

Making sense of workplace pension reforms

Part 5

Automatic enrolment

Step-by-step

guide series for employers



Jelf | Employee Benefits

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March 2012



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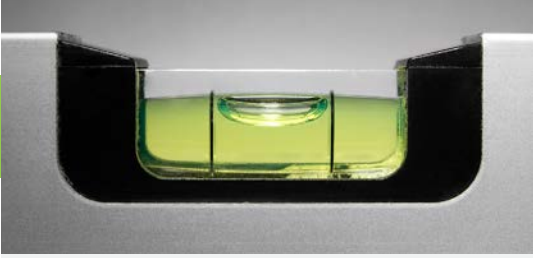
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5.1 Key points

Automatic enrolment is one of the key employer duties being introduced from 2012.

Central to this is the requirement for employers to make arrangements for eligible jobholders who are not already active members of a qualifying pension scheme to become members of an automatic enrolment pension scheme. This must be done either from the automatic enrolment date or, where an employer has chosen to use postponement, the end of the postponement period (known as the deferral date).

As part of the process, an employer has to provide certain information to the different categories of member. It is also likely that, where an existing scheme is going to be used, some changes will need to be made to current joining processes.



As part of the process, an employer has to **provide certain information** to the **different categories of member**.

This part of our step-by-step guide series sets out the actual automatic enrolment process and the ongoing responsibilities an employer has after auto enrolment has been completed.

5.2 How to automatically enrol

The steps required to process the automatic enrolment of eligible jobholders are set out in law, as is the time limit for completing the process.

Before the end of the **joining window** – the one-month period from the eligible jobholder's automatic enrolment date – an employer must:

- give information to the pension scheme about the eligible jobholder;
- give enrolment information to the eligible jobholder; and
- make arrangements with the scheme trustees or provider for eligible jobholders to become active members of the scheme with effect from their automatic enrolment date.

An employer must also keep certain records of this process, for more information see **Part 9 – Keeping records**.

Information an employer must provide

Information must be provided in writing. Sending information by email is acceptable, but simply signposting to a website or intranet, or displaying a poster in the workplace, is not. Someone acting on the employer's behalf, such as an independent financial adviser, can provide the information but **the employer is responsible for ensuring it is provided on time, is correct and is complete**.

Information to the pension scheme about the eligible jobholder

The eligible jobholder must not be required to provide information (or take any action) to either join or remain a member of an automatic enrolment scheme. It is the employer's responsibility to provide the scheme trustees, managers or provider with the information needed to achieve active membership. This must be done before the end of the joining window.

There is certain mandatory information the employer must provide, as shown in the table overleaf. However, the scheme trustees or provider may require more information. This is acceptable provided it does not act as a barrier to automatic enrolment.



Sending information by email is acceptable, but simply signposting to a website or intranet, or displaying a poster in the workplace, is not.

5.2 How to automatically enrol



Mandatory information in respect of each eligible jobholder who is being automatically enrolled:	The following information in respect of each eligible jobholder should also be provided, unless the scheme does not require it:
• name	• work postal address
• sex	• work email address (if one exists)
• date of birth	• personal email address (if available)
• automatic enrolment date	• gross earnings in any pay reference period
• residential postal address	
• National Insurance number (NINO) – if the employer does not yet have this information, it can be provided to the scheme within one month of the employer receiving it	• the value of any contributions payable to the scheme by the employer and the eligible jobholder in any pay reference period (where available to the employer) – this can be shown as a fixed amount or a percentage of any qualifying earnings or pensionable pay

An employer must provide an eligible jobholder with **certain enrolment information** before the end of the joining window.

Enrolment information to the eligible jobholder

Automatic enrolment into a qualifying pension scheme is compulsory, but ongoing membership is not. A jobholder has the right to opt out of a scheme, but not to opt out of auto enrolment itself.

In order to help an eligible jobholder make an informed decision, an employer must provide them with certain enrolment information before the end of the joining window. The information can be prepared ahead of the automatic enrolment date. The mandatory information that an employer must provide to an eligible jobholder (or a non-eligible jobholder who has opted in) about automatic enrolment is shown in the table overleaf.

5.2 How to automatically enrol



Information about being automatically enrolled

- a statement that the jobholder has been, or will be, automatically enrolled into a pension scheme to help them save for their retirement¹
- the automatic enrolment date²
- name, address, telephone number and electronic contact details of the scheme into which they are being enrolled
- the value of employer and jobholder contributions payable to the scheme in any applicable pay reference period, shown either as a fixed amount or a percentage of qualifying earnings or pensionable pay due in that period
- for DC schemes, a statement advising the jobholder of the phased increase in contributions
- a statement that any jobholder contributions payable to the scheme have, or will be, deducted from any qualifying earnings or pensionable pay due to the jobholder
- confirmation of whether tax relief will be given through relief at source or relief under net pay arrangements
- a statement that if the jobholder ceases to be an active member of the scheme on a particular date, other than when they cease to be employed or by their own action or omission, the employer must make arrangements for them to become a member of an automatic enrolment scheme with effect from the day following that date

¹ For a non-eligible jobholder who is opting in, this should be: ‘a statement that the jobholder has been, or will be, enrolled into a pension scheme to help save for the jobholder’s retirement.’

