

## **Auto enrolment pension guidance for new employers**

Set out below is an overview of auto enrolment pension obligations for employers. Further guidance and information are available at the Pension Regulator website:

<https://www.thepensionsregulator.gov.uk/en/employers/new-employers>

The NTF is not a financial adviser – this information sheet is provided to help you as an employer understand your pension duties and to provide links to sources of further information. If unsure, you should take independent financial advice before deciding on the scheme appropriate to your business.

### **Your pension obligations as an employer**

Under the Pensions Act 2008, every employer in the UK must put their eligible staff into a workplace pension and pay into it. This applies from the moment you employ your first member of staff. Even if you just employ one person, you are classed as an employer and you have legal responsibilities relating to staff pensions.

Even if you think you won't have any eligible staff you still have duties that you need to complete – you must assess your staff to see if they meet the eligibility criteria for automatic enrolment, write to tell them how they're affected, and complete a declaration of compliance. You must continue to assess your staff as job roles or hours or pay change which may affect their pension entitlement.

### **Who needs to be put into a pension scheme?**

You have to assess your employees against the eligibility criteria – not all employees will qualify for automatic enrolment into the pension scheme but you must still assess them to determine their entitlement.

The current eligibility criteria when you must enrol staff into a pension and contribute for them are:

- aged from 22 up to **state pension age**
- earnings before tax are at least £10,000 per year (or £833 per month, or £192 per week)

If you have employees who do not meet the eligibility criteria, they can still ask to be put into your pension scheme and if they ask you should join them into the scheme. You may still need to contribute towards the scheme depending on earnings. However, if the employee earns less than £120 a week/£520 per month/£6,240 a year you do not have to contribute to the pension but the employee can still pay into it. These figures are correct for the tax year 2021/2022.

## Choosing your pension scheme

It is your decision as employer as to the pension scheme into which you will contribute for your employees. It must be suitable for auto enrolment. You may wish to search on [www.unbiased.co.uk](http://www.unbiased.co.uk) to find one in your area.

## Information on pension scheme types

We believe there are three categories of scheme for trainers to consider; these are outlined below. We have suggested specific providers, who will offer trainers a suitable solution, but you should take financial advice before deciding.

### A Group Personal Pension Plan (GPP)

A number of pension providers have set up group arrangements to enable employers to meet the requirements of auto enrolment.

NKT Scottish Life GPP - The National Association of Racing Staff worked with NKT Financial Solutions in Newmarket offering a GPP with Scottish Life. There is a one-off charge which varies according to the number of employees, for setting up the scheme.

For more information you can contact Sharon Lamb on 01638 561522 or email [sharon@nktfs.co.uk](mailto:sharon@nktfs.co.uk) <http://nktfs.co.uk/>

Other schemes are, of course, available and your independent financial adviser will be able to assist you details of providers.

### 2. Master Trust Schemes

A Master Trust is where a product provider manages a pension scheme for a number of employers under a single trust arrangement. Master Trusts are one way to achieve scale in pension provision to keep costs low. A Super Trust may be similar to a Master Trust but with a totally independent trustee board.

### The Peoples Pension

The People's Pension ([www.thepeoplespension.co.uk](http://www.thepeoplespension.co.uk)) is not-for-profit and backed by B&CE, which has offered pensions for many years for workers in construction where the employee profile is similar to racing. There is no set up charge to the employer and a low annual management charge to the scheme member. It has more flexibility than NEST (see below) as it is currently structured.

If you are interested in this provider, you can submit an enquiry through their website or ring on 01293 586666 or email [newbusiness@thepeoplespension.co.uk](mailto:newbusiness@thepeoplespension.co.uk)

### 3. National Employment Savings Trust (NEST)

NEST is the scheme set up by the Government specifically to offer small employers a platform for pension auto enrolment. Unlike other providers, NEST must accept any employer that applies to join. There is no intermediary so the employer will have to do all the administration but this has been made as simple as possible with the online platform. Charges are minimal.

<https://www.nestpensions.org.uk/schemeweb/nest/about-pensions.html>

#### **Joining staff into the scheme**

You must put any employees who meet the age and earnings criteria into a pension scheme that qualifies for automatic enrolment and pay into the scheme.

