

## Auto-enrolment pensions: Are you prepared?

**In a new legal development which is to be phased in from 1 October 2012, it will be a requirement for employers to contribute to their workers' pensions, and to automatically enrol all members of staff who are 'eligible jobholders' in a suitable pension scheme.**

A suitable pension scheme could be:

- a pension scheme already in existence that meets government standards; or
- the government-supported NEST (National Employment Savings Trust).

### When should you start auto-enrolment?

The time you should begin the auto-enrolment process is referred to as the 'staging date' and depends on the size of the employer:

Employer by PAYE size	Staging date
9,999 to 250	1 October 2012 1 February 2014
249 to 50	1 April 2014 1 April 2015
49 to 30	1 August 2015 to 1 October 2015
Less than 30	1 January 2016 1 April 2017
Employers without PAYE schemes	1 April 2017

### Which workers must be auto-enrolled?

An eligible jobholder:

- is a worker at your business not already enrolled in a pension scheme (this includes employees and people who perform work for the employer, but who are not genuinely carrying on a self-employed business. Agency workers who are paid by an agency and non-executive directors are not eligible jobholders);
- is at least 22 years of age but has not yet reached state pension age; and
- is paid more than £7,475 gross per year.

Workers aged 16-21, or workers who are over the state pension age but aged under 75, may opt in to the pension scheme if they have qualifying earnings of at least £5,715 a year.



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## What are your minimum contributions?

Employers can choose to contribute more but 3% is the statutory minimum contribution to an eligible job-holder's pension under auto-enrolment when the scheme is in full operation by 1 October 2017. Employers wanting to use an existing occupational defined benefit scheme as a suitable pension scheme for auto-enrolment need to make sure that it will pass the statutory 'test scheme'. Employers with a defined contribution scheme need to ensure they are paying minimum contributions as set out in the table below:

Period	Employer contribution	Jobholder contribution	Total
1 October 2012 to 30 September 2016	1%	2%	3%
1 October 2016 to 30 September 2017	2%	3%	5%
1 October 2017 plus	3%	5%	8%

## What should you do to prepare for auto-enrolment?

Consider whether you are likely to be able to meet the deadlines, duties, obligations and logistical challenges involved in auto-enrolment.

Ensure that your human resources, payroll, IT and other departments are aware of auto-enrolment and are making preparations by:

- checking who is an eligible jobholder;
- deciding whether to use their existing pension scheme, NEST or a combination of both;
- ensuring that, if you choose to make use of your existing pension scheme, it will meet the statutory tests that will allow for it to be used; and
- budgeting for any additional costs of the pension contributions the business may have to make.

## What happens if an employer ignores auto-enrolment?

An employer who 'wilfully' fails to comply with certain key duties (auto-enrolment, re-enrolment, and the jobholder's right to opt in) will be guilty of a criminal offence, liable on conviction to imprisonment or a fine or both. If you require any support or assistance complying with the legal formalities please do contact us. (We would suggest you speak initially to your usual point of contact with us). We will be happy to help.

## Where can I get further information?

For further information on your statutory requirements around auto-enrolment, please contact:



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