

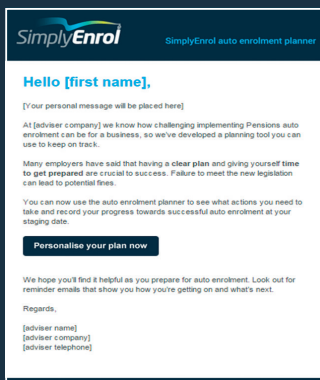
Auto Enrolment

Your definitive guide

- Engaging employer clients
- What's the right route for your client?
- How to expand your brand in the workplace
- The five point plan to demonstrate the value of your advice



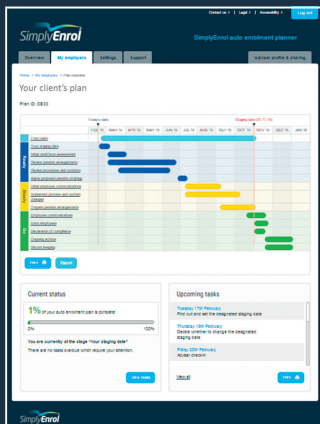
Have you registered for your FREE SimplyEnrol AE Planner?



The SimplyEnrol planner is simple to use and plots each step and decision that the employer needs to make, clearly communicating – to you and to them – which actions are overdue and which are imminent. The planner is yet another way of demonstrating the value that an adviser adds to the auto enrolment process, and is supported by a host of material on the SimplyEnrol site.

Key benefits:

- Helps you reinforce your position with clients and prospects well ahead of their staging date.
- Gives you a single view over all of your clients.
- Automated emails keep clients on track whilst positioning your brand in the workplace.
- Personalise the service to your business model.
- Works with partners e.g. accountants, and across all the SimplyEnrol solutions available.



For more information and to register for the planner, visit the SimplyEnrol website at www.SimplyEnrol.co.uk or call us on **01484 439100**.



Demonstrating the value of your services

When speaking to advisers, I've discovered that one of the biggest obstacles they're coming up against is of finding effective ways in which to engage with employers on auto enrolment. By this stage, it's rare to find an employer who's completely unaware of AE, however, the struggle tends to be in finding the right trigger to make employers see the importance of auto enrolment to their own business.

The next few pages of this guide are dedicated to helping you, as an adviser, identify the issues which will help you forge this connection to your employer clients and communicate with them in a way which will help them to understand the necessity of engaging with you on the auto enrolment process.

Firstly, five points for you to consider, in order to ensure you have your own house in order before approaching clients:

- 1 Be clear on your service**, the resources it requires and the fees that you will charge. Most importantly, what do your clients and professional partners want? Find a suite of solutions to handle the scenarios your clients will face. Will you outsource auto enrolment or handle in-house? Will you offer a full pension review service and/or help employers get prepared for a low cost master trust/NEST?
- 2 Develop partnerships** with accountants and payroll bureaux – ask your key clients who they use, and make sure those businesses know how they can work with you to deliver a collaborative auto enrolment solution for clients.

- 3 Get your brand out there** – driving awareness in a cost-effective manner is key; particularly if you're forming partnerships and potentially providing light-touch services to dozens or hundreds of clients. Employers need time to prepare, so you should be targeting 2016 staggers now – the Pensions Regulator is warming them up in the first half of 2015 so employers will be more responsive
- 4 Use technology** to take away the burden. Challenge every manual process you have to complete, from sending reminder emails to employers preparing for AE and scheme set-up to the assessment of workers and issuing of communications – if it's not online or automated it's destroying value in your business
- 5 Develop your 'post-AE' proposition?** How will you segment your new client base and deepen the relationship with employers and employees to provide other services? How do your new clients know you offer these services? How will you target messages into the workplace without physically being there?



