

Less than two-thirds of employers 'very confident' their pension scheme is compliant with automatic enrolment regulations

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Less than two-thirds (57%) of employers are 'very confident' that their pension scheme is compliant with automatic enrolment regulations, according to new research¹ by [Towergate Employee Benefits](#). This is leaving businesses open to the possibility of non-compliance notices and fines.

Sorangi Shah, client director, Towergate Employee Benefits, says: "Auto-enrolment is designed to make it easy for employees to benefit from a pension, but employers need to fully understand the regulations and know who is eligible and how much to contribute, otherwise they may be at risk of non-compliance."

Legal obligation to provide a workplace pension scheme

Automatic Enrolment (AE) regulations have been in place for over a decade. AE is a legal obligation for employers to provide a workplace pension scheme, automatically enrol eligible employees, and make contributions. Whilst AE has become a familiar concept, aspects of the regulations can be overlooked. The stakeholder responsible for setting up AE within the organisation may have left, or responsibility may have been transferred to another individual or department where the appropriate knowledge or expertise is lacking.

The Pensions Regulator (TPR) can issue compliance notices and penalty notices (fines) for non-compliance with the auto-enrolment regulations. Employers need to understand the contribution rates and cost

impact. They need to set up the payroll system and communications, and this includes informing employees that they have been automatically enrolled, and to let them know how to opt out.

Employers must also make a declaration of compliance to TPR and there are ongoing responsibilities to communicate changes in age and earnings. One of the additional, lesser-known rules of AE is having to re-enrol employees every three years, if they opt out or make contributions below the minimum level. Employees may fall into categories of eligible, entitled or non-eligible, and these can change over time, depending on circumstances. These may be among the reasons why so few employers felt able to state they are 'very confident' that their company is fully compliant with the regulations. With so much to understand and a lot of responsibility involved, employers are best to take advice.

Where employers are typically failing to comply

When conducting pension health-checks, Towergate Employee Benefits' pensions experts review automatic enrolment compliance, and they frequently identify issues. These include statutory communications not being issued. Confusion also occurs between probation periods and postponement, as well as opt-in rights during postponement. It is not unusual to find that pension certificates are not being completed by employers: these are required for those who do not base pension contributions on qualifying earnings and choose an alternative basis. It is also common for re-enrolment duties not to be completed correctly.

Sorangi Shah concludes: "With little over half of employers feeling very confident that they are fully compliant with the auto-enrolment regulations, it is important to take advice from a pension professional and consider having a pension health-check."