in place and automatically enrolling eligible employees into the scheme. Your automatic enrolment duties start when you employ your first member of staff, this is known as your duties start date.

The first step is to see if you employ anyone classed as a 'worker'. A worker is defined as any individual who:

- works under a contract of employment (an employee),*

or

- has a contract to perform work or services personally and is not undertaking the work as part of their own business.*

Whilst in most cases whether your employees are workers or not is straight forward, there may be circumstances where the position of the individual is unclear. If this is the case please contact us for further guidance.

The physical location of an employer is not a determining factor when considering a person's status as a worker, e.g. it is possible for an employer to be based outside the UK.

The actions it is necessary to take in respect of an employee depends upon their age and the category of worker which applies to them. These categories are explained overleaf.

Automatic Enrolment Eligibility - 2018/19

Which employees are eligible for auto enrolment?

Earnings	Age 16 - 21	Age 22 - State Pension	State Pension Age - 74
<£6,032	Entitled Worker		
£6,032 - £9,999	Non-Eligible Jobholder		
Over automatic enrolment earnings trigger (£10,000)	Non - Eligible Jobholder	Eligible Jobholder	Non - Eligible Jobholder

Eligible Jobholder = **automatic enrolment**

Non-Eligible Jobholder = right to **opt in** (with employer contributions)

Entitled Worker = right to **join** (without employer contributions)

Although the table above expresses annual gross earnings, automatic enrolment is assessed each and every Pay Reference Period. For monthly paid the automatic enrolment earnings trigger is £833 per month before tax, for weekly paid it is £192 week before tax.

Workforce assessment is generally on **all earnings** (wages, bonuses, commissions etc.) not just Basic Pay.

Automatic Enrolment Eligibility - 2018/19

What do I need to pay?

What are the minimum contributions an employer can make?

As an employer, you are legally obliged to make a minimum contribution. You can increase this contribution if you wish. Minimum contributions are based on an earnings band **between £6,032 and £46,350**.

Qualifying Earnings **include**; salary, wages, overtime, bonuses, commissions, statutory sick pay, maternity pay, ordinary/additional paternity pay and statutory adoption pay.

Date	Minimum Employer	Minimum difference paid by employee (gross)	Total Minimum
April 2018 to March 2019	2%	3%	5%
April 2019 onwards	3%	5%	8%

Automatic Enrolment Eligibility - 2018/19

Do employers have to base contributions on Qualifying Earnings?

No. As an alternative to using the Qualifying Earnings Definition, employers may choose to self-certify their scheme as meeting one of the three alternative contribution tiers:

Tier 1 - 9% of Pensionable Pay (not less than basic)

Date	Minimum Employer	Minimum difference paid by employee (gross)	Total Minimum
April 2018 to March 2019	3%	3%	6%
April 2019 onwards	4%	5%	9%

The second and third tiers allow minimum employer contributions but provided pensionable pay is equal (or at least equal) to a fixed percentage of earnings.

Tier 2 - 8% of Pensionable Salary, provided 85% of total payroll is pensionable

Date	Minimum Employer	Minimum difference paid by employee (gross)	Total Minimum
April 2018 to March 2019	2%	3%	5%
April 2019 onwards	3%	5%	8%

Tier 3 - 7% of all earnings

Date	Minimum Employer	Minimum difference paid by employee (gross)	Total Minimum
April 2018 to March 2019	2%	3%	5%
April 2019 onwards	3%	4%	7%

What you need to do

Complying with the auto enrolment legislation is by no means a simple matter. Compliance requires more than just a pension scheme.

Here are some of the things you will need to do before, on and after your duties start date

It's clear that there's a lot of work to do to meet your employer duties and it's important that we start this work for you sooner rather than later to ensure your journey to a compliant scheme is worry free.

We will need to liaise with your payroll provider during the implementation of the scheme.