Tom Nall

Workplace Solutions Director, SimplyBiz Group

Bringing auto enrolment to life for employers



There are a number of pressure points which may be the key to spurring your employer clients into action. I'd suggest leaving them to mull over some or all of the questions below for a day or two, before getting back in touch to further discuss the challenges they face and how you could work together to find solutions:

- 1 How much time, resource and budget can you afford to direct to both the planning and running of auto enrolment? What's the cost to your business of taking key staff out of their day jobs?
- 2 Do you have existing pensions you want to include? If so, are they qualifying and will they accept your other staff?
- 3 Do you want/require a new scheme for auto enrolled staff? What quality criteria will you apply to the scheme you choose?
- 4 Based on contracts will you use auto enrolment or contractual joining?
- 5 Will you use AE band qualifying earnings or a different tier for compliance? (e.g. employers may use tier 1 9% Basic Pay if bonus represents a high proportion of salary).
- 6 Will you phase contributions or move straight to the full contribution levels?
- 7 Will you offer matching for additional employee contributions?
- 8 Does your payroll software/bureau recognise qualifying earnings?
- 9 Does your payroll software/bureau handle assessment and produce all communications for auto enrolment?
- 10 Do you want to apply salary exchange? What will you do with the National Insurance savings? Will salary exchange be offered as the default? Can your payroll software/bureau and payslips handle salary exchange?
- 11 Will you be using tax or calendar pay reference periods to calculate earnings for assessment? If you outsource your payroll what's their preference?
- 12 Do you have workers e.g. contractors/agency staff you need to include in assessment, even if they're not in payroll?
- 13 How will you bring the value of the pension to life for staff?
- 14 How will you support employees with questions around pensions, and retirement? Do any of your employees have pensions elsewhere that need to be considered for the Lifetime Allowance and protected tax status - potentially lost if employees fail to opt out?
- 15 Will you be applying postponement? What outcomes are you looking to achieve? (e.g. synchronise with Pay Reference Periods, minimise impact of seasonal workers, minimise costs).

Making the case for your services to employers

The first case for your services:

It'll take them longer and they'll divert key skills to a non-core activity.

Right, that's probably scared the living daylights out of employers, and it's worth focussing on the time taken to resolve those problems in a Schedule of Services, setting out what activity the employer and adviser are doing from outset. This way, when the employer wants further help, you've established there will be a cost from outset.

Second case for your services:

The downside to employers for getting this wrong can be material and irreversible.

Why would an employer invest in your guidance? 198 Fixed Penalty Notices of £400 in Q1 2015 and 4 Escalating Penalty Notices (£2,500 per day of non-compliance 50-249 employees, £500 per day for fewer than 49 employees). Plus employers lose the right to postpone and may have to pay for employee missed contributions too. At three months after staging this would be an additional employer cost of £3,500 for a 20 employee firm on national average earnings – that's before any fines as detailed above, and without the employer necessarily being 'wilfully non-compliant'.

“ PENSIONS ARE A BENEFIT TO STAFF, BUT FOR MANY THEY WILL BE PERCEIVED AS A COST WITHOUT AN OBJECTIVE IN MIND ”

Third case for your services:

Pensions are a benefit to staff, but for many they will be perceived as a cost without an objective in mind. Not only can you help employees understand the value, but you can also handle any questions employees ask which might otherwise endanger the employer by nudging them towards giving individual financial advice or encouraging opt-outs which would, of course, create the risk of additional fines and liabilities.



What's the right route for your clients?

With retirement freedom creating more interest in pensions from workers, there is more need than ever for support through some of the biggest financial decisions individuals can make.

By its nature, the workplace is where these decisions start, and employers value you supporting their staff through these life-changing decisions.

Every day I hear from advisers whose clients don't have the budget or resources to invest in auto enrolment, and want a simple solution to just get this off their plate.

As you'd expect we offer that via SimplyEnrol but here are some scenarios where employers may need something extra:

1 Past their staging date – industry research from NOW: Pensions and other providers shows that up to 25% of employers aren't engaging until or just after their staging date. It's likely that their data will not be ready to use for auto enrolment, and that they won't have made some key decisions. You can guide them through this process but it's going to be more hands-on, require quick decision-making to avoid penalties such as losing the opportunity to postpone – make sure your fees will cover the extra work, and then add the 'peril factor'!

2 Salary exchange – this approach has been around long before auto enrolment, and requires a change of contract with the employee, specific communications in addition to AE letters, and also changes to payroll to reflect the arrangement. It's a great way of creating value, but with any project you need to challenge what's critical from outset and what can be revisited later – e.g. closer to when employee contributions increase in 2017 and 2018

3 You – so much of the value in auto enrolment sits ahead of the technology and product solutions, and down the line when employers and individuals need the support for wider considerations such as Group Life, key man insurance and retirement income planning. Make sure you establish your services and fees – 'no cost solutions' don't mean you should give your services away for free, there's a real danger that employers treat auto enrolment as a transaction rather than an investment in their business and a partnership with you.

