



CAMPBELL & McCONNACHIE

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Auto-enrolment for small employers

An introduction to the auto-enrolment process for employers with small workforces.

Do any of these situations sound familiar?

You've heard of auto-enrolment but your start date is a long way off so you haven't done anything about it.

Perhaps you've been meaning to look into your responsibilities but the demands of running a small business means that finding the time is hard.

Or, maybe you're unsure if auto-enrolment even applies to you and your workers.

If you're nodding in agreement, you'll be relieved to hear that you're not alone. Research has found that 35% of businesses owners with between 1 and 4 employees aren't aware of their auto-enrolment duties.

Auto-enrolment aims to help more people save for retirement by making the process automatic for eligible employees.

Duties for employers include:

- finding out if employees meet the criteria for auto-enrolment
- choosing a pension scheme
- making contributions to eligible employees' pensions.

It is a legal obligation and there are escalating penalties for failing to comply.

This guide will answer some of the most frequent questions asked by small and micro employers.



Does auto-enrolment apply to me?

You might fall under the scope of auto-enrolment even if you don't see yourself as a traditional employer.

You will have to meet all of your employer auto-enrolment obligations (and confirm that you've met them).

Company directors may have auto-enrolment duties depending on whether they have a contract of employment and who else works in the business.

Provided that you are the only director and don't have any staff, you won't have any duties. You will need to let The Pensions Regulator know if you think that you're exempt from auto-enrolment.

We can help you determine if auto-enrolment applies to you.

Start dates

Your start date (or staging date) is set by The Pensions Regulator and is based on the size of your payroll on 1 April 2012.

Your staging date will be between May 2017 and February 2018 if you became an employer after April 2012.

You can bring forward your start date, for example to align it with the start of the financial year. You can also postpone auto-enrolment for up to 3 months for some or all of your staff.

Costs

The costs that you will incur will depend on a number of factors including:

- how you run payroll
- the pension scheme you choose
- the cost of advice.

However, research by The Pensions Regulator found that 70% of employers with 1-2 staff had no overall set up costs.

In addition to the initial costs you'll also need to think about ongoing costs such as the time it takes to manage and the cost of contributions.



Auto-enrolment for small employers

Minimum contributions

The minimum you have to pay is based on a worker's qualifying earnings.

It is currently 1% but is due to increase to:

- 2% in April 2018
- 3% in April 2019.

You can choose to contribute more if you wish.

You'll also need to deduct contributions from your employees' qualifying earnings.

Qualifying earnings

Salary, overtime, bonuses, commission and statutory pay are all included as earnings for auto-enrolment.

However, only a band of earnings are used to calculate auto-enrolment contributions.

For 2017/18 qualifying earnings are gross earnings between £5,876 and £45,000.

Someone earning £20,000, for example, will have qualifying earnings of £14,124.

As the first £5,876 of income is not included, there is an upper limit of qualifying earnings of £39,124 for 2017/18.

Employers have to calculate qualifying earnings for every pay period.

Lower and upper qualifying earnings for common pay periods

Pay period	Lower level	Upper level
Weekly	£113	£866
Fortnightly	£226	£1,731
Monthly	£490	£3,750

Who is eligible?

You will need to automatically enrol workers who:

- are between 22 and state pension age
- earn more than £10,000 a year
- normally work in the UK.

Earnings trigger for common pay periods

Weekly	Fortnightly	Monthly
£192	£384	£833

No eligible workers

Workers may be entitled to join a company pension scheme even if they do not meet the criteria for auto-enrolment.

You will need to put staff in a pension scheme if they ask and meet the following criteria:

- not aged 22 – state pension age; and
- earn less than £192 a week (or £833 a month).

If they earn more than £113 a week (£490 a month) you will have to contribute to the scheme. Contributions are voluntary if they earn less.

You'll need to check every time you run payroll to see if any staff have become eligible and if you have hired any new staff that will need to be enrolled.

Workers with second jobs

Many workers have more than one employer. When calculating qualifying earnings you only need to take into consideration earnings from you.

This means that the process for assessing staff with second jobs is the same as other staff.

Savings above £1 million

Tax charges apply to pensions contributions that exceed the lifetime allowance (currently £1 million).

Workers with savings above the lifetime allowance may have tax protection (such as fixed protection) that protects them from these tax charges.

However, this protection only applies if no further contributions are made.

If one of your workers has this protection you can choose whether to put them in a pension scheme.

[Talk to us about managing auto-enrolment.](#)

Auto-enrolment in numbers

- 70,000 small businesses are expected to start auto-enrolment in 2017 (NEST)
- 37% of SMEs pay more than the 1% minimum contribution (The People's Pension)
- 8% - total minimum contributions by April 2019 (The Pensions Regulator)
- 7.1 million people have been auto-enrolled (The Pensions Regulator)
- £17 billion more a year will be saved as a result of auto-enrolment by 2019/20 (Department for Work and Pensions)
- 79% of eligible employees have saved into a workplace pension in at least 3 of the last 4 years (Department for Work and Pensions)

Important Information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. Pension eligibility depend upon individual circumstances

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