GUIDE TO AUTO ENROLMENT
FOR STABLE EMPLOYEE PENSIONS

Introduction

Since July 2013 the NTF has been informing members about the introduction of compulsory employer and employee contributions to qualifying pension schemes. It is known as "auto-enrolment" and applies to **all** employers. This is national legislation intended to increase the amount of money everyone puts by during employment to fund their retirement income.

The legislation requires both employers and employees to contribute to a qualifying pension scheme and relevant employees must be "auto-enrolled" into the chosen scheme by their employer. One of the best websites for information is the Pension Regulator website. There is an easy link to the pages about auto-enrolment under the Employer tab on the home page.

Your date with pension auto-enrolment

Implementation applies at different times depending on the number of employees for whom you operated PAYE on **1st April 2012**. Large companies are already affected and, by the end of 2017, most small employers will also have to comply. The date it applies is called the "staging date". To check your staging date, see the Tools for automatic enrolment in the Employers section of The Pension Regulator's (TPR) website. Start the "Find out your staging date" tool and enter your PAYE reference. As a quick guide, the table below shows the staging dates for businesses based on number of employees typical to racing **but you must check using the TPR website**:

Number of employees in your PAYE scheme	Staging date
90-159	1 May 2014
62-89	1 July 2014
61	1 August 2014
60	1 October 2014
59	1 November 2014
58	1 January 2015
54-57	1 March 2015
50-53	1 April 2015
40-49	1 August 2015
30-39	1 October 2015
Fewer than 30	A date between 1 June 2015 and 1 April 2017 determined by the last two letters of the PAYE reference

For new employers whose first PAYE income payment took place after 1st April 2012, their staging date will be before 1st April 2018.

The main steps towards auto enrolment are –

- Knowing your staging date
- Assessing the eligibility of your workforce
- Reviewing current arrangements
- Communicating changes to all your workers
- Enrolling eligible jobholders
- Registering with the Pension Regulator and
- Making contributions.

In the knowledge that the burden of this legislation falls on employers and this will be particularly onerous for small businesses, the NTF is providing guidance to its members on choosing suitable arrangements that meet their needs and those of their employees. A regularly updated copy of this guide can be seen on the NTF website under Information – Business. The big change with auto enrolment is that employers are free to choose from a range of products offered by pension providers so while employees may end up with pension pots in a number of schemes, each employer need only deal with one.

Level of contributions

Auto enrolment involves **minimum levels** of contributions by both employer and employee. These minimum contributions must be based on the employee's pay. The employer can choose from different definitions of pay, usually total earnings or qualifying earnings. For **total earnings** the minimum contribution is

- Total – 8%, made up of:
- Employer – 3% of gross earnings
- Employee – the rest and he/she will get tax relief on their payment
- (See section on Phasing below.)

Postponement

You cannot postpone your staging date but you can postpone the payment of contributions for up to three months. Postponing contributions may give you time to assess new workers and help cash flow especially during the transition from current Friends Life Stakeholder scheme to your auto enrolment scheme.

Phasing

For a transitional period, minimum contributions are at a lower level as shown below

	Total	Employer Pays	Employee Pays
Now to March 2018	2%	1%	1%
April 2018 to March 2019	5%	2%	3%
April 2019 onwards	8%	3%	5%

As you know, the current Stable Employee Pension arrangements with Friends Life only require a flat rate contribution of £440 per annum (£110 per quarter) so the new regime represents a major change in the way you and your staff contribute to a pension scheme.

Having taken external advice, the NTF believes employees already receiving a pension contribution under the existing racing industry arrangements should have the level of their contribution protected once a trainer enters auto enrolment. In view of the practical difficulties of delivering a flat rate contribution, ***the NTF and NASS have agreed that an initial employer's contribution of 2% of relevant earnings meets employers' obligations.***

There will be a small number of employees who will qualify for pension contributions for the first time as a result of Auto Enrolment. ***To avoid potential discrimination claims and for simplicity of administration, an initial employer's contribution of 2% across the board is recommended and has been agreed with NASS.***

<u>Opting out</u>

Under auto enrolment, the employer chooses a scheme and the employee **must** be enrolled. He/she may then choose to opt out, for which there is a formal process. Please be aware that unless that formal process is followed, opting out an eligible employee will be a breach of your legal obligations. Even then, an employee who has opted out must be periodically auto enrolled.

Next steps to auto enrolment

Assessing the eligibility of your workforce

After checking your staging date, you need to assess the eligibility of your workforce. This depends on their earnings – do they earn over £10,000 per annum? – and their age – are they 16 to 21, between 22 and the State Pension Age or between State Pension Age and 74? Those earning over £10,000 and aged between 22 and State Pension Age must be auto-enrolled and may have a right to an employer's contribution. Others may have a right to opt in. Only the employee has a right to opt out and there are strict rules about doing this.