“ ...THERE'S A REAL DANGER THAT EMPLOYERS TREAT AUTO ENROLMENT AS A TRANSACTION RATHER THAN AN INVESTMENT IN THEIR BUSINESS AND A PARTNERSHIP WITH YOU ”

Quick start guide – finding the right approach for SME clients

Who are ‘Workers’ for auto enrolment?

Don’t get caught out assuming that ‘workers’ are just those people on the payroll.

A ‘worker’ is an individual who has entered into or works under:

- a contract of employment;
- or another contract by which they undertake to work or perform services personally. This is sometimes known as a ‘contract of service’.

Tests to check whether the individual is a worker:

- Whether the individual is in a position of subordination – for example, by receiving day-to-day instruction from the employer and feeding into reporting lines.
- Whether the individual is paid holiday pay, sick pay or expenses.
- Whether the employer is obliged to offer work and the individual is obliged to accept the work (i.e. cannot turn down work).
- Whether the individual incurs any financial risk.
- Whether the individual provides tools/ equipment.
- How the individual is taxed.
- How integrated into the workforce the individual is. Indicators include: being subject to appraisals; attendance at training, team meetings and social events; being covered by disciplinary/grievance and sickness absence policies; and inclusion on organisation charts.
- Whether the individual can establish their own working arrangements, i.e. time and location of work.
- How the individual’s pay is structured, i.e. fixed fee or monthly salary.
- If someone qualifies as a worker and is paid by the employer, automatic enrolment obligations in relation to that individual will be the employer’s responsibility. However, if the individual is contracted through a third party, responsibility for auto enrolment will lie with the third party.



So who is likely to be covered?

- **Nannies** will usually meet the criteria of a worker. Even though a parent may employ only one nanny, the automatic enrolment obligations apply.
- **Agency workers.** Although it is the employment agency's responsibility to comply with automatic enrolment, it may try to pass on the cost to the hirer.
- **Contractors/consultants.** These will mostly fall within the definition of worker because they are required to perform the services personally and cannot in reality send a substitute. In addition, they are not carrying on a business undertaking because they are subject to the employer's direction, obliged to accept work, paid a fixed monthly fee, do not provide tools/equipment and do not incur any financial risk. Contractors/consultants usually have to 'call in' when they are off sick, attend team meetings, be provided with business cards, desk equipment and a PA and comply with the employer's working hours – all factors which suggest worker status. This is the case even if that individual is contracted for a limited duration or a specific project.
- **Casual workers.** These will generally fall within the definition of "worker", and even if pay may generally fall below the earnings limit employers need to assess each worker every time they pay them
- **Partners** are a grey area – profit-share equity partners are typically not classed as workers, whereas salaried partners will often be considered as workers.
- **Genuine self-employed contractors/consultants.** These will be individuals who can send a substitute in their place or are carrying on a business undertaking – i.e. by taking on financial risk, supplying tools/equipment, establishing their own working arrangements, being paid a fixed fee based on completion and not being integrated into the employer's organisation.
- **Personal services companies.** However, workers of such a company may be covered by automatic enrolment, which will be the responsibility of the personal services company. According to the Pensions Regulator's guidance, there is an exclusion for one-person companies who have just has one director. However, as soon as the company employs one other person, both individuals must be enrolled by the personal services company if eligible.
- **Office holders** – i.e. non-executive directors, company secretaries and trustees.
- **Members of the armed forces.**
- **Volunteers** – as long as they do not receive remuneration for their services and are not required to work

This list is not exhaustive, and no single factor is decisive. Many relationships contain a mixture of factors on the employer/contractor spectrum and employers must look at all the relevant circumstances. When looking at an employment contract or contract of service, it does not matter whether the contract is express or implied, or whether it is oral or in writing.

Further reading

The Pensions Regulator has produced some guidance for employers assessing their workforce, which can be found on their website.

Focus on...