Stage 1 - Get started



Step A – Consider your duties start date

Step B - Calculate contribution costs

Stage 2 - Design



Step A – Choose a suitable scheme

Step B – Decide whether to use postponement

Step C - Select a default investment fund

Stage 3 - Prepare



Step A - Assess workforce

Step B - Join employees

Step C - Manage opt-outs/opt-ins

Step D - Process pension contributions

Stage 4 - Implement



Step A – Duties start date actions

Step B - Regulatory communications

Step C - Employee support

Stage 5 - Manage



Step A - Building engagement

Step B - Record keeping and reporting

Step C - Regular duties

What will happen if you don't comply

The Pensions Regulator are responsible for ensuring that you comply with your employer duties.

Although they will likely focus on education rather than imposing penalties they will take action against employers who fail to carry out their duties.

There is a three stage process that TPR follow.

Stage 1 Compliance notice

This notice will detail the breach and require the employer to put things right within a specific timescale. A notice may also include a requirement to pay contributions with interest added.

Stage 2 Fixed penalty notice - £400

This notice will require employers to put right the breach identified in the previously issued compliance notice. Employers will be given at least four weeks from the date of the fixed penalty notice to put things right. Failure to comply by the specified date will result in the fixed penalty being applied.

Stage 3 Escalating penalty notice

If an employer fails to comply with the original compliance notice and subsequent fixed penalty notice, they will face daily escalating penalties.

Number of people	Daily rate
1 - 4	£50
5 - 49	£500
50 - 249	£2,500
250 - 499	£5,000
500 or more	£10,000

Other penalties

There are 3 other types of penalties TPR can impose on employers. These are detailed below:

Wilful failure to comply

Employers who wilfully fail to comply with the employer duties face fines and/or up to 2 years imprisonment.

Inducements

Employers who induce workers not to join or to opt out of a pension scheme will be subject to the 3 stage compliance process.

Prohibited recruitment conduct

Employers are not allowed to make any statement or ask any question during the recruitment process, which indicates (either explicitly or implicitly) that the worker may not join, or may opt out of a pension scheme. Separate penalties apply to employers using prohibited recruitment conduct.

Number of people	Fixed Penalty
1-4	£1,000
5-49	£1,500
50-249	£2,500
250 or more	£5,000

How Sovereign can help you

We have a wealth of knowledge and experience in the pensions market and offer a range of corporate pension services designed to suit the needs of employers. We want to work with you to help you understand and prepare for your employer duties.

Sovereign has many years of experience in dealing with The Pensions Regulator and therefore can guide you through the new rules effectively and efficiently.

To help us understand your business and how auto enrolment will apply to it we will need to assess how your workforce will be structured on your duties date to determine what duties you will have.

In order to do this we will need the following information:

- Information about your business and how it operates.*
- Full payroll data.*
- Your duties start date.*
- An understanding of your payroll arrangements (in house / external provider etc.).*

Once we've reviewed the structure of your workforce on your duties start date, we can help you decide on the best course of action for your business and work with you to put the required arrangements in place.

Sovereign can also help provide other employee benefits including:

- Private medical cover.*
- Death in Service.*
- Long term Sickness protection.*
- Employee Assistance Programmes.*

Please contact us for further details.

Our key people

As a team we aim to understand the objectives of each and every client.

We build a lasting relationship with them to ensure that not only is the solution tailored, but offers on-going review to meet these objectives. In short, the relationship is for the longer term - with trust and client service being at the very heart of everything we do.



