



## PENSIONS AUTOMATIC RE-ENROLMENT

On the 1st October 2015 the first UK employers will reach their three year staging date anniversary. They will need to comply with pension re-enrolment and can elect to do this between 1st July 2015 and 1st January 2016.

There were 406 declarations of compliance completed between July 2012 and April 2013\*. It is these employers who will be the first to go through cyclical auto re-enrolment. However, this time, they will be doing this at the same time as the 126,100 employers forecast to reach their staging dates for the first time between October 2015 and March 2016. A real test for the pension industry!

\*TPR AUTOMATIC ENROLMENT COMMENTARY AND ANALYSIS, JULY 2014.

### WHAT ACTION SHOULD EMPLOYERS TAKE?

For employers approaching their first automatic re-enrolment date (every three years from their original staging date), there are various actions that need to be taken, including selecting the relevant date.

Re-enrolment should prove to be less onerous than carrying out automatic enrolment for the first time - not least because employers will have learnt a lot about the process and legislation. Only those 'workers' who are not currently an active member of a qualifying workplace pension scheme will need to be assessed for re-enrolment.

However, the new legislation introduced on 1st April 2015 could catch-out some employers and software systems. The legislation was permissive so employers can continue to use the previous rules but the permissive legislation, once understood, could make the re-enrolment process a more positive experience at employer and employee level.

The major pension providers are still guarded about how ready their systems are for re-enrolment and if the permissive legislation has been written into their software systems. The big employers will, once again, be the guinea pigs to try out the systems in a live environment!

**THE MESSAGE FOR ALL EMPLOYERS APPROACHING RE-ENROLMENT THIS YEAR, AND THE COMING YEARS, IS TO ENSURE YOUR SOFTWARE, SYSTEMS AND EMPLOYEE COMMUNICATIONS ARE READY.**

### WHO NEEDS TO BE RE-ENROLLED?

Any workers who:

- have had an auto enrolment date with them
- aren't active members of a qualifying scheme with them
- have opted out or stopped making contributions more than 12 months before the automatic re-enrolment date.

### WHAT ELSE NEEDS TO BE DONE AT RE-ENROLMENT?

- **Agree what the re-enrolment date will be:** employers can choose the most suitable date for them within the six month re-enrolment window (three months either side of their original staging date).
- **Review the permissive legislation introduced on 1st April 2015** (see below): employers can carry on with the processes they were using pre 1st April 2015 as the new legislation is permissive. However, it could be a good time to simplify and streamline processes and communications.
- **Assess who is eligible to be automatically re-enrolled:** this is a standalone assessment which must be carried out in addition to the regular assessment that an employer carries out in every pay reference period. Employers also need to decide whether or not to automatically re-enrol workers covered by the new exclusions from automatic enrolment.
- **Test software:** employers should test their auto-enrolment software in advance of their re-enrolment date to ensure that it will assess eligibility and trigger automatic re-enrolment in the way they are anticipating (which may or may not mean the permissive legislation is used).
- **Prepare staff communications:** at present there are no re

-enrolment templates on The Pension Regulator's website. Employers may wish to tailor their previous auto enrolment communications for individuals who are being re-enrolled.

**WE RECOMMEND SEVERAL COMMUNICATIONS IN THE LEAD UP TO RE-ENROLMENT TO AVOID CATCHING STAFF UNPREPARED. NOTE THAT THE STATUTORY INFORMATION REQUIREMENTS HAVE BEEN SIMPLIFIED SO EMPLOYERS MAY WISH TO INCORPORATE THESE SIMPLIFICATIONS AT RE-ENROLMENT.**

- **Submit a declaration of compliance to the Pensions Regulator:** this must be submitted within two months after the re-enrolment date or, if no workers need to be re-enrolled, the day before the third anniversary of the date on which an employer submitted its initial declaration of compliance. Failure to do this is likely to result in a fine.

## WHAT WERE THE CHANGES INTRODUCED ON 1ST APRIL 2015?

### CHANGES TO THE INFORMATION REQUIREMENTS

Pre 1st April 2015, an employer could be sending out nine different types of information at different times to different workers. This was widely criticised as unnecessarily complicated, confusing and costly. The changes in April 2015 distilled these nine pieces of information into three:

1. one to all employees at staging date or individually when a new employee joins;
2. one to all employees if the employer decides to postpone;
3. one to each employee when they are auto enrolled, re-enrolled or enrolled following opt in or joining.

### EXCEPTIONS TO THE EMPLOYER DUTIES INTRODUCED ON 1ST APRIL 2015

The DWP recognised that there are some people for whom auto enrolment could be unsuitable or burdensome. The exceptions allow the employer to decide whether to apply the auto or re-enrolment rules in certain cases whereas before, they had no choice.

### WORKERS LEAVING EMPLOYMENT

The employer does not have to auto enrol, or re-enrol any

jobholder where:

- the jobholder has given notice of leaving or retirement, or
- the jobholder has been given notice of dismissal, and
- the auto enrolment or re-enrolment date falls within the notice period, or
- notice is given within 6 weeks after the auto enrolment or re-enrolment date.

### WORKERS WHO PREVIOUSLY LEFT A PENSION SCHEME

Some employers operate 'contractual enrolment' where workers are enrolled into a pension scheme when they join service - unless they request otherwise. Those who don't want to join the pension scheme under contractual enrolment might still need to be auto enrolled. The changes allows employers to choose not to auto enrol jobholders who have ceased active membership of a qualifying scheme in the twelve months preceding the auto enrolment or re-enrolment date.

### WORKERS WITH TAX PROTECTION

Some jobholders might lose their tax protection and might be subject to a tax charge if they are auto enrolled or re-enrolled and do not opt out within the opt out period. The changes can be used to prevent this, as they allow the employer to choose not to auto enrol or re-enrol jobholders where the employer has reasonable ground to believe that the jobholder has primary protection; enhanced protection; fixed protection 2012; fixed protection 2014; individual protection 2014.

Individuals with protection should, as a starting point, give their employer a copy of the protection certificate.

### WORKERS WHO HAVE RECEIVED A WINDING-UP LUMP SUM

Jobholders who received a winding up lump sum (WULS) won't have to be auto enrolled if they ceased to be employed by the employer making the WULS since that date and are then re-employed by the same employer within a twelve month period.

## FINAL NOTE – VOLUME ISSUES

It's certainly interesting times for those of us who work in the pensions industry. Given the volumes of employers who will be reaching their staging dates for the FIRST time over the coming twelve months and beyond we sincerely hope that these early re-enrollers experience a smooth process.

THIS ARTICLE WAS WRITTEN BY NICOLA PRINCE, DIRECTOR – EMPLOYEE BENEFITS AND AUTO ENROLMENT. THE CONTENT OF THIS ARTICLE IS FOR GENERAL INFORMATION ONLY AND IS BASED ON OUR UNDERSTANDING AS AT 30TH MAY, 2015. AS ALWAYS, SPECIFIC PROFESSIONAL ADVICE SHOULD BE TAKEN ON A CASE BY CASE BASIS.

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