



# Workplace Pension Reform

## Taking the drama out of Auto Enrolment

Her Majesty's Government's (HMG) legislated Workplace Pension Reform changes to pensions, known as Auto Enrolment, will encourage millions of people to save for their retirement. This insight article provides details of the Auto Enrolment responsibilities of companies and productions to their employees and contractees. It identifies the necessary planning stages and the levels of employer and employee legislated contributions, and includes details of Sargent-Disc's Auto Enrolment and payroll solution, which is designed to provide an integrated and modular service to your company or production.

### What is it?

Over the last forty years, fewer and fewer people have been saving for retirement in the UK. By 2012 only one in three private sector workers were in pension schemes. As the proportion of older people grows within the population it is likely that by 2050 there will be only two working people for every British pensioner. HMG's legislated changes to pensions, known as Auto Enrolment, aims to address the challenge, and provide a new way for people to save for their retirement- many for the first time.

It is called Automatic Enrolment because it is automatic for the workers - they don't need to do anything to be enrolled into a pension scheme, but it is not automatic for the employer, who must take steps to make sure eligible workers are enrolled into a pension scheme. Even if a pension

scheme is already in place, it needs to be suitable for Automatic Enrolment. Automatic Enrolment is a legal duty and non-compliance can result in the employer being fined.

Auto Enrolment can be daunting for the film and television industries. The majority of companies are small medium sized enterprises (SME's) employing from 1 to 249 people. In addition one-third of the workforce in television<sup>1</sup> and nearly half (46%) in film production<sup>2</sup> are on Schedule D freelance contracts, sometimes employed through third party agencies and often on short term and periodic contracts. This makes for a less than natural fit with many of the standard employment Auto Enrolment processes.

### Employers Responsibilities

Employers are legally obliged to fulfill their Auto Enrolment duties by the date specified by The Pension Regulator for the company. This date is known as 'The Staging Date' and is determined by a company's largest PAYE tax reference as at the 1st of April 2012. Companies can confirm their exact Staging Date by going to <http://www.thepensionsregulator.gov.uk/employers/staging-date.aspx> and entering their PAYE reference(s).

The employer is the legal entity named in an employee's employment contract or in a freelancer's personal services contract. For workers supplied to a third party by an agent, in order to allow them to perform work personally, the employer will be the entity responsible for paying the worker named within the arrangement. If responsibility cannot be determined, the entity that actually pays the worker is responsible.

The employer is legally obliged to assess its workers for Auto Enrolment eligibility- and if they qualify, to enrol them into a qualifying Auto Enrolment pension scheme. Film, television and other media companies will have a legal obligation to:

- Nominate a contact with The Pension Regulator
- Communicate Auto Enrolment information to workers in a timely and appropriate manner
- Automatically enrol all eligible jobholders in a qualifying pension scheme
- Allow non-eligible jobholders to opt-in and entitled workers to join
- Maintain contributions
- Complete their declaration of compliance with The Pension Regulator every three years
- Keep records
- Automatically re-enrol all eligible jobholders who have opted out every three years

## Who must the Employer Enrol?

The pension reforms require employers to automatically enrol eligible workers (aged 22 and over; earning £10,000<sup>3</sup> per annum or more) into a workplace pension scheme. Workers who do not wish to take part have one month following their enrolment to opt-out. Others may also need to be enrolled: non-eligible workers (aged between 16 and 75 and earning over £5876<sup>3</sup> but under

£10,000 per annum) who choose to 'opt in' to the scheme, or entitled workers (earning £5876 or less) who request to join a pension scheme. Employers are not obliged to make pension contributions for the entitled workers joining.

The rules also apply to freelancers who contract personally. The table below illustrates which employees are entitled, eligible and non-eligible.

