

Employers: now is the time to review your pension schemes

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Why should employers review their auto enrolment pensions?

After all of the build-up, many employers breathed a sigh of relief when their implementation of automatic enrolment was finally completed. But, in fact, the story didn't end there.

Rather than being a system that looks after itself, auto enrolment needs continual monitoring in order to ensure that your business is meeting its legal obligations at all times.

Here's why...

You may need to find a new workplace pension provider

A new law, which came into force in October 2018, requires all existing master trusts (ie multi-employer occupational schemes) to apply for authorisation from The Pensions Regulator (TPR) in order to continue operating. They have until the end of March 2019 to submit their application, along with a fee of £41,000, and must then wait up to six months to hear whether they have been successful or not. New master trusts are required to apply for this authorisation before they can begin trading.

On the plus side, closer regulation should drive up standards in the market. However, this process will also mean that many master trusts will fall by the wayside – in fact, 30 of them have already announced their intention to exit the market.

If you use a master trust to provide a workplace pension for employees, you'll need to keep a close eye on this situation, because if the trust ceases operation you may have to find a new pension scheme for future contributions. You'll also need to know what the trust intends to do with the pension funds it already holds.

The first step is to identify whether your current provider is a master trust, and then ask whether it's intending to apply for authorisation. If it isn't, you can get a head start on contingency plans. But even if it is, you'll need to be prepared in case the application is unsuccessful. After all, time is of the essence when it comes to complying with pension legislation.

You have an obligation to ensure your group pension scheme is fit for purpose

Employers have a duty to look after their employees' interests by enrolling them in good-quality, durable pension schemes – and to ensure the schemes continue to perform effectively.

Among TPR's six principles for good workplace defined contribution (DC) schemes is 'ongoing governance and monitoring', highlighting the need for constant review. And whilst this 'ongoing governance' may not be a legal requirement in itself, failure to maintain an auto enrolment scheme that suitably benefits its members could result in action being taken against you by employees and/or TPR.

As an example, The People's Pension (one of the largest master trusts) has just announced a reduction

in their annual management charge.

Don't forget that TPR also requires employers to carry out re-enrolment of certain staff members every three years. Even if you don't have any staff to re-enrol, you'll still need to complete a re-declaration of compliance to prove you've met your legal duties.

Your workforce is constantly evolving

Any changes within your workforce that have a bearing on auto enrolment or pension contributions will need to be actioned immediately – otherwise you could face a huge clean-up operation, not to mention hefty fines.

For example, employees who were not eligible for auto enrolment last pay day, may well be eligible in a month or two's time as their circumstances change. Without monitoring, this could easily be missed.

Indeed, TPR states that, in order to remain compliant, all employers must:

- assess the age and earnings of staff members who aren't enrolled in a workplace pension on every pay day;
- work out how much money they need to pay into employees' schemes on every pay day;
- continue to make the payments that are due into the scheme every time payroll is run;
- write to staff members to let them know what's happening; and
- keep at least six years of records relating to workplace pension schemes.

With The Pension Regulator's enforcement teams conducting spot checks around the country, keeping on top of legal duties is imperative.

If you're confused about your responsibilities, or want to find out more about auto enrolment for employers, the experts at Alan Boswell Group are here to help.