



Auto enrolment

Background

The law on workplace pensions changed in 2012. Every employer with at least one member of staff now has duties, including enrolling those who are eligible into a workplace pension scheme and contributing towards it. This is called 'automatic enrolment'. The purpose of the auto-enrolment legislation is to increase the number of staff across the country's workforce that will be enrolled automatically into a qualifying pension scheme.

In brief, the main requirement is for employers to auto-enrol all Eligible Jobholders into a Qualifying Pension Scheme (the LGPS for example) with effect from the employer's Staging Date. An employer's staging date is the date the automatic enrolment duties apply to them. New employers have a 'duties start date' instead of a staging date. The duties start date is the date a new employer's automatic enrolment duties start from. It is the date the new employer's first worker begins to be employed i.e., the date the first worker's contract of employment with the employer takes effect.

Rules also apply surrounding opt-outs (making it more difficult for members to opt out of the scheme) and employers are required to re-enrol staff who have opted out after a period of three years.

Registering with the Pension Regulator (TPR)

All new employers must register with TPR and provide information about how they have complied with their duties. This information must be submitted within five months of the duties start date. The declaration can be submitted on <u>TPR's website</u>.



You may need the following information when you register:

Scheme reference (SCON) for HMRC purposes:	S2700148T
Employer Reference (ECON) for LGPS for HMRC purposes:	E3900002R
ESPF registration no:	10079157

Assess the workforce

A new employer should undertake an initial assessment of workers to ascertain who will be contractually enrolled*. If any workers will not be contractually enrolled the employer will need to identify which category of worker they fall into for automatic enrolment purposes.

*All eligible employees under the age of 75 are contractually enrolled into the LGPS on appointment unless their contract of employment is for less than three months. Employees with a contract of employment for less than three months will not be contractually enrolled but will be automatically enrolled if they are an eligible job holder, although the employer can issue a postponement notice.

A table summarising the different categories of worker, which include eligible job holders, non-eligible jobholders and entitled workers can be seen below.

What type of worker are you?	Eligibility for scheme	How will automatic enrolment impact you?
Age 22 or over and you earn over £10,000 a year (or pro-rata in any pay period) and are under State Pension age.	Eligible jobholder	You must be automatically enrolled in the LGPS.
You are 22 years or over but you earn between £6,240 and £10,000 a year (or pro-rata in any pay period).	Non-eligible jobholder	You will not be automatically enrolled into the LGPS, but you can still join by contacting your employer. If you do not join, you will be automatically enrolled in the LGPS if you become an 'eligible jobholder' in the future.
You do not meet any of the requirements above.	Entitled worker	You will not be automatically enrolled into the LGPS, but you can still join by contacting your employer. If you do not join, you will be automatically enrolled in the LGPS if you become an 'eligible jobholder' in the future.



Postponement

An employer may postpone automatically enrolling an employee into the LGPS for a maximum period of three months. Postponement is optional and is essentially the postponement of the assessment of a worker, or a group of workers, at certain dates and therefore a postponement of whatever duties may apply.

Examples of when an employer could use postponement are:

- in respect of workers with rare spikes in earnings
- for short-term workers who are due to leave soon after starting work
- for casual workers

An employer can only use postponement from their staging date (the date that automatic enrolment applies to the employer)

Communicate to the workforce

New employers must write to all their eligible jobholders, non-eligible jobholders and entitled workers who are not active members of the LGPS on their duties start date. That communication must be direct and sent within 6 weeks of the duties start date.

Employee Safeguarding

The workplace pensions reform introduced new duties and safeguards that all employers must adhere to. The safeguards are intended to protect individuals, meaning there are certain things the employer must not do, both before a person starts working for them and once that person is a member of a pension scheme with that employer.

Full details of the safeguards can be viewed in <u>TPR's detailed guidance</u> - a summary is provided below:

- An employer must not, as part of the recruitment process, make any suggestion that success in applying for a job may be conditional on opting out of the pension scheme.
- An employer cannot seek to induce a member of either the LGPS or the TPS to opt out of the scheme.
- An employer cannot treat a worker unfairly or dismiss a worker on account of the worker trying to enforce their automatic enrolment rights.



Opt outs

An employee who is either contractually or automatically enrolled into the LGPS can only opt out after they have been brought into the scheme. An opt out can only be made on a prescribed opt out form which can only be obtained from East Sussex Pension Fund.

If a member opts out, the employer will be required to re-enrol the member into the LGPS approximately every three years on their staging date if they are an eligible jobholder.

Record Keeping

Employers must keep comprehensive records about their employees and the scheme they have used to meet their automatic enrolment obligations. Records must be kept for 6 years. Employers must keep opt out forms for 4 years but, subject to Data Protection legislation, it is recommended that these are retained for life.

50/50 section of the LGPS

The LGPS offers its members the opportunity to pay a lower rate of contributions in return for a lower rate of pension build up - this is called the 50/50 section of the LGPS.

The 50/50 section operates in tandem with the automatic enrolment provisions meaning that members who elect for the 50/50 section of the scheme should be automatically reenrolled back into the main section of the scheme by their employer from the first pay period after the employer's cyclical automatic re-enrolment date, regardless of whether they are an entitled worker, non-eligible jobholder, or an eligible jobholder.

Important note

This document is written as a summary of the auto enrolment rules which are complex. All employers should ensure that they fully understand their obligations under the legislation. Full guides in relation to the LGPS can be found below in the 'more information' section.

More information on auto-enrolment

Further information can be found on:

- LGPS automatic enrolment technical guide <u>Access here</u>
- The Pensions Regulator automatic enrolment guidance <u>Access here</u>
- LGPS HR Guide (page 16) Access here

Further support

Email: employer.engagement@eastsussex.gov.uk



This factsheet is one of a series put together by East Sussex Pension Fund to help support employers with processing key tasks.



Pointing you in the right direction

You can view the full employer toolkit at:

Employer Toolkit | East Sussex Pension Fund