



Understanding Pension Auto Enrolment

Essentials Guide

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Introduction

Welcome to our guidance document for Pension Auto Enrolment. We understand that pension administration and the various regulations can seem daunting to a small business.

That is where we can help to guide you through the process, with the aim of ensuring you are compliant with all the rules and regulations, and to where possible make the world of pensions simple for you.

Employer responsibilities in a nutshell

The law on workplace pensions has changed. Under the Pensions Act 2008, every employer in the UK must put certain staff into a pension scheme and contribute towards it. This is called 'automatic enrolment'.

Whether you're a hairdresser, an architect or employ a personal care assistant, if you employ at least one person you are an employer and you have certain legal duties.

There are seven basic steps that an employer needs to take to comply with the auto enrolment pension regulations:

- 01 — **Know your staging date**
- 02 — **Assess your workforce**
- 03 — **Review your pension arrangements**
- 04 — **Communicate the changes to all**
- 05 — **Automatically enrol your 'eligible jobholders'**
- 06 — **Register with the Pensions Regulator**
- 07 — **Contribute to your workers' pensions**

How can KPMG Small Business Accounting help you?

Our payroll services team offer a service in addition to our payroll package to assist you in meeting your employer obligations for auto enrolment. This includes:

1. Staging date checker and tracking service

Our payroll team will confirm the staging date with the pension regulator on your behalf, and will contact you at regular intervals ahead of your staging date to remind you of the preparation steps that you need to take.

2. Assessing your workforce

Our payroll software is fully aligned to carry out an assessment of your employees against the payroll data. This will determine which of the following categories your employees fall into:

Qualifying Earnings P.A.	16 to 21 yrs.	22 yrs to SPA	SPA to 75 yrs.
Over £10,000	NON-Eligible	Eligible Jobholder	NON-Eligible
Between £5,824 & £10,000	Non-Eligible Jobholder		
Below £5,824	Entitled worker		

**If the employer contribution is sufficient to make up the minimum total contribution, then no worker contribution will be required

3. Enrolling your eligible employees

Once your workforce has been assessed, our payroll team can ensure that those employees who meet the criteria of an 'eligible employee' are enrolled into the pension scheme, and that the relevant deductions are taken from their salary and displayed on their payslip.

The minimum legal requirements by law are as follows:

Dates	Worker Contribution Difference *	Minimum Employer Contribution	Minimum Total Contribution
From Staging date to 5th April 2018	1%	1%	2%
From 6th April 2018	3%	2%	5%
From 6th April 2019	5%	3%	8%

How can KPMG Small Business Accounting help you? (cont.)

4. Registering with the Pension Regulator

We act as an agent on behalf of our clients and have full government gateway access to be able to register your details with the pension regulator once you have commenced auto enrolment duties. We can also advise on your behalf any updates on your employer status, such as if you are a director only company, or if you commence employing staff when you previously haven't.

5. Arranging employer contributions

Our payroll services team will help ensure that the right level of employer contributions are reported via the payroll, making it simple for you to see your costs.

6. Providing Reporting services

We will provide you with necessary reports to enable you to communicate with both your employees and chosen pension scheme provider.

7. Three Year reassessment

The regulations require you reassess and enrol the whole workforce every three years from your initial staging date. Our software flags this date and we will carry out the reassessment on your behalf. This includes reconfirming compliance with the pension regulator.

Your responsibilities and duties

Our Auto Enrolment service can take away the burden of assessing, calculating and deducting the correct amounts from your employees, as well as communicating with the pension regulator, and providing you with detailed reports to make your duties easier. However there are some actions and decisions that we cannot take on your behalf.

Your responsibilities and duties

Reviewing your pension arrangements

We cannot choose a pension scheme provider on your behalf. This is something that you will need to research, and decide which scheme is best for you and your business.

There are many pension providers available, each offering varying degrees of service and financial investment options. The pension regulator has recognised that this is a particularly difficult decision facing small businesses and has provided some useful information to help you choose the right provider for you. Follow this link to find out more:

<http://www.thepensionsregulator.gov.uk/press/pn15-31.aspx>

You may of course already have a pension scheme in operation and may wish to use this as your qualifying scheme for auto enrolment purposes, you would need to check with your current pension provider that the scheme is eligible under the regulations.

You will need to provide the details of your chosen pension scheme to our payroll service team if you decide you would like us to carry out auto enrolment services on your behalf. We will provide you with a checklist of all of the details that we require.

Communicate changes to your workers

There are varying types of communication that you need to make with your employees to advise them of auto enrolment and how it impacts them. If you opt for our auto enrolment services we will send you reports showing you the worker categories which will help you determine who you need to communicate with.

Some pension scheme providers offer a service of sending these letters on your behalf, you will need to check with your chosen provider if this is something they can assist you with.

For further information about who you need to communicate with and when, including template letters to assist you, please follow this link <http://www.thepensionsregulator.gov.uk/docs/resource-info-to-workers.pdf>

Your responsibilities and duties (cont.)