Choosing a pension scheme

The existing NTF Stakeholder Pension Scheme for stable staff does not qualify as an auto-enrolment scheme. The funds will remain in place at the disposal of each individual scheme member and may be transferred to a new scheme (other than NEST) free of charge. It is the employer's responsibility to choose a new scheme and ensure the employer's and employees' contributions arrive in the scheme at the right time. We provide guidance below on some suitable options. You may wish to consult an Independent Financial Adviser. Check out www.unbiased.co.uk to find one in your area.

Definition of earnings – Pool money

One question that will arise when setting up an auto enrolment pension scheme is whether pool money should be included when calculating earnings. The Pension Regulator advises that *"It is down to the employer to decide whether the elements of pay or remuneration that they provide fall within the definition set out."*

After discussion with NASS, it has been agreed that pool money should NOT be included in calculations of earnings because it is not paid by the employer and as it is treated by HMRC as a gratuity for tax purposes, pool money does not obviously fall within the components of qualifying earnings set out in The Pension Regulator's detailed guidance for employers.

What about the current stable employee pension arrangements?

Rules of Racing

We have liaised with the BHA and NASS about trainers' obligations under the rules of racing and employment contracts to contribute to a pension scheme for their staff.

The BHA is satisfied that auto enrolment removes the need for Stable Employee pensions to be a Rule of Racing. Once all Trainers have completed auto enrolment, the relevant rules will be deleted.

The Rules of Racing allow for trainers to contribute to a stable employee pension other than the NTF Stakeholder Pension Scheme. Therefore trainers who have completed auto enrolment can cease paying into the existing scheme without being in breach of current Rules. On the Stable Employee Register trainers should flag their employees as having "Other Arrangements" in order for no further contributions to be deducted from their Weatherbys account for the Friends Life scheme. There is no facility to do this flag on the online admin system and trainers will need to either ring or email Weatherbys. At the time of issuing this guide the contact at Weatherbys is Victoria Morris (vmorris@weatherbys.co.uk).The NTF will not be able to keep track of contributions wrongly made to the Friends Life scheme after a trainer has auto enrolled. **You must follow the advice above to ensure you do not make unrecoverable payments.**

During the transition to auto enrolment, the BHA will require trainers renewing their licence to confirm the name of their pension provider as part of a monitoring process.

Administration

It has been said that auto-enrolment is more to do with business processes than with pension schemes. The current administration system for stable staff pensions is simple for trainers but because under the new regime employer and employee contributions are based on a percentage of payroll, you will need to upgrade your payroll process to ensure deductions are made and reach their destination in time. You should ask your payroll software provider what plans they have to offer this service. We understand that some, including Sage are doing so. Some pension providers offer "middleware", a type of software that links your payroll system with their administration platform to enable assessment of your workforce and calculation of payroll deductions.

Communicating with employees

You will also need to communicate particular items of information to your employees and explain what you are doing as their employer. This may be offered as part of a package by the pension scheme administrator.

Choosing a suitable scheme

The existing stable staff pension arrangements will cease once trainers enter an auto enrolment scheme. 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.

1. **A Group Personal Pension Plan (GPP)**

A number of pension providers are setting up group arrangements to enable employers' to meet the requirements of auto enrolment.

NKT Scottish Life GPP

The National Association of Stable Staff is working 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. A number of trainers in Newmarket have already chosen NKT and report a high standard of service from both NKT and Scottish Life.

To use NKT you should contact Sharon Lamb on 01638 561522 or email sharon@nktfs.co.uk

Harrington Wood Chartered Financial Planner

Harrington Wood, which is a large firm of Independent Financial Planners, can advise on and implement a suitable pension scheme for you. Harrington Wood will project manage the set up for a one-off charge per employee. The annual management charge paid by the scheme member will be between 0.5%. Trainers who have already used Harrington Wood (who were formerly named Moore Stephens,) have been very satisfied with the service.

If you are interested in this option, please call Samantha Skuse on 01225 788088, or email Samantha.skuse@harringtonwood.com .

As predicted by market professionals, due to a Government cap on fund charges, the large insurance companies are beginning to refuse Auto Enrolment applications from small employers where contributions are relatively low. Scottish Life has indicated it may charge employers additional fees.

The alternative is to use one of the major Master Trusts.

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) 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.

Both NKT Financial Solutions and Moor Stephens are turning to The People's Pension where their existing scheme provider won't offer terms to a smaller trainer. Each recommends The People's Pension.

If you are interested in this provider, our contact is Martin Leigh, who can be reached on 01293 586666, mobile 07887 453731 or email martinleigh@bandce.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. Within the next twelve months, the Government may change some of the ways NEST operates.

CONCLUSION

Trainers who have already begun auto enrolment say the set up process is complex and time consuming so professional assistance is highly recommended.

We will continue to update this guidance in the light of new information. If you have any questions about auto enrolment and what action you should be taking now, please contact Rupert Arnold at the NTF office or by email r.arnold@racehorsetrainers.org .

29th March 2017