NAVIGATING THE CHARITY PENSIONS MAZE
The Government introduced auto-enrolment in 2012 to tackle the problem of millions of people in the UK not saving enough, or at all, for their retirement. Auto-enrolment requires employers to provide a workplace pension for their employees and pay contributions into it. Contributions started at 1% of pay for both employers and employees but will increase to 8% in total by 2018 with the employer paying a minimum of 3%.

Eventually as many as 1.3 million employers will have auto-enrolled up to 10 million eligible workers into a workplace pension scheme. Many larger employers and those with the smallest number of employees have yet to reach their “Staging Date”. Those with 50 employees or less will have a latest Staging Date of April 2017.

Many smaller charities will find the auto-enrolment obligation daunting, and just another thing to increase the cost of employment and divert resources away from their day to day aims and objectives.

**CHOOSING A WORKPLACE PENSION**

Employers need to check whether their current scheme complies with the new requirements or introduce a new scheme. Even employers with an existing scheme which meets the minimum requirements will still need to auto-enrol any employees who have not enrolled and any new employees.

If you need a new provider, start the process early and select a provider at least six months before your Staging Date. The key requirements for a workplace pension are:

- Clear governance structure.
- Informed decision making.
- Fair outcomes for members.
- No requirement for an application form from the member.
- Default investment option so that the member does not have to make investment decisions.
- Minimum contributions as prescribed.

**THINGS TO LOOK FOR**

The best providers will support you through the process to ensure you meet your increased employer duties. An advantage of being an employer staging now is that pension providers now have more experience in this field and should be able to support you better.

Key issues include:

- Contacting your employees with relevant information or providing you with template letters.
- Checking that contributions are correct with the information provided about your members.
- Catering for all types of contributions to give you complete flexibility to comply in a way that suits your structure.
- Dealing directly with your members and providing them with support and information.
- Providing annual benefit statements directly to members.
- A high level of governance.
- An investment approach which is easy to understand and reviewed regularly.
PAYROLL PROVIDER

Whilst there is a lot of focus on the pensions provider, your payroll provider is just as important in helping you comply with your auto-enrolment obligations. It is important you engage with them early in the process to check they can provide the relevant support, and also when choosing a pension provider.

Your payroll provider will hold all the information required to carry out the assessment of your jobholders. They also have the ability to use this information to issue the relevant communication, although your pension provider may also be able to do this for you.

Making sure that the roles between payroll provider and pension provider are clear is essential. You should establish early on who is responsible for which services to avoid duplicating tasks and potentially paying for a service already provided with your payroll software package. Many payroll packages now include an auto-enrolment “bolt on” or you may just need to upgrade your current package.

If possible, a straight through interface between your payroll provider and your pension provider will minimise your input. This means that you do not need to get involved in this element of the administration. But make sure you and the payroll provider:

• Agree the monthly timetable of events so that you can provide them with the payroll changes eg salary increases or new employees joining in plenty of time for their processing.

• Agree the contribution structure and agree the rates of increases in the contributions from the outset and disclose to ensure this happens.

LETTING YOUR EMPLOYEES KNOW ABOUT THE WORKPLACE PENSION

You need to make sure you give your employees all the information they need to make an informed decision within six weeks after the Staging Date.

You will need to decide whether to just tell employees the basic information or use auto-enrolment as an opportunity to remind employees of the importance of saving for their retirement and encourage them with their retirement planning. Either way, make sure they understand the commitment you, as employer, are now making towards their retirement saving.

You will need to supply information explaining:

• The new rules for pension saving.
• When employees will be affected.
• Details of the workplace pension selected including investment options.
• How the contributions will be structured.
• How they can opt-out.
• Opt-in notices for non-eligible jobholders.

Employers must communicate with employees in writing, either by providing a hard copy letter or sending an email to their email address. You are not allowed simply to refer employees to a website for information although directing them to a website for further information is permissible.

Employers can only give employee guidance and members would need to seek independent financial advice if they need advice about their own particular circumstances. Your pension provider or payroll provider should be able to assist you with your communications to members.
You will need to review your employment contracts and in particular the pension clause to check whether it is compliant with the new requirements or needs to be amended. If this is the first time you are offering pension benefits, you will need to consider adding a pension clause to your employment contracts and you may need legal advice.

**WHAT CAN GO WRONG?**

Some key risk factors:
- Complicated contribution structure.
- Lack of support from pension provider.
- Lack of planning in advance of staging date.
- Lack of support from payroll.
- Mixture of pension provisions across different schemes.
- Lack of organised record keeping (particularly in respect of opting out as these members need to be re-enrolled after three years).

If you are unable to comply or haven’t understood your duties then The Pensions Regulator’s approach is to work with you towards compliance.

**RE-ENROLMENT**

Once you have auto-enrolled your employees you will have an additional duty every three years after your original staging date to automatically re-enroll any eligible employees who are not already members of your workplace pension. This will include employees who over a year ago opted out or left the workplace pension after joining. It also includes members of the workplace pension who have reduced their contributions below the minimum but are otherwise eligible.

You can choose a re-enrolment date within a six month window falling three months before and three months after the third anniversary of your original staging date. You will need to pay contributions on behalf of eligible employees and write to them six weeks before to tell them you will be automatically re-enrolling them. Employees can still opt out within one month of being automatically re-enrolled if they wish to do so.

You will also need to complete a re-declaration of compliance within five months of the third anniversary of your staging date. Good record keeping and assistance from your payroll provider will ensure that your re-enrolment process runs smoothly.


**MAKING SURE YOU TICK ALL THE BOXES**

It is a legal requirement that all employers must complete a Declaration of Compliance to inform The Pensions Regulator that you have fulfilled your employer duties. The Declaration of Compliance must be completed within five calendar months of your staging date. More information can be found from your pension provider and on The Pensions Regulator’s website at www.thepensionsregulator.org.uk.

If you fail to comply with your duties, The Pensions Regulator may take enforcement action. Their overall approach is to educate and enable employers to comply with the legislation.

The full publication can be found here: [http://www.cfg.org.uk/resources/Publications/cfg-publications.aspx#PenMaze](http://www.cfg.org.uk/resources/Publications/cfg-publications.aspx#PenMaze)