² For a non-eligible jobholder who is opting in, this should be: ‘the enrolment date.’

Information about the eligible jobholder’s right to opt out and opt back in

- a statement that the jobholder has the right to opt out of the pension scheme during the opt-out period
- the start and end date of the opt-out period (where they are known by the employer)
- if the start and end dates of the opt-out period are not known, a statement that the opt-out period is to be determined in accordance with regulation 9(2) or (3) of the Occupational and Personal Pensions Schemes (Automatic Enrolment) Regulations 2010
 - this means the opt-out period will start on the latest of:
 - the date of the issue of the enrolment information; or
 - for an occupational scheme, the date active membership is established; or
 - for a personal pension scheme, the date the terms and conditions are sent to the eligible jobholder.
- the source from which the opt-out notice may be obtained
- a statement that opting out means that the jobholder will be treated for all purposes as not having become an active member of the pension scheme on that occasion

Any questions?

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5.2 How to automatically enrol

- a statement that after a valid opt-out notice is given to the employer, any contributions paid by the jobholder will be refunded to them by the employer
- a statement that where the jobholder opts out, they may then choose to opt back in, in which case the employer will be required to arrange for them to become an active member of an automatic enrolment pension scheme once in any 12-month period
- a statement that a written notice from the worker must be signed by them or, if it is given by means of an electronic communication, must include a statement that the worker personally submitted the notice
- a statement that after the opt-out period, the jobholder may cease to make contributions into their pension scheme in accordance with the scheme rules
- a statement that an eligible jobholder who opts out or ceases active membership will normally be automatically re-enrolled into an automatic enrolment scheme by the employer, in accordance with section 5 of the Pensions Act 2008 – broadly this means every three years, although it will be earlier in some special circumstances

About where to find more information about pensions and saving for retirement.

For example, www.direct.gov.uk/workplacepension

Making arrangements for active membership

The arrangements to establish active membership of a pension scheme for an eligible jobholder will differ depending on the type of pension scheme the employer chooses to use.

Occupational pension scheme

An employer must communicate with the trustees to arrange active membership for an eligible jobholder. The rules of the scheme will clarify what creates membership or pensionable service, and this will often be more than just the provision of the jobholder information to the scheme.

An employer will need to find out the date on which active membership is achieved as this is used to work out the start of the jobholder's opt-out period. Regardless of the actual date in the joining window on which active membership is achieved, pensionable service under the scheme must be backdated to the automatic enrolment date.



An employer must communicate
with the trustees to arrange
active membership
for an eligible jobholder.

5.2 How to automatically enrol

Personal pension scheme

For automatic enrolment, an employer and their scheme provider will need to establish the required agreement between the provider and the eligible jobholder on the jobholder's behalf. The employer must ensure that arrangements are in place for the provider to give the terms and conditions of the contract being entered into to the jobholder during the joining window.

The terms and conditions of the agreement must include certain minimum information:

- an explanation of the purpose of the personal pension scheme;
- a specification of:
 - the services to be provided by the scheme provider;
 - the value of any contributions payable by the jobholder, where this information is available to the provider; and
 - the charges payable to the provider; and
- where the jobholder has not made their own choice, an explanation of the investment strategy adopted for the contributions made by the jobholder and their employer.

An eligible jobholder is deemed by law to have entered into the agreement with effect from their automatic enrolment date on the later of:

- the date the scheme provider issues them with the terms and conditions of the contract; and
- the date the employer gives them the enrolment information.

Employers must remember that an agreement about employer contributions must also be in place between them and the scheme provider before a jobholder can become an active member of the scheme. As for an occupational scheme, whatever the point in the joining window at which active membership is actually achieved, it must take effect from the automatic enrolment date.



An eligible jobholder is deemed by law to have entered into the agreement with effect from their **automatic enrolment date**.

5.3 After completing automatic enrolment

Once auto enrolment has been completed, an employer has ongoing responsibilities, such as paying contributions, managing the opt-out process and keeping records (see **Part 9 – Keeping records**).

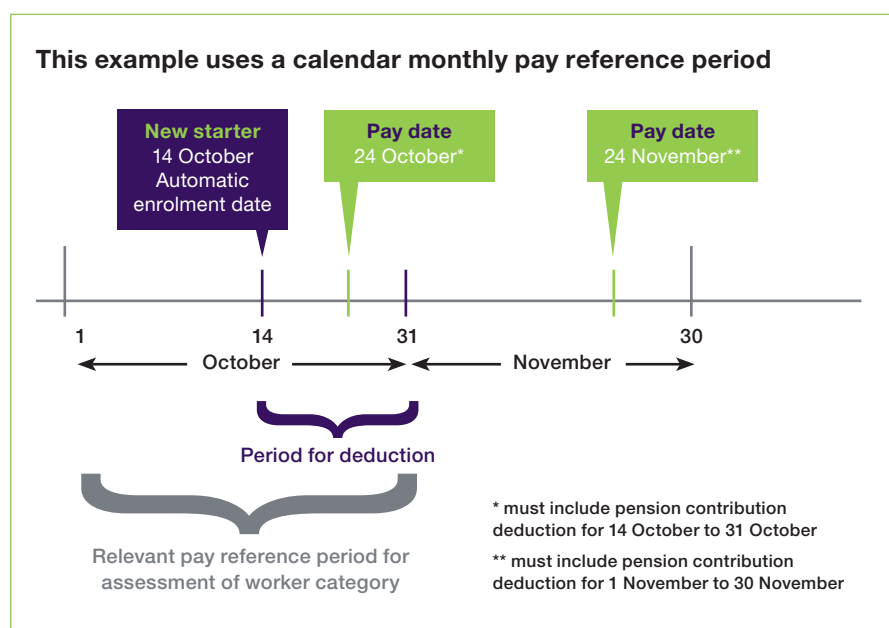
Deducting and paying pension contributions

