



# Guide

## Pension auto enrolment (AE) for employers

# Pension auto enrolment (AE)



The auto enrolment pension legislation that came into effect last year brings with it far reaching changes. The intention of auto enrolment is to make it easier for people to save for their retirement, but what does it mean for employers? This guide aims to help businesses understand the impact of the auto enrolment legislation and your responsibilities as an employer.

## The situation

The government forecasts that about seven million people in the UK aren't saving at all for retirement, or aren't saving enough. It's a worrying prospect when you consider that life expectancy is increasing and the government may not be able to meet the demand for state pensions in the future, given the rate at which state benefits are being squeezed.

Auto enrolment is one of the government's initiatives to increase private retirement savings and create a long term 'savings culture'.

Since October 2012, the UK's firms with the largest number of employees have been obliged to offer a pension scheme if they don't already have one in place, or to review what they already have to ensure it meets 'qualifying' status.

Small and medium sized businesses aren't exempt and the reach of the auto enrolment legislation will continue to be rolled out to all UK employers over the coming months. Employers with more than 250 staff must comply no later than 1st April 2014 and with more than 50 staff no later than the following year.

---

“Employers with more than 250 staff must comply no later than 1st April 2014 and with more than 50 staff no later than the following year.”

---

Given that the Pensions Regulator advises that employers should allow 18 months to prepare for auto enrolment, there is a fairly immediate need to consider options and start a planning dialogue now. However, it's not without its challenges and our research\* shows that there could be difficulties in implementing this policy in a meaningful way during these tough economic circumstances.

Its success will depend on employers engaging with their employees to encourage them to save, as they can choose to opt-out if they wish.

Understanding auto enrolment, key staging dates, costs and what your responsibilities as an employer are isn't simple. Even if you already offer pensions for your workers, you will still have further obligations to meet, such as:

- Identifying and categorising everyone within your workforce
- Communicating appropriately to the different categories of employees
- Providing a qualifying scheme
- Automatically enrolling eligible jobholders into the scheme and making contributions
- Registering with the Pensions Regulator and providing details of your auto enrolment exercise

## Auto enrolment challenges

We all know how tough trading is for the SME sector and auto enrolment now presents a new set of challenges, not the least of which are the direct and indirect costs it will incur.

These new requirements are likely to be costly both financially and in terms of HR resource spent on the implementation and ongoing maintenance of the scheme, which won't be welcome news.



While employers must take this seriously and allow sufficient time and resource to plan and implement auto enrolment into their organisation, there are a number of ways to mitigate costs and ensure that it doesn't become just one more barrier to sustainable growth.

---

**35%** of SMEs are worried about the cost of implementing auto enrolment pensions

---

### Here to help

When it comes to implementing this new legislation, there is a lot to learn in a relatively short space of time.

\*The Close Brothers Business Barometer has shown that 31% of SME owner managers in the UK feel wary about auto enrolment and 35% of SMEs are worried about the cost of implementing auto enrolment pensions. However, Close Brothers Asset Management is working with businesses to help them develop a clear understanding of their new duties.

Their team of specialists can deliver auto enrolment support and advice to help guide you through the challenges that lie ahead.

If you are interested in finding out more, then consider attending one of their complimentary seminars on, 'How to implement auto enrolment successfully', which are being held across the UK over the next few months.

The seminars will cover:

- The main operational challenges that are causing the greatest concern amongst employers
- Communicating appropriately to the different categories of employees
- How to model the financial impact of auto enrolment and what can be done to minimise costs
- How a specially designed technology solution can enable successful implementation and be beneficial for you in managing responsibilities
- How to identify, assess and mitigate the operational, regulatory & financial risks you are exposed to
- The framework of escalating fines the Pensions Regulator can levy for non-compliance
- What is happening in the market and the latest regulatory updates

If one of these events or locations is not convenient, please contact the Close Brothers Asset Management team to arrange an appointment:

**To find out more please call us on 0808 163 6254 or email us at [ebs@closebrothers.com](mailto:ebs@closebrothers.com)**

---

\*The Close Brothers Business Barometer is carried out on a quarterly basis. It canvasses the opinion of SME owner managers on a range of issues affecting their business.

---

To ensure you and your organisation are ready for this new legislation, please visit [www.closebrothersam.com/auto-enrolment](http://www.closebrothersam.com/auto-enrolment) or call 0808 163 6254

To speak to a specialist at Close Brothers Commercial Finance please call 0808 115 5679

