



Auto enrolment – An overview

Why?

It is estimated that there are around 7 million people in the UK who are currently not saving enough for their retirement. In a bid to encourage individuals to save for their own retirement Automatic Enrolment and new pension legislation is being introduced.

Employer duties

From Oct 2012 employers will be affected by the change in legislation whether they have an existing scheme in place or not. Employers will need to register with The Pensions Regulator (TPR) and provide details of their workforce and pension scheme they plan to use to satisfy their duties.

The employer's duties towards the new legislation will be introduced in stages from October 2012. The date an employer will be affected is known as their 'staging date'; this date will be based on the number of people in a workforce i.e. the larger employers with larger number of employees will be affected first.

There will be different employer duties for different types of worker depending on earnings and age. Employers will need to automatically enrol some employees into a pension scheme and arrange membership for others. The employer will need to assess their workforce on a regular basis and keep records of the automatic enrolment process and provide these records to TPR, if requested.

Minimum pension contribution levels will be phased in over five years from October 2012 starting at 1% contribution each from worker and employer rising to 5% worker and 3% employer.

Employers should avoid

As part of the legislation, there are a number of things an employer must NOT do, for example:-

- Give advice to their employees
- Discourage membership of a pension scheme
- Encourage workers to opt out

Also, an employer must not use 'prohibited recruitment conduct' i.e. recruit an individual on the basis that they will opt out of the pension.

The new legislation and employers duties within it are not an option. TPR will be ensuring that employers comply with their duties and will educate and encourage employers to get it right. However, if employers fail to comply, fines and even imprisonment could be imposed.

Summary

- **Auto Enrolment** is designed to get **more people saving for the future**
- **Employers** must have some sort of **pension provision** for all **employees**
- Employers need to **identify** their **staging date** – this determines **when** their employer's duties will apply
- Employers will have to **set-up** and **contribute to a pension scheme** suitable for automatic enrolment
- Employers must **assess their workforce** to **determine which duties** they need to carry out
- Employers will have **different duties** depending on the **types of worker** they employ
- Employers will need to **keep records** of how they've met and continue to **meet their duties**
- **The Pensions Regulator (TPR)** will ensure employers comply with the new duties and **impose penalties** on those who don't

Auto enrolment is happening, it will not go away and the quicker an employer seeks advice from their financial adviser the better prepared they will be for what lies ahead.