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Auto-enrolment: the post staging date guide

How to...

change your auto-enrolment support



Johnson Fleming

Group Pensions | Group Risk and Healthcare | Service Provision

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1. Introduction

As we approach the two year milestone of auto-enrolment, employers have had the opportunity to truly assess the capabilities of their chosen support. They are also now realising that getting to the staging date was the easy part, and that support is required for almost every aspect of the day to day running of their scheme. However, is this support forthcoming?

With the three year re-enrolment window coinciding for many with the total removal of commission and Active Member Discounts (AMD) from pension related products and services, as well as the introduction of the pension charge cap in April 2015, many employers will have no choice but to review their support options. Using the experience they have gained of what is needed to make the scheme a success, employers will now have a better idea of what help they really require.

With one of the largest tranches of companies also auto-enrolling at this time, businesses who need to make this change would be better off starting this process sooner, rather than later. (See fig 1. overleaf)

But, what is involved in transitioning your auto-enrolment scheme away from your current support options. Whether it's moving from your payroll software provider to using a middleware solution, or changing providers completely, there are certain areas that you need to consider to make the process as smooth as possible.

This guide aims to outline some of these key areas and provide information and discussion points on what you need to consider.

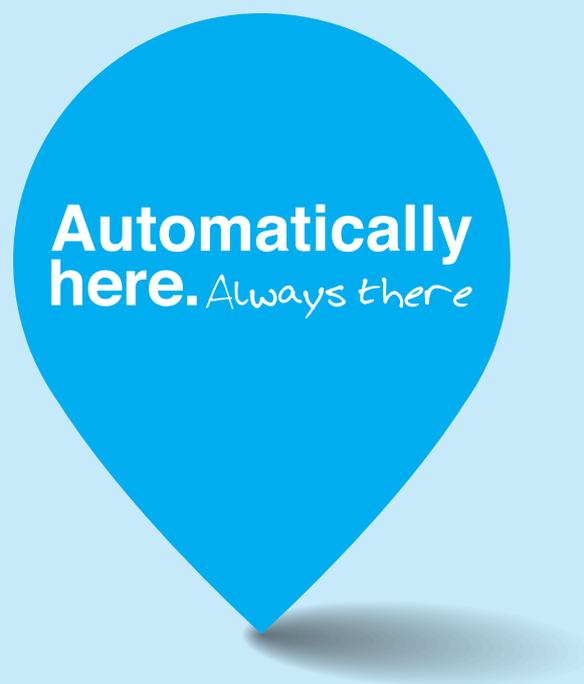
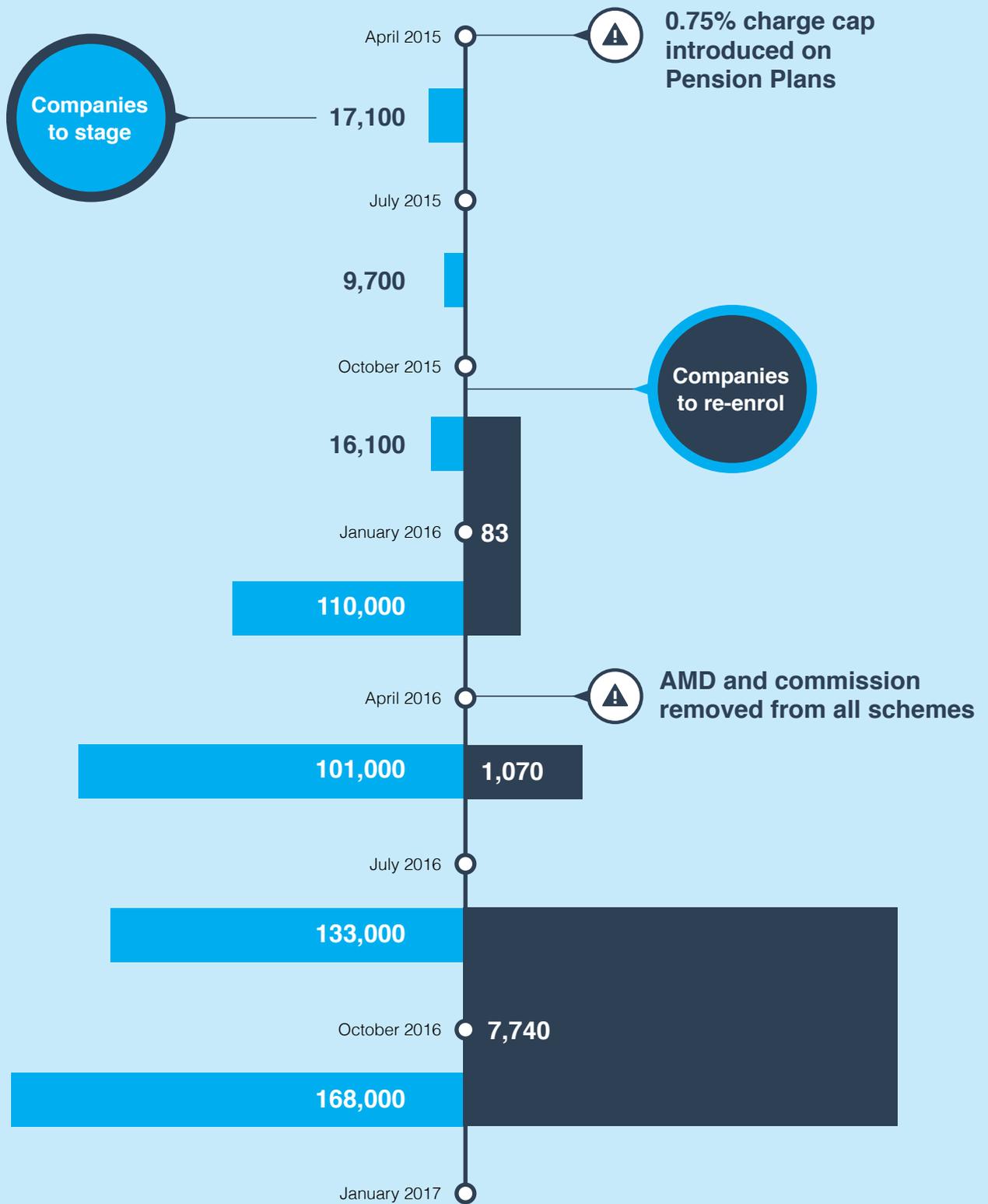


