

UK Pensions Auto-Enrolment Scheme

By Sharon Tan and Richard Cook

A radical change to UK pension law is expected to affect tens of thousands of organisations with UK-based employees in 2014. This follows the imposition of an unprecedented obligation on employers to “automatically enrol” eligible employees in, and to contribute financially to, a pension scheme that meets specific, carefully defined criteria.

Each organisation has been allocated a “staging date” by which it must comply with the new regime. The largest employers were targeted first, but it will apply to all organisations with UK-based employees by 2018. Indeed, the rollout has now reached a point where the vast majority of organisations will this year find themselves caught by the new regime.

“A wide range of organisations will this year find themselves caught by the new auto-enrolment regime.”

Planning for the implementation of auto-enrolment should begin well in advance of an organisation’s staging date. Relevant considerations include not only pension law but finance, compensation and benefit structures, employee relations, training for relevant staff, the identification of a suitable scheme provider, payroll issues and on-going legal compliance.

When Is Your Staging Date?

It is vital to identify your staging date as early as possible and to plan accordingly. The staging date for each employer is

determined by the number of employees registered on 1 April 2012 in its pay as you earn (PAYE) scheme. Employers who, on 1 April 2012 had 500 or more employees in their PAYE scheme are already subject to the auto-enrolment regime but, on various dates during 2014, this will be extended to capture all employers who had between 59 and 499 employees in their PAYE scheme on 1 April 2012.

Who Are You Required to Auto-Enrol?

Employers are only required to auto-enrol “eligible jobholders”. An eligible jobholder is someone who is at least 22 years old who works (or ordinarily works) in Great Britain under a contract and who earns at least £9,440 per year.

Finding a Suitable Pension Scheme for Your Business

Eligible jobholders must be enrolled in a scheme that meets minimum qualitative criteria. The different types of schemes available can vary quite significantly, and careful consideration should be given to the right scheme for your business. Employers should also review the existing pension arrangements they have in place for their UK employees. If those schemes meet the statutory criteria there is no need to set up a new scheme, although certain information requirements may need to be complied with.

Getting It Right from Day One

Setting up a compliant scheme can require significant effort. The Department for Work and Pensions has estimated that employers will need to spend more than 100 man hours in preparing for and implementing auto-enrolment. Getting to grips with auto-enrolment, and identifying the legal, logistical and financial issues in advance

is essential to ensure compliance on your staging date.

“Failure to achieve and maintain legal compliance could be costly.”

Staying Compliant

Employers have an ongoing obligation to ensure they remain compliant with their new duties. This requires, for example, continual monitoring of the workforce profile to ensure any employees who become eligible jobholders are automatically enrolled, and to ensure employees who have opted out of the scheme are re-enrolled after a certain period of time. Failure to achieve and maintain legal compliance could be costly; the Pensions Regulator has the power to impose a fine of up to £10,000 per day for large employers.



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