

Work Place Pension Reform - Automatic Enrolment

A guide to Employers

Automatic enrolment is the main employer responsibility of the new Work Place Pension Reform.

It means that an employer must:

- Provide a qualifying work place pension.
- Automatically enrol all eligible job holders into a scheme and inform them of this.
- Make a minimum contribution of 3% of band earnings for each employee into the scheme.
- Make a total contribution of 8% of band earnings. The 8% can be funded in full by employer or shared between employer and employee.
- Provide members with information about automatic enrolment and the scheme into which they have been enrolled.

The kind of information that must be provided is:

- Scheme details.
- Value of contributions.
- Information about the right to opt out.
- The opt-out process.
- Automatic re-enrolment and opting back in.

The differences between automatic enrolment and the current way of joining a pension scheme are:

- The member is not required to give their consent to join or remain a scheme member.
- The member is not asked to provide any information.
- They must automatically become a member and are not asked to decide whether they wish to join.

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Opting out and in

Newly enrolled jobholders have a one month “opt out period” after being automatically enrolled. Employers must provide information to members in order to make an informed decision about opting out. If a job holder opts out the employer has to automatically re-enrol them every three years.

Job holders aged 16-22 or over state pension age will not be automatically enrolled but can opt into the work place pension. Also job holders earning less than £7,475 (the minimum level of qualifying earnings) can also choose to opt in.

Staging dates

All eligible job holders will have to be enrolled within one month of the employers stated staging date. Staging dates run from October 2012 to September 2016 and are dependant upon staff numbers and PAYE reference. We can provide you with an indication of this date.

Auto enrolment is the responsibility of the employer and not the government. The Pensions Regulator will ensure employer compliance. Non compliance could lead to a fine of up to £50,000.

