

Article for business advisers: Automatic Enrolment – how do workplace pensions work?



More than 1.2 million employers have now successfully met their automatic enrolment duties and put nearly 10 million staff into a workplace pension.

Workplace saving is now the social norm with 84% of staff now saving, and automatic enrolment has reached steady state with around 100,000 new businesses a year putting staff straight into a pension.

However, automatic enrolment has ongoing tasks which must be completed to ensure employers continue to comply with the law, and staff continue to receive the pensions they are entitled to.

Ongoing duties include monitoring the age and earnings of staff, keeping records, managing requests to leave or join a pension scheme and maintaining pensions contributions. More information about ongoing duties can be found [here](#).

Every three years, employers must also complete re-enrolment which means enrolling all eligible staff who are not currently members of a workplace pension, into a scheme. They must then complete a re-declaration of compliance.

Last April, the minimum pensions contributions increased from 3% total contribution to 5% and next April it will increase again to 8%. This is a straight forward task for employers, but they should ensure the correct amount is being paid into the pension scheme. We have been monitoring compliance with the increase in April through PAYE data provided by HMRC, and indications are that it is very high.

As published in our recent [Automatic Enrolment Commentary and Analysis report](#), compliance with the law is high. Our research shows the vast majority of employers are aware of and understand their ongoing duties, find them easier than expected and are confident they can complete them. Most employers spend less than two hours a month on their ongoing tasks and one third use a business adviser.

However, there are a small minority who fail to meet their ongoing duties and we will take action, including issuing financial penalties.

There are a number of ways we can detect non compliance. This includes monitoring contributions to ensure employers are continuing to make the correct payments, alerts from pension schemes, reports from whistleblowers and compliance validation checks.

Between April last year and April this year we carried out nearly 2,000 compliance validation exercises, or 'spot checks' nationwide. Employers were identified through data and intelligence analysis and scheduled for either desk-based investigation or an inspection in person. Employers targeted included those we believed may be non compliant and those where our data suggested full compliance.

Where we found an employer was non compliant, our case teams took a positive approach and worked to help them. In many cases, employers welcomed the opportunity to show how they had complied and ask questions to ensure they were carrying out their duties correctly.

We know that most employers want to do the right thing for their staff and we are here to help, but we will take action where an employer is non compliant to ensure staff receive the pensions they are due and the culture of workplace saving remains strong.

Useful links for business advisers

AE guide for business advisers: www.tpr.gov.uk/business-advisers

Ongoing duties guidance: www.tpr.gov.uk/ongoing

Completing the declaration of compliance: www.tpr.gov.uk/client-declaration