



Workplace Pensions

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How to cope with the new workplace pensions.

Automatic enrolment was the biggest shake-up of pensions for a generation, and it has resulted in millions of workers being pushed into saving money for their retirement for the first time.

Thousands of businesses throughout the UK now have a workplace pension in place or are planning to do so within the coming months.

Despite the enormity of the changes, many are still in the dark about automatic enrolment and their ongoing responsibilities for workplace pensions. This guide has been designed to let you know the key points and how to cope with the new regime.

Regardless of the merits of employees saving for retirement, there is no doubt that the requirement to provide and manage a workplace pension is an onerous one for most small businesses. Telford Mann have helped hundreds of businesses to successfully choose and manage their workplace pensions obligations with the minimum of hassle and inconvenience, resulting in schemes which are not only easy to run, but which at the same time make good provision for their employees.

Why was it introduced?

We are all living longer, someone reaching 65 today is likely, on average, to live to 85. We are therefore likely to spend more than 20 years in retirement, but we're not saving enough. The government sees automatic enrolment as the best way to overcome people's "savings inertia". As the Department for Work and Pensions (DWP) put it: "Rather than taking action to save, an employee has to take action not to save."

Who is affected?

Everyone in work aged between 22 and state pension age who earns more than £10,000 a year (this amount will be reviewed each year), and who isn't already in a workplace pension scheme.

What about other people?

Workers who aren't in that group can opt in, if they wish to. If you're at least 16, but under 75, earn more than £6,136 a year and ask to be enrolled, your company will have to put you in the scheme and pay a minimum contribution too.

Companies will also need to enrol any workers aged 16-74 who earn less than that, and who ask to be put into the scheme, but they don't need to pay contributions for them.

How much gets paid in?

This depends upon which basis of contributions is selected by the employer, either banded earnings or basic salary.

For banded earnings, the total minimum contribution was originally set at 2% of a worker's gross earnings (of which at least 1% must be paid in by the employer), rising to 8% from April 2019. That is 3% from the company, up to 4% from the employee, and 1% tax relief.

These percentages don't apply to all of an individual's salary, but only to what they earn over a minimum (currently £6,136) up to a maximum limit (currently £50,000).

If basic salary is the chosen basis, the employer contribution was set at 2% rising to 4% from April 2019.

Did all schemes have to be set up immediately?

No. All existing employers, including in some cases private individuals who employ a nanny or gardener, were required to enrol their employees by April 2017, but the roll-out was staggered, based on the size of the business.

What if an employee doesn't want to join?

Workers are free to opt out if they want to. The government hopes that forcing employers to contribute, plus adding tax relief will encourage people to stay in, but it has estimated that several million people may opt out. Some will take the view that they can't afford it, while others will want to make their own arrangements. To date, it is estimated that less than 10% of employees have opted out of the workplace pensions they were enrolled into.



Can employers encourage workers to opt out?

No, employers are prohibited from offering incentives or perks to encourage staff to opt out. This applies to both existing workers and new recruits and means that, for example, making a job offer or higher salary conditional on not joining the employer's automatic enrolment scheme, is not allowed.

What happens if a company refuses to enrol its workers into a scheme?

Employers who don't comply with the rules face a range of potential sanctions. Those who ignore The Pensions Regulator's (TPR) first request could get a fixed penalty of £400. Employers who "wilfully and persistently" fail to comply, face tougher penalties: £50 a day fines for those with fewer than five staff, rising to £500 a day for those with five to 49 staff, and £10,000 per day for those with more than 500 workers.

We already have a pension scheme, are we exempt from the new rules?

Even if you already offer a pension scheme, you can't assume there's nothing you have to do. Your existing pension scheme has to meet the government's "suitability" rules. That is, it has to be capable of communicating with your payroll systems and enable you to send automatic reports to TPR.

What other responsibilities will fall on employers?

Agreeing to enrol your employees into a pension scheme is only the start of the process. Making sure you comply fully with the new rules means that you will have to introduce new payroll systems and new staff records. You will have to prove that you advised your staff on the new

rules and the options available to them, including their right to opt out. In addition there are requirements to opt staff back into the scheme every 3 years and last but not least, you will have to report your compliance to TPR on an ongoing basis.

What help is available to cope with new the rules and regulations?

On the face of it workplace pensions can seem daunting. However, as pension specialists, Telford Mann can guide you through every aspect and make sure you are fully compliant with the new pension legislation.

If you already have a scheme in place, but are not happy with it, we can help you to find a better solution.

Our services include staff presentations and one to one meetings with your employees. This means that you can pass on the responsibility to us to make sure that your staff get the information and advice that they need to decide whether or not they wish to join your workplace pension scheme.

The key services we provide include recommending and setting up a scheme, which will;

- Comply with your statutory obligations
- Be easy to set up
- Be simple to administer
- Work easily with your existing payroll arrangements
- Make sure that your employees get the advice they need

We have designed a 3 stage process to help you through automatic enrolment;

1. Fact-finding & Recommendations

In the first instance we will meet with you to gain an understanding of your business and your circumstances. We will gather information on your existing arrangements, such as salary data, staff numbers and any existing benefits that you provide to your employees. The whole process is carried out confidentially and any data obtained is used solely to provide you with our advice and recommendations.

We will then provide you with a written report which will recommend exactly what you need to do and when. This will include a cost analysis and identify any operational risks, such as payroll and back office systems. Our report will also include recommendations (where applicable) to reduce the cost of contributing to your employee's pensions.

2. Scheme Implementation & Staff Presentations

Once you are happy to proceed with our recommendations we will arrange to get the scheme set up and agree dates with you for carrying out the staff presentations and one to one meetings.

3. Ongoing service

Although you don't have to use our ongoing service, we recommend annual reviews whereby we can visit you and your employees to make sure that the scheme is running the way you want it to. We can also meet any of your employees who have questions about their pensions and of course any new employees who have joined the company after the pension scheme was set up.



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