



CLEMENCE HOAR CUMMINGS
CHARTERED ACCOUNTANTS



Guide to Workplace Pensions

Introduction to Workplace Pensions

By 2018, all businesses must operate a pension scheme for qualifying employees, with employee and employer contributions.

Workplace Pensions will affect all employers regardless of the number of people they employ, and there are a number of important tasks that must be completed to comply.

In order that employers meet their requirements for automatic enrolment, they should start planning now.

This guide is designed to help you understand more about your obligations as an employer and to explain how we can help your business prepare for compliance including:

- helping you to set up new or review existing pension arrangements
- providing statutory communications for your staff
- managing your payroll function to ensure that you are compliant

A few key points

Before you continue, there are a few things you need to do.

- Find out when your staging date is – this is the date by which employers must have a qualifying scheme in place and this is determined by the number of employees who are part of your PAYE scheme as at 1 April 2012 (you do not have to wait until HMRC writes to you, you can find out by visiting the Pensions Regulator's website at www.thepensionsregulator.gov.uk)
- Gather the correct information for your employees, including name, gender, date of birth, address, NI number, and qualifying earnings
- Start thinking about how you want to deal with Workplace Pensions – this may be through setting up or adapting an existing pension scheme or whether you would prefer to join the government arranged National Employment Savings Trust (NEST) scheme
- Think about how you expect to manage the additional administration in order to register new starters and existing staff into the scheme (as well as keeping track of those who have opted out)

- Consider whether your existing payroll system can cope with calculating the contributions by employee and employer. Contributions will be paid on a monthly basis
- Consider the additional costs to your business and how you will manage them.

There are a number of ways we can help your business prepare for Workplace Pensions in a timely manner.



Review of your current pension arrangements

We can help you with preparations for Workplace Pensions by arranging for a detailed review of your existing pension scheme. This involves assessing the funds available and determining how far the scheme meets your requirements and those of your employees as well as advising you on your responsibilities as an employer.

A written report is provided after the review to confirm the findings and the options available to you.



Helping you find and set up a new compliant pension scheme

If you do not already have a pension scheme in place, or a review of your current system has led you to the decision to set up a new one, we can help.

We can help you to set up a new pension scheme for your company, starting with a discussion about what you want from the scheme and identifying all the important areas to consider, such as

the number of employees, the total contributions payable, and the type of scheme which would best meet your needs.

We have the means to research available schemes and can provide a report detailing our recommendations for a new scheme. Once you have made a decision, we can help you set up the scheme to ensure that you meet your obligations as an employer.

Communication about Workplace Pensions with employees

As part of your responsibilities as an employer, you are required to provide certain statutory information to your employees (in writing) regarding their automatic enrolment into a new (or updated) qualifying Workplace Pension scheme.

This includes providing lengthy information about the pension scheme to workers who need to be auto-enrolled, updating your

employee handbook and reviewing contracts of employment.

As part of our services, we can assist in notifying all employees about their options under the new qualifying pension scheme and we can also provide annual review meetings and presentations to employees (both individually or in groups) in order to communicate with them about Workplace Pensions.

Managing your payroll function

The cost of Workplace Pensions, in terms of time and money should not be underestimated by employers. One of the largest areas to be affected will be payroll procedures.

Assessment of your existing payroll software and functionality to find out whether it complies with the minimum requirements is essential. Some systems can be upgraded but many will need to be completely replaced.

Payroll is a complex area of the business, especially given the recent changes for RTI, and once you have assessed the options available to you and the cost involved in upgrading or replacing your system, you may decide that now might be the ideal time to consider outsourcing your payroll function altogether.

We can manage your payroll function for you, ensuring that you are fully compliant.

With the many important issues to consider when preparing for Workplace Pensions, it is recommended that you get the expert support that will help your business make a smooth transition.

Please contact us for further information and tailored advice.



Workplace Pensions Q&A

What are Workplace Pensions?

Workplace Pensions are a government initiative to help more people to save for retirement. By 2018, all employers will be legally required to enrol eligible jobholders into a qualifying Workplace Pension scheme, although workers can opt out. Both employers and jobholders will be required to contribute.

When will Workplace Pensions affect me?

Employers join the Workplace Pensions initiative on what is known as their staging date, based on how many employees they had in April 2012, although they can start earlier if they wish. The scheme started with the largest employers in October 2012 and is being rolled out to businesses in decreasing order of size.

You can find out your staging date by visiting the Pension Regulator's website at www.thepensionsregulator.gov.uk – remember you need to register your pension scheme five months after your staging date.

What is a qualifying pension scheme?

A qualifying scheme is one that enables auto-enrolment and meets legislative requirements. It can be an existing scheme that has been compliance-checked (and modified if necessary) or a new scheme set up specifically for auto-enrolment.

Who do I need to enrol?

For auto-enrolment purposes, workers fall into different categories, with different rights. Very simply, these are:

- **eligible:** aged between 22 and the state pension age and earning more than £10,000 – they must be automatically enrolled and both employee and employer contribute
- **non-eligible:** aged between 16 and 22 or between state retirement age and 75 and earning over £10,000 or aged 16-75 and earning between £5,824 and £10,000 – not eligible for auto-enrolment but can choose to opt in, with both employee and employer contributing
- **entitled:** aged 16-74 and earning less than £5,824 – they have the right to join a pension scheme, which can be different to the one they use for auto-enrolment. The employer can choose not to contribute.

How much do I need to contribute?

You must contribute a minimum percentage, based on a band of qualifying earnings (between £5,824 and £42,385 in the 2015-16 tax year, including payments such as overtime and bonuses).

Until 30 September 2017, your minimum contribution will be one per cent, rising to two per cent between 1 October 2017 - 30 September 2018 and three per cent from 1 October 2018. You can choose to contribute more if you wish.

Employees will also contribute, with the total (employee and employer) minimum contribution set at eight per cent from 1 October 2018.

Are there any alternatives to the qualifying earnings approach?

Certification may be a useful option. You can use certification when pension contributions are based on a definition of earnings that differs from the qualifying earnings band and/or when total earnings tend to fluctuate.

A salary sacrifice arrangement can be used to make the employee's payments into the scheme, which would reduce both their and your national insurance costs. You would need HM Revenue & Customs' agreement for such an arrangement.

What happens if I don't comply?

The Workplace Pension penalty regime ranges from a requirement to correct a breach (or pay unpaid contributions) within a set time to very substantial financial penalties and even a prison sentence.

How do I know if my existing pension scheme is compliant?

We can carry out a detailed review of the scheme, including discussing with you what you want from the scheme, looking at the funds available and the ability of the scheme to meet your requirements and your obligations.

Then we'll provide a written report to confirm our findings and the options available to you.

I don't have a pension scheme for my business. Can you help me put one in place?

Yes, we provide a full service to set up a pension scheme, starting with discussing with you what you want from the scheme and identifying issues that could affect members, such as salary sacrifice and the annual tax-free allowance for pension savings, the number of employees and total contributions payable.

Then we'll research schemes that can meet your requirements and provide a report and recommendations for a new scheme. We can help to set up the scheme and explain options to employees as well as providing annual pension review meetings for employees.



CLEMENCE HOAR CUMMINGS
CHARTERED ACCOUNTANTS

Clemence Hoar Cummings
1 - 5 Como Street,
Romford,
Essex RM7 7DN

T: 01708 333300

E: info@chc.uk.com

W: www.chc.uk.com