Qualifying Earnings	Age Range		
	16 - 21	22 - State Pension Age	State Pension Age - 74
Under £5876 per annum (pa)	Entitled Worker (Can request to 'Join' a pension scheme)		
Between £5876 pa and up to £10,000 pa	Non-Eligible Jobholder (Can 'Opt In' to an 'automatic enrolment pension scheme')		
More than £10,000 pa	Eligible Job holder (Must be automatically enrolled into a pension scheme)		

## Auto Enrolment Contributions

Once a worker is auto enrolled, the employer is required to make minimum pension contributions each pay period. These contributions are usually calculated as a percentage of the worker's gross earnings that fall into the qualifying earnings band of £5,876<sup>3</sup> and £45,000<sup>3</sup> annually (£113 and £866 weekly or £490

and £3,750 monthly). Qualifying earnings include salary, wages, commission, bonuses, overtime and statutory payments (excluding expenses). Other earnings bases can be used, but require certification by the Department

of Work and Pensions (DWP). Minimum levels of contributions are being phased in as per the table below.

Dates	Total minimum contribution % Qualifying Earnings	Employer minimum contribution % Qualifying Earnings	Employee contribution % Qualifying Earnings*
1 October 2012 to 5 April 2018	2%	1%	1%
6 April 2018 to 5 April 2019	5%	2%	3%
6 April 2019 onwards	8%	3%	5%

\*Not required if Employer contributes total minimum or more

## Planning For Auto-Enrolment

It is important that companies allow enough time to plan and manage the Auto Enrolment process to ensure a painless transition. The Pensions Regulator recommends twenty one months to plan for the change- eighteen months prior to, and three months after, the Staging Date. The checklist below covers the planning areas an employer needs to factor into their schedule:

### Pre Staging

- Identify your Staging Date
- Nominate your company's Auto Enrolment contact
- Develop an Auto Enrolment transition plan
- Know your workforce – ensure all required employee data is captured and workers in or out of scope are identified
- Check your company's Auto Enrolment processes
- Review company pension arrangements
- Communicate Auto Enrolment processes to all staff

### Post Staging

- Enrol eligible jobholders and non-eligible jobholders who opt-in
- Maintain Auto Enrolment records
- Ongoing responsibilities of assessment, communications and payment of contributions
- Complete a declaration of compliance with The Pension Regulator

## How can Sargent-Disc help?

Sargent-Disc has developed a modular Auto Enrolment solution designed to provide an integrated pension and payroll service for your company or production.

The solution combines the Auto Enrolment pension process with Sargent-Disc's tried and tested payroll service. It addresses the complex needs of the film, television and media industries for a wide range of roles and contracts (short term, weekly, periodic) and direct or third party payments.

There is a range of pension providers offering qualifying Auto Enrolment pension schemes, that Sargent-Disc integrate with. These include Fidelity, Now Pensions, Source Pensions, Scottish Widows and the National Employers Savings Trust Corporation (NEST)<sup>4</sup>.

### Our standard solution includes the following:

- AE Pension Scheme - Sargent-Disc will set up a pension scheme with NEST

- Assessment - Carried out by Sargent-Disc from the staging date as part of the payroll process.
- Postponement - 3 months maximum postponement applied on the staging date, start date and on eligibility (when applicable)
- Contributions - Minimum contributions are calculated from Qualifying Earnings (see Auto Enrolment Contributions section above)
- Sargent-Disc will email all statutory communications to the employees and publish them on SD Online (postponement, right to join and enrolment notices)
- Interface with Pension Scheme - Upload enrolment and contribution files on NEST. Administer opt in and opt out requests (process refunds if applicable)

Contact our team:

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<sup>3</sup> Figures for 2017/18 <sup>4</sup> NEST is a non-departmental public body set up specifically to offer a workplace pension for Auto-Enrolment. The Personal Accounts Delivery Authority, created as part of The Pensions Act 2007, developed and established the NEST Corporation in 2010. NEST is accountable to Parliament and offers an occupational money purchase scheme to enable employers to meet their new obligations.