AUTO ENROLMENT EXPLAINED

Helping you meet your commitments

GINKGO FINANCIAL

Contents

INTRODUCTION

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

We want to help you understand and meet your obligations as an employer. This guide tells you more about auto-enrolment, your duties as an employer, and what they mean for you. Because we've based it on our current understanding of the relevant legislation and regulations, it may be subject to change.

AUTO-ENROLMENT AT A GLANCE

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. Below you'll find an at a glance guide to what you'll need to do.

What is my first duty?

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 their age and earnings.

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 certain records.

Who checks that I have performed my duties?

You must register with The Pensions Regulator (TPR) that you have an auto-enrolment scheme in place no later than five months after your duties start date. You also have to re-register every three years.

What happens if I do nothing?

Your employer duties are not optional, and it is the role of TPR to ensure you comply. Although TPR's approach will be to educate and encourage compliance, you'll face substantial fines or even imprisonment if you don't comply.

What if none of my employees are eligible?

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

How we can help

By working with you and understanding your workforce, we can create a bespoke approach for your company and 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.

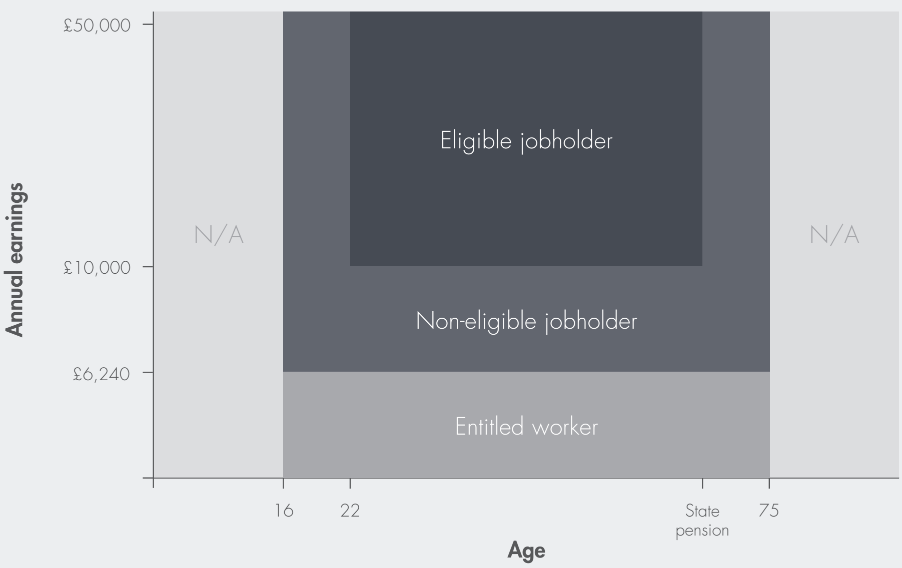
The different types of worker

There are three different categories of worker, which category they fall into depends on their age and earnings. You must automatically enrol eligible jobholders into an auto-enrolment scheme. Non-eligible jobholders have the right to opt in to an auto-enrolment scheme. Entitled workers have the right to join a pension scheme.

THERE ARE THREE DIFFERENT CATEGORIES OF WORKER, WHICH CATEGORY THEY FALL INTO DEPENDS ON THEIR AGE AND EARNINGS.

The following table shows you how to identify each type of worker. The government updates the earnings figures every year. These are the latest figures and apply from April 2020.

Employer duties: Who qualifies for what?



WHAT ARE MY EMPLOYER DUTIES?

Your employer duties depend on the types of worker you employ.

Here is a summary of your employer duties for each type of worker.

1. Eligible jobholders

- Automatically enrol them into an auto-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 auto-enrolment and opting out processes and provide them to The Pensions Regulator 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 Auto-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.

You can use postponement to 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.

If you use postponement you must provide workers with a postponement notice. You must issue this within six weeks of your staging date, the workers first day of employment after your staging date, or the day that a worker becomes an eligible jobholder.

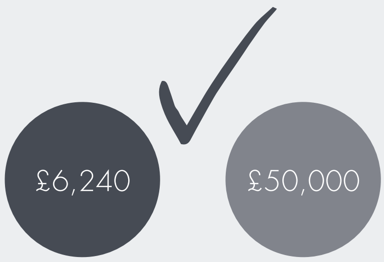
You must register with The Pensions Regulator that you have an auto-enrolment scheme in place no later than five months after your duties start date.

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: auto-enrolment criteria, qualifying criteria and quality requirements. The following information relates specifically to contributions under the quality requirements.

Minimum requirements

The minimum contribution level required for an auto-enrolment scheme is based on qualifying earnings. Qualifying earnings are a band of earnings between £6,240 and £50,000.



These figures are for the 2020/21 tax year and are expected to change each year. Qualifying earnings include salary, wages, overtime, bonuses, commissions, statutory sick pay, statutory maternity pay, ordinary or additional statutory paternity pay and statutory adoption pay. To allow you to spread the cost of your employer duties, you can phase in the minimum contributions. The following diagrams explain this.

WHAT IS CERTIFICATION?

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.

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 Apr 2019
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

NOTES

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

Under 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. The Pension Regulator will be responsible for ensuring that you comply with your employer duties.

PENALTIES

The Pensions Regulator (TPR) will impose penalties if you don't comply with your employer duties, for example, failing to automatically enrol eligible jobholders, or failing 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 types of penalties include:

Non-statutory action

TPR can issue guidance and instruction by telephone, email, letter and in person. Or TPR can 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 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 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 fail to 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.

You can find out more about auto-enrolment and the role of TPR on its website at www.thepensionsregulator.gov.uk.

THE PENSIONS REGULATOR CAN ISSUE GUIDANCE AND INSTRUCTION BY TELEPHONE, EMAIL, LETTER OR IN PERSON

THE AUTO ENROLMENT END-TO-END SOLUTION

We use a system from Quilter Financial Planning

Using its experience and expertise, Quilter Financial Planning has gathered together the pension providers and payroll providers that specialise in auto-enrolment. Your adviser will work with you to create a bespoke approach for your company and help ensure you implement auto-enrolment as seamlessly as possible.

The solution we offer gives you excellent value because Quilter Financial Planning has negotiated arrangements with the providers in terms of charges and security of supply. Quilter Financial Planning has chosen the providers for their ability to deliver ongoing good value for employers and workers alike. 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 auto-enrolment duties.

HERE TO HELP YOU

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 for the complex administration exercises necessary to comply with auto-enrolment
- Select the right pension scheme for you and your workers
- Arrange employee presentations to enable your workforce to understand what will happen and when
- Arrange for a face-to-face appointment with employees and give individual advice
- Arrange regular reviews to ensure that you comply with the legislative requirements and avoid penalties from The Pensions Regulator.

Managing your finances effectively can be a confusing business. The financial world is complex, and making the right decisions for your future can seem a daunting prospect.

We take pride in offering a personal service that considers your individual circumstances. Your financial situation is unique, so we work hard to understand your goals and aspirations, and make financial recommendations based on a comprehensive and detailed analysis of your needs.

THROUGH OUR COMPREHENSIVE OFFER, WE WILL HAVE AN ADVISER WHO IS ABLE TO HELP YOU WITH YOUR FINANCIAL PLANNING NEEDS:

- Saving and investing for the future
- Planning for your retirement
- Estate and trust planning
- Protection against risk.

When it comes to auto-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.

We look forward to helping you

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