

Fines threat for employers breaching new auto-enrolment pensions rules

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A pension expert has warned that employers are underestimating the complexity and onerous rules of the new compulsory pensions auto-enrolment regime, which could see some companies face significant fines, as much as £10,000 per day. Several thousand SMEs are required to automatically enrol staff in the coming months, as the staging dates for automatic enrolment come into force.

The new rules, introduced by the Government to provide a universal pension provision for all workers, means employers will become responsible for setting up and managing schemes for all staff over the age of 22 and earning more than £8,105 gross per year.

Glynn Jones, Divisional Director of Group Savings & Investments with LEBC Group

([http://http://www.lebc-group.com/](http://www.lebc-group.com/)), a national firm of independent financial advisers, said:

“Auto-enrolment is not just about pensions but the whole employee benefits programme. Having to consider the impact on payroll, insured benefits, flexible benefits, salary sacrifice, risk, data, HR systems, processes and much more, means the new regime is proving a major challenge for many employers.

“For some employers with little or no previous pension culture, these duties are already placing a strain on their business. By putting into place clear and robust compliance and governance systems, the initial investment will significantly reduce the likelihood of having to face an escalating penalty notice from The Pensions Regulator.”

The Pensions Regulator has been given similar powers to those available to HMRC, with powers to fine businesses. These penalties will be based on the size of the workforce, with the prescribed penalties ranging from £50 per day for companies with one to four staff increasing to £10,000 for those with 500 or more employees. Wilful disregard of the new duties will result in either penalties or rectification notices.

The objective is to ensure that the employer does not gain any financial advantage by ignoring its duties.

Glynn Jones concluded: “While auto-enrolment is placing an additional burden on employers, there is no excuse not to comply. From a day-to-day perspective, systems are available that will take on all the employer duties and work primarily from the existing payroll system. However, there are a number of issues to address before this stage and employers must, therefore, take action now to ensure compliance.”

Ten auto-enrolment duties for employers:

- 1) Provide all workers with information about their new pension rights
- 2) Automatically enrol eligible jobholders into a qualifying scheme
- 3) Put into a qualifying scheme non-eligible jobholders who decide to opt in
- 4) Those employees who are not entitled to be auto-enrolled must be given the opportunity to join a

scheme

- 5) Advise all those who have been automatically enrolled have the right to opt out but not to be seen to inducing employees not to join
- 6) Refund contributions to those who have decided to opt out
- 7) Register the qualifying scheme with The Pensions Regulator
- 8) Automatically enrol those employees who have previously decided to opt out (every three years)
- 9) Re-register the scheme every three years
- 10) Keep records of all aspects of auto-enrolment, both at scheme and member level

ENDS

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Notes to editors:

Established in 2000, national IFA pensions and employee benefits consultancy LEBC Group provides impartial and independent financial advice. LEBC has offices in Birmingham, Bristol, Cardiff, Cambridge, Chertsey, Edinburgh, Glasgow, Hull, Leeds, Leicester, London, Manchester and Reading.

The Retirement Adviser, a division of LEBC Group, focuses on clients at the point of retirement. Its team, which won the coveted Money Marketing Award for the Best Annuity Adviser in 2011, helps clients understand their retirement income and choices.