Auto Enrolment – Do YOU have a plan?

The government's "We're All In" television adverts have been seen by millions across the UK. However, it's likely that if you run a small business, you've been putting off dealing with this, because you probably think the deadline's so far away for you that you don't need to consider it yet.

However as time progresses, your company's obligations get closer, and it's time to think about how you comply with your obligations under this legislation.

It's not rocket science
Many financial advisors, accountants and employee benefits consultants are claiming that the process is complex, and charging you accordingly. It certainly <u>can</u> be complex, but for most small businesses it's more straightforward than you'd think, and many of the tasks required are better done in-house, integrating into your existing payroll activities, rather than handed out to yet another subcontractor.

A proper project plan - which identifies what help you need - can ensure you remain in control, both of the process, and of your implementation costs.

The first thing to do is confirm your firm's staging date (the date by which you MUST comply with your legal duties). The Pension Regulator offers a useful [Staging Date Tool](#) on their website to confirm this, and we'd suggest you start to plan at least six months ahead of this. That's not to say you can't achieve anything quicker than that, but you also have a business to run, and starting early will enable you balance your time between your "normal" business activities, and making sure you've complied with the new pension regulations.

Is this really about pensions?
You may think auto enrolment is solely about pensions. In my opinion the vast majority of the work required is in developing your payroll systems. Whether you run payroll inhouse or subcontract to an accountant or bureau, your system needs to be able to assess, monitor, and report on your employees' status and contribution levels <u>each and every</u> pay period – so time spent planning this aspect will pay healthy dividends as you operate your scheme.

An initial amount of research needs to be done on categorising your staff – who'll be enrolled automatically, and who can opt in if they want to? This will help you assess what auto-enrolment is likely to cost your business and your employees – there are minimum contribution levels, which increase over time, and assessing your options and the effect on your profitability is obviously important.

If you have an existing workplace pension scheme, you'll need to assess whether this scheme is suitable for AutoEnrolment. Some are, but many aren't. In any event, you'll need to consider whether existing contributions levels are enough to satisfy your obligations, and any implications there may be if everyone joins the scheme on the same basis.

If you don't have an existing scheme, or if your scheme can't be used for AutoEnrolment, you'll have to source a new pension scheme to fit your needs. Personally, I believe this is an important job, which should be undertaken properly, as who knows in future whether employers are likely to be challenged by their workforce over the choices made, and why these were appropriate?

You'll also need to specify an appropriate "Default Fund." Some of your employees will want to take an active interest in how their pension is invested but some won't, and this section of your workforce is likely to end up in the scheme's Default Fund – you are responsible for choosing that fund, and for ensuring that it meets the guidelines that have been set.

You'll need to communicate changes to your staff on an ongoing basis – such as staff joining the business, becoming (or ceasing to be) eligible for AutoEnrolment, contribution changes and so on. It's worth identifying who will be responsible for these communications, and making sure the wording you use complies with legislation. (You can get help with this from the pension provider you choose, and also from The Pensions Regulator, among others).

Time to make a Plan
I've outlined above some of the areas you'll need to address. It seems pretty clear that many areas are best addressed via your payroll function, as they'll need to be repeated every time you pay your workers.

You may need assistance with other aspects, and an implementation plan should reflect this – a sample plan is set out below - it gives some suggestions, but your own requirements may be different.

Action	Management	Payroll Function	External Advisors
Confirm your Staging Date	(Pension Regulator tool)		
Assess your workforce – who's eligible?		x	x
Calculate costs – review your contribution options	x	x	x
Assess implications and affordability of each option	x		
Identify a suitable Pension Scheme	x		x
Set up your Pension Scheme	x		
Identify appropriate Default Fund	x		x
Register with The Pensions Regulator	x		
Run Payroll to assess eligibility and contributions every pay period		x	
File returns annually with The Pensions Regulator	x		

As you can see, most if not all of the necessary tasks (and certainly the regular ones) can be accomplished by your in-house team and payroll function. I'd suggest you consider getting help with some areas, and we'd be delighted to discuss how we can assist with your individual requirements.

Finally, don't put this off for too long – significant fines have already been imposed for some companies who've breached (or been late with implementing) the regulations, and there's nothing to be gained by becoming one of those!

Summary
- Identify <u>who</u> you need on your team to ensure you meet your obligations, <u>what</u> actions need to be achieved and <u>when</u> each action needs to happen
- Starting early minimises disruption to your business and gives you the best chance of finding the most appropriate pension scheme
- Assess your payroll function and ensure it has the capability to do the long term processing and reporting
- Communicate with your workforce throughout to keep them engaged with the process

For help to put YOUR AutoEnrolment plan in place, call:

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