

In this edition...

The Top Ten Myths of Pensions Auto Enrolment



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Thousands of small to medium sized businesses have begun automatically enrolling their staff onto pensions as part of 'auto enrolment', but many are still unprepared to launch their schemes and are leaving it very late to tackle the issue and put the relevant scheme in place. Here are the top ten myths about the auto enrolment process.

1. I've already got a pension scheme so I don't need to do anything

Wrong! The scheme has to be a qualifying scheme subject to AE criteria. Auto enrolment does not require your workers consent to join, to provide any information, to make a choice to join the scheme or remain a member – it auto enrols the employee from your staging date. You must have a qualifying scheme in place.

2. The pension provider will fully support me through the process

Wrong! Your pension provider may not agree to change the terms of the current scheme to allow for Auto Enrolment of all employees.

3. There's plenty of time to think about and plan for Auto Enrolment

Wrong! Dependent upon your staging date pension providers are putting deadlines on the preparation time of 6 to 12 months. You need to select and price a scheme from the different providers, confirm qualifying status, test and amend processing systems including payroll procedures, review contracts of employment and undertake the 60 day staff consultation.

4. It's only a pension and payroll issue

Wrong! You will need to involve HR in the rules of the pension and for communications, Finance on the increased costs, and all other departments in the changes required in deadlines.

5. Using NEST will solve all my problems

Wrong! This is the default scheme but there are limitations. It has a restricted default/investment fund choice and it does not manage the administration for you, it merely provides the system.

6. Once I've reached my staging date, that will be it

Wrong! There will be continual worker assessments each time the payroll is processed with communications and management of the contributions, opt outs and opt ins, re-enrolment, employee queries and governance.

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7. I'll encourage staff to opt out to make the process easier

Wrong! This contravenes AE regulations. To opt out, employees have to be part of an active scheme, be provided with an opt out notice by the pension provider who will check the validity of any received opt out notices. As an employer you have to process and pay refunds due and re-enrol opt outs every three years.

8. My workforce are self-employed so won't need to be Auto Enrolled

Wrong! A worker can be assessed for AE if they perform services personally and employment law advice is recommended for full assessment in self-employment situations.

9. Postponement delays my need to comply

Wrong! You're still required to provide a qualifying scheme at your staging date. Only active schemes can be postponed and employees can opt in to the scheme from the staging date.

10. Contractual enrolment fulfils requirements of Auto Enrolment

Wrong! Contractual enrolment requires worker consent to join a scheme and does not give the right to opt out. Employers cannot postpone contractual enrolment

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