

## **Automatic Enrolment and Staging Date**

### **Introduction**

Many employers will receive a letter notifying them of a staging date and asking to nominate contacts for future correspondence with the Pensions Regulator relating to the automatic enrolment pension schemes which employers will have to introduce shortly.

A staging date is the date by which an employer will be required to have in place a suitable pension scheme and have the ability to contribute to that pension scheme a correct amount for each employee and also to determine which employees wish to be part of the automatic enrolment. I have outlined below the requirements that an employer will have to complete to successfully implement a qualifying pension scheme.

### **A) Before Staging Date**

#### **1. Primary and Secondary contact**

Provide a contact to the Pensions Regulator so that they can assist the company to comply with its obligations.

#### **2. Exemption**

Determine if the company is exempt from the automatic enrolment procedure this will only apply to a very few small companies where the directors are the only employees.

#### **3. Employee Enrolment**

Work out which members of staff the company is required to enrol. There are three categories of employees:

1. Employees that the company has to enrol into the scheme, but who can then subsequently opt out of the scheme.
2. Employees who have the right to enrol if they decide.
3. Other employees who have a right to join a pension scheme.

The category of employees depends on their age and salary.

#### **4. Notify Employees**

Many employees are still not aware of the automatic enrolment concept or how and what they will have to contribute to the scheme. A clear letter will be helpful to employees to work out how much automatic enrolment could potentially cost and benefit them, and if and when they have to enrol.

#### **5. Cost**

Work out the cost associated with automatic enrolment, this may affect the company's future remuneration policy.

#### **6. Payroll**

Check the company's payroll processes can calculate the correct amount of deduction from each employee's salary and also provide the necessary reports to support the deductions made.

## **7. Staff Records**

Check the company's staff records to ensure there is correct and sufficient information to identify which enrolment category applies to each member of staff.

## **8. Existing Pensions Schemes**

If the company has an existing pension scheme check to see if the pension scheme satisfies the automatic enrolment requirements, or if it is possible to amend the scheme so that it does satisfy the automatic enrolment requirements.

## **9. Select a Pension Scheme**

Select a pension scheme that the company intends to use to satisfy the pension requirements. The government has set up a pension scheme which is a relatively low cost alternative called National Employment Savings Trust (NEST). Schemes are also provided by insurance companies and one or two other suitable schemes have recently come on to the market.

## **10. Eligible Employees**

Provide the selected scheme with details of the employees who will be required to become members of the scheme or wish to opt to join the scheme. At the same time provide members of staff with details of the scheme that has been provided, and the opt out process if they decide not to become a member of the pension scheme.

All the above steps need to have taken place by the staging date.

## **B) After the Staging Date**

### **1) Record Keeping**

Keep records to show that the company has complied with all the automatic enrolment requirements. This will include names and addresses of all staff, contributions they have made, and contributions the company has made into the scheme, together with all opt in and opt out requests by members of staff.

### **2) Changes**

Manage opt in and opt out requests and particularly manage new entrances into the automatic enrolment scheme and departures from the automatic enrolment scheme when employees leave/join.

### **3) Declaration**

Within five months of the staging date there will be a requirement to complete a declaration of compliance.

## **Penalty Regime**

If companies do not comply with the requirements of automatic enrolment then there is a penalty regime. The level of penalties depends on the number of staff that could potentially enrol into the scheme and the delays that are made in implementing the scheme.

## **Conclusion**

It is important not to underestimate the time that will be required to successfully complete the automatic enrolment procedure, and to ensure that members of staff are aware of their responsibilities and the costs associated with the new pension regime.

We recommend that everyone should start the automatic enrolment process as soon as possible to ensure that all regulations are complied with.