*Malcolm Lay Dip PFS
Managing Director*



*Jackie Witcher CertPMI
Head of Group Scheme
Administration*



*Louise Gell CertPMI
Account Manager Group
Scheme Administration*



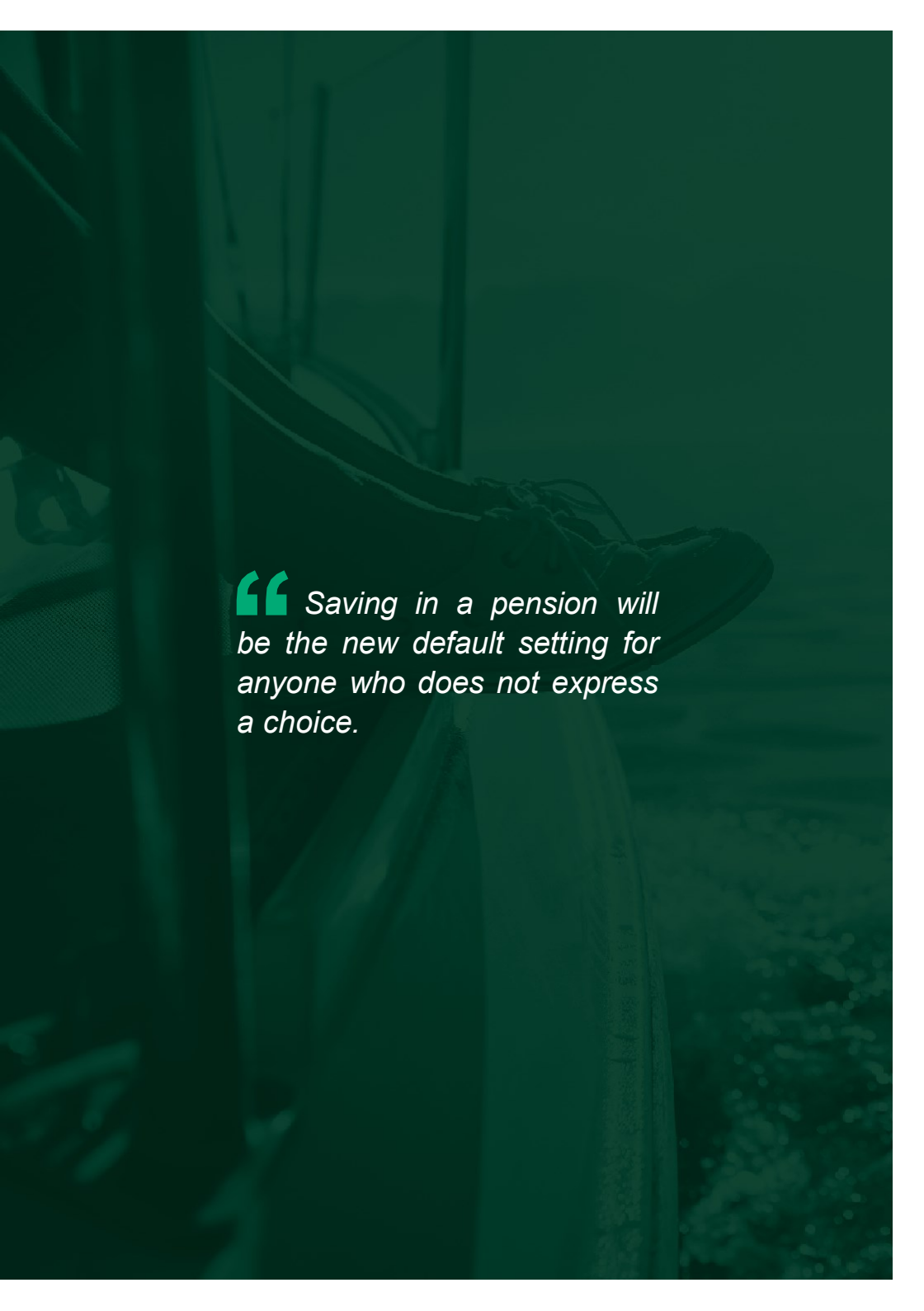
*Donna Ayrton
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Scheme Administration*



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Account Manager Group
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“ *Saving in a pension will be the new default setting for anyone who does not express a choice.*

FAREHAM BOROUGH
PARK GATE
PARK GATE WARD

SOVEREIGN[®]

Established in 1984

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The Financial Conduct Authority does not regulate some elements of Auto Enrolment

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