

Auto-enrolment & Workplace Pensions

Employer Guide

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Auto-enrolment & Workplace Pension Reform

The UK Government's new Workplace Pension regime came into effect in October 2012. Each employer has a specific date on which they must automatically enroll certain members of their workforce into a 'qualifying' pension scheme. Employers will need to make contributions on behalf of members who opt to stay in the scheme or certain members who chose to join the scheme. This initially came into force for large employers and smaller employers will follow. The 'staging date' for each is dictated by the employee head count on 1st April 2012.

Failure to meet your responsibilities below could result in daily fines of up to £500 per day!!!

What are your Employer responsibilities?

1. Preparation

- Know your staging date
- Start to plan 12 months in advance
- Are you planning to postpone?
- What is your pay reference period?
- Employment Contracts

2. Governance and Plan Design

- Choosing your QWPS
- Using an existing scheme?
- What definition of pensionable pay will you use?
- Consider salary sacrifice
- System required to run the calculations
- System required to keep records for at least 6 years
- QWPS or a certified scheme?
- Re-enrolling any opt outs

3. Assessment for Eligibility

- Worker identification
- Agency workers & temporary staff
- Agree process to obtain data from payroll
- Ensure required communications are issue

4. Payroll, Data & Systems

- Ensure payroll can record what needs to be paid Employer/Employee
- Data cleansing (name, DOB, address, NI Number and email address)
- Middleware/software to be used?
- Making payments on time
- Refunds for opt outs
- Phasing in contributions?

5. Communications

- Records of all communications issued
- Employee engagement
- Confirm qualifying status to members within 2 months of staging date
- Jobholder information and scheme detail
- Postponement?
- Opt Outs
- Changes of employee status

6. Default Fund/Investments

- Choosing a default fund
- Managing risk
- Asset allocation
- Monitoring performance of the default fund
- Communicating info on default fund to employees

7. Triennial Review & On-going Process

- On-going eligibility
- Monitoring
- Opt ins/Opt outs
- Recording
- Calculating returns of contributions
- Re-Enrolment

How can Allen Tomas & Co help?

Auto-enrolment can seem like a daunting prospect for many employers, as Independent Financial Advisers we recognise it is also likely to be a strain on your time, time which could be spent running your business.

To combat this, we have designed a fully bespoke offering to enable you to meet your obligations, we can be involved as much or as little as needed, from a full offering to just guiding you through the process.

Our Services

- ▶ Advise you on your obligations and explain the Auto-enrolment process
- ▶ Plan and design your qualifying workplace pension scheme
- ▶ Provide employee seminars explaining workplace pensions
- ▶ Eligibility assessment, budgeting and staff communications
- ▶ Payroll software, compatibility and data cleansing
- ▶ Making payments and managing opt-outs
- ▶ On-going scheme management processing new joiners/leavers and checking the quality of your scheme

If you would prefer we can also take on the whole process for you, taking care of you so you can take care of your business. In doing so we take away the burden of the process and the worry of missing deadlines which could incur fines and penalties, working with your accountant we ensure deadlines are met giving peace of mind to you.

In acquiring our services, you will also benefit from our independent knowledge, experience and advice in recommending your Qualifying Workplace Pension Scheme. In our experience this directs any objections or queries there may be from your employees about the scheme to us.

Another benefit of seeking advice for Auto-enrolment from Allen Tomas & Co are the employee seminars, which will give your workforce the information they need to make an informed decision on Auto-enrolment and pension planning. This reinforces the relationship with your staff, making them feel valued and cared for.

If you would like to discuss your requirements further, please contact Michael Crisp on 07447922172 or email Michael@allentomasfinancial.co.uk

What are the benefits of a Pension?

Below you will see an illustration of the taxation benefits of saving using pensions. Basic rate taxpayers receive 20% tax relief on contributions, what this means is for every 80p contributed the government also pay in 20p. The added benefit of Auto-enrolment is your employer also contributes.

Employee Aged 50 Salary		Employer		Employee	Employee (net)	Tax Relief
	£25,000					
Year 1		1%	1%		0.80%	0.20%
Year 2		2%	3%		2.40%	0.60%
Year 3		3%	5%		4.00%	1.00%
Year 4		3%	5%		4.00%	1.00%
Year 5		3%	5%		4.00%	1.00%
Year 1		£250			£200	£50
Year 2		£500			£600	£150
Year 3		£750			£1,000	£250
Year 4		£750			£1,000	£250
Year 5		£750			£1,000	£250
Total		£3,000			£3,800	£950
					Total	£7,750
					25% Tax Free	£1,938
					Remainder taxed @20%	£4,650
					Total Income	£6,588
					Total Cost for Employee	£3,800
					Return	£2,788

**N.B. rates used in the table are for illustrative purposes and are not a guarantee of future expected returns.*

The table shows that a pot of £7,750 (excluding any investment performance or charges) costs a basic rate taxpayer just £3,800. At age 55 the employee could cash in their entire pot and assuming they are subject to basic rate tax this would result in receiving a total of £6,588. This represents a return of £2,788 or 73%! (Based on employee contribution cost)