#### **Write to your employees**

You must write to your employees explaining how automatic enrolment applies to them, including anyone not being put into a pension. You must do this no later than six weeks after their start date of employment.

Depending on the arrangement you have, your pension provider may be willing to write to your employees but if not, the Pension Regulator has guidance and example letter templates:

<https://www.thepensionsregulator.gov.uk/en/employers/new-employers/im-an-employer-who-has-to-provide-a-pension/write-to-your-staff>

#### **Amount of contributions**

The amount you and your staff member pay into your pension scheme may vary depending on which pension scheme you choose. However, by law, you and your staff have to pay a minimum amount into your scheme.

This is set at 8% of your member of staff's earnings. You, the employer, must pay at least 3% of this, but you can choose to pay more.

#### **Staff earnings**

When you work out how much to pay into your pension scheme you need to know what staff earnings to use in your calculation. This will depend on the type of scheme you choose.

If you pay the minimum of 8%, you will need to base your calculation on a specific range of earnings. For the 2021/22 tax year this range is between £6,240 and £50,270 a year (£520 and £4,189 a month, or £120 and £967 a week). These figures are reviewed each year by the government.

You will also need to include the following types of staff pay in your calculation:

- salary
- wages
- commission
- bonuses
- overtime
- statutory sick pay
- statutory maternity pay
- ordinary or additional statutory paternity pay
- statutory adoption pay

The NTF and NARS have agreed that pool money should not be included in calculations of earnings because it is not paid by the employer and is treated by HMRC as a gratuity for taxation purposes.

There is Government [online contributions calculator](#) to help work out your costs for each member of staff.

Your payroll software is likely to be set up for automatic enrolment to calculate the contributions for you. To find out what you can do if you don't have payroll software or if your existing software is not set up for automatic enrolment, for example if you use HMRC Basic PAYE Tools (BPT), go to [check your payroll process](#).

### **When you must pay your contributions**

You must agree the dates when you will pay contributions into the scheme with your scheme provider. However, by law, when you take contributions from your staff's pay you must pay these to your pension scheme by the 22nd (19th if you pay by cheque) day of the next month.

### **Opting out of an automatic enrolment pension**

Some of your staff may not want to be in a pension scheme.

It is compulsory for you to put eligible staff into a pension to begin with but they can leave ["opt out"] at any time after they have been put into the scheme.

You must first automatically enrol staff into a scheme before they can opt out of it. Employees cannot tell you they don't want to be in a pension and ask not to be automatically enrolled in the first place. Failure to enrol eligible staff is against your legal duties – eligible staff must be put into a scheme, even if they don't intend to stay in it.

Your staff can [opt-out of an automatic enrolment scheme](#), and receive a full refund of their contributions, but only for a limited time. Opt-outs are possible for one calendar month, starting on the date active membership of the scheme began, or when the employee received the letter from you with their enrolment information – whichever happens last.

Staff can still leave the scheme at any time, but after the one month opt-out period has finished, this is called ceasing active membership. In these cases, whether staff contributions are refunded will depend on the scheme rules.

You must never encourage or induce staff to opt out of or leave their scheme – this decision must be taken freely by the employee.

### **Declare compliance**

You must go to [autoenrol.tpr.gov.uk](https://autoenrol.tpr.gov.uk) and declare how you've met your legal duties, **even if you didn't need to put any staff into a pension.**

All employers must do this – not having staff to enrol is not an acceptable reason for failing to submit a declaration. The declaration must be completed no later than five months after their duties start date.

### **Re-enrol staff that have left the pension scheme every three years**

Every three years, you must put any eligible staff that left or opted-out of their pension scheme back into it, on the anniversary of their duties start date. They must complete a new declaration of compliance to tell the Pension regulator how you have complied with your duties. It is important to diarise dates when you will need to re-join any employees who have opted out of the scheme. They can opt out again if they wish after they have been re-joined.

### **Late setting up a pension scheme**

If you have missed your date for starting your auto enrolment duties, you will still need to work out what your duties are and may have to backdate pension contributions. See the link for simple steps for new employers (above) to find you what you need to do if you have missed the date.