Communicate and pay your pension provider

Our payroll service team will provide you with detailed reports regarding the pension contributions. Your scheme provider is likely to require data from you each pay period. In the majority of cases we can tailor the reports we send to you so that they are in the required format of your chosen provider, which means that all you need to do is either simply upload or send the data onto your provider.

You will also remain responsible for ensuring the payments due to the pension scheme provider are made in accordance with their deadlines. We will provide you with the reports to show you how much you need to pay. In many cases you can set up a direct debit arrangement with your chosen scheme provider, so that as soon as you provide them with the relevant data and reports the correct amount is taken from your bank account.

What happens if I don't comply?

Auto enrolment is not optional. There are consequences if an employer fails to comply with their automatic enrolment duties.

It is a criminal offence for an employer not to:

- set up in first place
- auto enrol all eligible workers
- re-enrol every three years!

It is also a criminal offence for an employer to:

- Force employees to opt out or to suggest it would be viewed positively and fines are also higher for this (starting at £1,000)

Fines and penalties have been applied by the pension regulator to a number of employers who have failed to implement auto enrolment correctly.

Prices and Fees

Our fee structure for auto enrolment services is based on the number of employees on the payroll and is applied per payroll run.

Initial set up fee	Number of employees on the payroll	Charge per payroll run
£300	1 to 10	£20
£300	11 to 50	£30
£300	51+	£40



What next?

Having digested the information in this guidance document we hope that you can see the potential benefit in working with us to help you with your Auto Enrolment responsibilities.

The next step is to let your KPMG sales representative know of your intentions for Auto Enrolment services. Alternatively if you already are subscribed to our payroll services please contact your day to day payroll officer who can guide you through the next steps.

Q&As

Q) My business consists only of directors, we do not employ any staff, do we need to comply with the regulations?

A) If you are a director only business you do not need to follow the auto enrolment regulations. You do however need to advise the pension regulator of your business status, otherwise they will assume that you are an employer and will be expecting to receive correspondence from you.

Additionally if at a later date you do employ staff, and your staging date has passed, you have six weeks from the date you first employed someone to become compliant with the regulations. If you are currently a director only payroll but anticipate employing staff in the near future it is recommended that you take advantage of our services.

We will complete all updates on changes of your status with the pension regulator and we will guide you through the steps required when you take on employees.

Q) I've heard that you can delay having to do auto enrolment if you want to, is this true?

A) Your staging date is not moveable. However you can use what is referred to as postponement rules to delay the first deductions of pension.

Postponement rules are not in place simply to allow you more time if you are unprepared. The purpose of the rules are to delay the start of pension deductions to a more suitable payment period for a number of valid reasons. These could be to align deductions to the next pay period, for example if your staging date is the 1st May 2017, this falls within tax period 1 so deductions would be due in April on a monthly payroll, if you postponed for 1 month this would allow for deductions to commence in May.

Postponement rules can also be applied for specific groups of workers, for example new starters. This is useful if you don't want new starters to join the scheme immediately on starting employment.

The maximum period that you can postpone for is three months (or 12 weeks).

If you subscribe to our auto enrolment services we will talk through and gather any postponement requirements that you have.

Q) Why can't you send my data direct to my pension provider, saving me having to do this?

A) In many cases the pension reports being sent to your scheme provider trigger your direct debit payments to your pension provider, as this impacts on investment of contributions it is deemed as an employer responsibility. We therefore require the data to be sent direct by yourself, ensuring that you are completely satisfied with the data being sent.

Q) Which pension providers are you currently engaged with, and who would you recommend based on your experience?

A) We deal with a wide range of pension providers, and can accommodate any provider that you choose. We are unable to recommend any specific providers as you need to base this decision on what you feel is best for your business. Further information can be found at <http://www.thepensionsregulator.gov.uk/press/pn15-31.aspx>.

Q) I already offer a pension scheme to my employees, so these regulations don't impact me, I'm already doing it. Is that right?

A) Not necessarily. Simply having a pension scheme in place does not fulfil the regulatory requirements. You would need to carry out an assessment of your workforce, communicate with them regarding their eligibility status, automatically enrol those employees meeting the criteria, and communicate with the pension regulator. You would also need to ensure you meet the minimum contribution levels.

If you have an existing scheme in place this can potentially be used for auto enrolment, but it doesn't automatically fulfil the criteria by simply existing.

Q) Can I offer different schemes to different groups of my employees, for example my senior managers and my shop assistants?

A) Yes you can, as long as both schemes are operated in line with the regulations. You can also have one scheme with differing contribution levels dependent upon the employee group.

Q) My staging date is months away, surely I don't need to make arrangements yet?

A) The sooner you start thinking about auto enrolment the easier it will be to implement. There are lots of considerations to be made, from what scheme provider to go with, to how much this will financially impact your business.

If you opt for our auto enrolment services we will keep in regular contact with you six months prior to your staging date to ensure you are on track and have completed all of the necessary steps in time.

Q) Do I have to use the template letters provided by the Pension Regulator? Can I make my own up?

A) You are not bound to use the template letters provided by the pension regulator, however we would recommend that you do. There are certain aspects of the letters that are mandatory to communicate, using the templates ensures that you have everything covered.

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