...the micro business

Key points:

- If you're a sole director, you're not affected by auto enrolment. If this has changed since April 2012 you may well be allocated a staging date and need to inform The Pensions Regulator that you're no longer employing workers.
- If you run your own business and, say, employ your spouse or partner then you may well need to comply with auto enrolment.
 - If you're both directors and have employment contracts then you are liable for auto enrolment duties.
 - If you're both directors but only one of you has an employment contract then you don't have duties.
 - Finally if one of you is a director and the other is not then you'll have auto enrolment duties for anyone deemed to have a contract of employment.
 - Even without a written contract, taking a salary can constitute a non-written employment contract.
- If you run a family business the rules follow the same pattern:
 - All non-directors are included in auto enrolment.
 - If at least two of you have employment contracts then all directors and non-directors with an employment contract will be included in auto enrolment.

- A pitfall employers fall in to is assuming that because workers get paid less than £10k per annum they're not affected by auto enrolment. The reality is that they must be assessed, and then if they earn less than the earnings threshold they won't be auto enrolled. They still need to be assessed EVERY time they get paid. They could choose to Opt-In and then you will need to ensure a scheme is in place.

...'home help'

- This category includes carers, nannies, gardeners anyone who provides personal services.
- If the person taken on replied to a private advert, carries out an individual's instructions and only works for them, the home help will almost certainly be classed as a worker and automatic enrolment duties apply.
- This will be the case whether the individual receiving the help uses money provided by their local council in the form of direct payments or a personal budget to pay the carer, or use their own money.
- If on the other hand the person providing care or personal assistance is provided by an agency or the council, then the receiver of the help is not an employer and automatic enrolment duties will not apply.
- Probably a good test is whether they pay National Insurance relating to the carer or personal assistant – if they do, (or would do if the worker earned over £110 a week) they're likely to be affected by auto enrolment, even if they pass on the work to a payroll agency.



Your auto enrolment solutions...

The Consultancy Model

The Consultancy Model is managed by specialist partners and is ideally suited to when you're just starting out in the field of auto enrolment and feel more comfortable being supported by an experienced specialist in the market, or are dealing with a particularly large or complex client.

You can choose to either simply introduce the client to a partner, or to stick close to them and pick up some tips from the way they manage the process, depending upon your level of interest in becoming more involved in the auto enrolment market.

SimplyEnrol Adviser Model

Many of your clients will need advice and support – not only to implement a solution, but also to manage their ongoing requirements – which is where the SimplyEnrol Adviser Model comes in.

At the heart of the solution is the SimplyEnrol Portal – an easy to use, but comprehensive, online system which will enable you to ease the burden of regulatory and administrative requirements faced by all employers. The portal, which is personalised to match your brand, will help to guide your client through the process as smoothly as possible.



No Cost Model

There will be occasions when a client doesn't fit either the Adviser or Consultancy Model...or is simply just not willing to pay for a solution! In these circumstances, SimplyEnrol is still able to offer a solution which will work for both you and your client; our No Cost Model.

The No Cost Model is managed by specialist partners, with a fully auto enrolment-compliant pension solution. Although you would not receive direct remuneration for setting this solution up, you can of course still charge the client for your time – as you would for any advice given.

In addition, providing your client with an auto enrolment solution now is likely to benefit you going forward when they have further financial needs – either corporate or personal – in the future.



“ ...PROVIDING YOUR CLIENT WITH AN AUTO ENROLMENT SOLUTION NOW IS LIKELY TO BENEFIT YOU GOING FORWARD...”

Next steps...

To find out more about **SimplyEnrol** and how we can add value to your business, please get in touch at **enquiries@SimplyEnrol.co.uk** or on **01484 439100**.



The SimplyEnrol proposition



SimplyEnrol Auto Enrolment Planner – suitable to use with multiple clients simultaneously, the planner is simple to use and plots each step and decision that the employer needs to make, clearly communicating – to you and to them – which actions are imminent and which are overdue. The planner is yet another way of demonstrating the value that an adviser adds to the auto enrolment process, and is supported by a host of material on the SimplyEnrol site.



Retail Discounts – the Simply Saving Money service enables employers to provide an extra benefit to their staff and help to offset some of the increased costs that they will face as a result of auto enrolment.



Marketing and Support – our marketing tools and resources will support you during every step of auto enrolment and beyond; from identifying and contacting clients through to workplace marketing covering your wider services.

Next steps...

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