An employer will need to calculate and pay their own and, if appropriate, a jobholder's contributions to the automatic enrolment scheme. This must continue to be done whilst the jobholder remains both in employment and an active member of the scheme.

The actual process of calculating and paying contributions is unchanged by any of the new employer duties. However, certain time limits have been amended for paying contributions across to a scheme during the joining window and opt-out period.

Required deduction of contributions

An employer must, on or after the automatic enrolment date, deduct any contributions payable by an eligible jobholder from any qualifying earnings or pensionable pay due to that jobholder in each pay reference period. Contributions are due on the earnings paid from the automatic enrolment date to the end of the pay reference period, and in each pay reference period thereafter. This means that, where the automatic enrolment date falls within a pay reference period, the first contributions paid will need to be calculated on part-period earnings.



The actual process of calculating and paying contributions is **unchanged** by any of the **new employer duties**.

5.3 After completing automatic enrolment

Employers should note that this is different to when they are assessing the category of worker, when earnings for the whole pay reference period are assessed, as illustrated in the diagram on the previous page.

The first contribution payment may also be calculated in respect of a period longer than a pay reference period. For example, if the automatic enrolment date falls between the October pay date and the 31 October, rather than before the October pay date as shown in the example.

Postponement can be used to avoid part-period calculations.

Time limits

Legal safeguards are in place for jobholder contributions deducted from earnings:

- contributions must be paid across to the scheme by the 22nd day (for electronic payments) or 19th day (for cheque or cash payments) of the month after deduction; and
- contributions deducted in the period between the automatic enrolment date and the end of a jobholder's opt-out period must be paid across by the end of the second month after the month in which the automatic enrolment date fell.

An occupational pension scheme operates a schedule of payments that sets out the due dates for paying jobholder contributions (if any) and employer contributions to the scheme. The due dates specified on the schedule for the payment of jobholder contributions will usually be on or before the 22nd or 19th day after the month of deduction (as appropriate) to ensure legal requirements are always met. However, an employer should check this is the case.

Due dates for a personal pension scheme will be set out in the direct payment arrangements that are in place. An employer will need to ensure that these due dates meet the legal safeguards noted above.

Due dates for a personal pension scheme will be set out in the **direct payment arrangements** that are in place.



Further assessment of the worker's category

Provided an eligible jobholder remains in active membership of the automatic enrolment pension scheme, there will be no need to assess whether qualifying earnings are payable on an ongoing basis. However, if a jobholder ceases to be an active member after the automatic enrolment date, or if the scheme into which they have been automatically enrolled ceases to be a qualifying scheme, an employer may need to start the assessment process again. **This is to identify if re-enrolment and/or any information requirements are triggered.**

If a jobholder who was automatically enrolled opt outs or ceases membership on their own account, an employer is unlikely to need to assess earnings again until their re-enrolment date. However, an earnings assessment may be needed to identify when information requirements are triggered. An employer will need to do this if they have not previously issued information to the worker about the right to join a pension scheme.

If a worker who has never been an eligible jobholder and who opted into a scheme then opts out (or ceases membership on their own account), they will need to be assessed again. This will be to identify the first time the eligible jobholder criteria are met, and therefore when automatic enrolment is triggered.

An employer will need to assess a worker if active membership of a qualifying scheme ceases because of any of the following:

- A. The employer has caused active membership to cease and this was not at the request of the automatically enrolled worker.
- B. The trustees, managers or another third party have caused active membership to cease.
- C. The worker who was automatically enrolled ceased to be working or ordinarily working in the UK.
- D. The worker ceased to have qualifying earnings in the relevant pay reference period.

Re-enrolment back into a qualifying scheme must be immediate for a jobholder to whom A or B applies, and on the first occasion the worker starts working or ordinarily working in the UK again (C), or regains qualifying earnings (D).



If a jobholder who was automatically enrolled opt outs an employer is unlikely to need to assess earnings again until their re-enrolment date.

If you have **any questions** about the information in this document, or on wider automatic enrolment or pensions issues, please contact us.

Email: autoenrolment@jelfgroup.com

Telephone: 0333 321 0370 (local rate*)

www.jelfgroup.com

Callers to 0333 numbers from a landline are charged at the local rate. Mobile charges may vary but 0333 numbers are often included in discount schemes or inclusive call minutes.

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