

A Quick Guide to Auto-enrolment

From **1st January 2016**, auto-enrolment is expected to affect around 45,000 small businesses per month. If you get auto-enrolment wrong then you run the risk of financial penalties as well as professional embarrassment.

In this short guide we outline the essential information you need to know about auto-enrolment.

1. What is auto-enrolment?

Auto enrolment has been introduced to increase people's retirement savings. By law employers have to automatically enrol eligible jobholders into a qualifying workplace pension scheme. It applies to all employers with 1 or more employees.

2. What is my staging date?

Your staging date is the latest date by which you have to have an auto enrolment scheme in place for your employees.

3. When is my staging date?

Your staging date is assigned to your PAYE number. The Pensions Regulator will write to you giving you plenty of notice however you can check here:

<http://www.thepensionsregulator.gov.uk/employers/staging-date.aspx>

4. Who is eligible for automatic enrolment?

Employees aged between 22 and the state pension age earning over £10,000 per year (£192 per week, £833 per month) are automatically enrolled. Other employees are entitled to join or opt in.

5. What are the minimum contributions I must make?

Contributions are based on a percentage of qualifying earnings. The earnings band will be reviewed each year however for 2015/16 it is for annual earnings above £5,824 up to £42,385

	Employer minimum contribution	Total minimum contribution
Before 05/04/18	1%	2% (inc. 1% staff contribution)
06/04/18 – 05/04/19	2%	5% (inc. 3% staff contribution)
06/04/19 onwards	3%	8% (inc. 5% staff contribution)

6. Do I have to tell my staff?

You must write to all staff within 6 weeks of your staging date to tell them how auto enrolment applies to them and about the pension plan you have chosen.

7. Declaration of compliance

Within 5 months of your staging date you must complete a declaration of compliance to show the Pensions Regulator that you have fulfilled your legal duties.

8. Ongoing requirements

After each pay period all staff must be assessed, contributions paid to the pension provider and records updated and maintained. Records must be kept for a minimum of 6 years with the exception of opt out notices which must be kept for 4 years.

9. Penalties

Penalties start at £400 and then daily penalties determined by the number of employees starting at £50 per day for the smallest employers up to £10,000 for the largest

- **Up to 4 employees - £50 per day**
- **5 to 49 employees - £500 per day**
- **50 to 249 employees - £2,500 per day**
- **250 to 499 employees - £5,000 per day**
- **Over 500 employees - £10,000 per day**

10. Getting expert help

Demand is expected to outstrip supply by 100:1 as more and more employers get to their staging dates. This capacity crunch is likely to result in increased costs but also penalties and stress for employers as they struggle to fulfil their legal obligations. The Financial Management Centre is able to offer a fully managed Auto Enrolment solution for small businesses and suggests you find a scheme and help as soon as possible. We have also partnered with an IFA who can provide specialist help and advice if required.

For help, visit <http://www.tfmcentre.co.uk/auto-enrolment> or call 0800 470 4820.