Fig 1. The changing pension market



<http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-employer-staging-forecast.pdf>

2. Transferring your data...

Data has been at the heart of every single auto-enrolment project. Forget understanding what type of default fund is needed, or what the theme of your auto-enrolment communication campaign will be. If the data isn't right, your scheme won't be right.

Therefore, it should come as no surprise that the biggest task in transitioning your auto-enrolment support is in the transfer of data. There are three aspects to the data transfer process that you need to consider:

- Data requirements and accessibility
- Format and fit
- Maintaining the audit history

3. Data requirements and accessibility

One of the first things to understand from a new support option is what data do they actually require to take over the management of your scheme. You then need to match this up with the data you have and the data your old supplier can provide you with. It's then a question of filling in the gaps.

Obviously every pension provider, administration system or payroll software will have different requirements but to help give you a picture of the type of information your new provider might require, we have pulled together a simple overview showing what is required.



We've highlighted the basic information you would need, and additional information that we believe will make the process even easier.



Employees - data requirements

01 All employees

Required/recommended	Data requirement
The Pensions Regulator (TPR) requirement	General Employee information i.e. name, National Insurance number, date of birth, salary details, job title etc
Johnson Fleming recommended	Salary sacrifice status
	Current pension status i.e. member/non-member

02 Pension members

Required/recommended	Data requirement
TPR requirement	Date of enrolment
	Reason for auto-enrolment i.e. auto-enrolled or opted in
Johnson Fleming recommended	Details of previous opt ins/outs
	Current contribution levels
	Have they been an eligible job holder and an active scheme member?

03 Non-pension members

Required/recommended	Data requirement
TPR requirement	Status in last pay reference period
	Date opted out of the scheme
	Date of cancellation of membership
Johnson Fleming recommended	Details of previous opt ins/opt outs
	Have they been an eligible job holder and an active scheme member?



The scheme - data requirements

01 Scheme specification

Required/ recommended	Data requirement
TPR requirement	Details of all Pay Reference Periods
	Details of salary sacrifice arrangement
	Details of current third party adviser
	Details of current pension provider
	Details of current postponement arrangements
	Details of current contribution structures
	Details of existing default funds
Johnson Fleming recommended	Details of all pension schemes in use and qualifying status
	Certificates of certification for all schemes
	Confirmation of date registered with The Pensions Regulator

02 Scheme processes

Required/ recommended	Data requirement
TPR requirement	Details of current middleware, provider hub or payroll system
	Current administration process diagrams
	Current opt in/out and cancellation processes
	Current salary sacrifice opt-in/out processes
Johnson Fleming recommended	Details of all templates currently used i.e. employee data, payroll reports, contribution schedules
	Details of all payroll cut off dates

03 Communication

Required/ recommended	Data requirement
Johnson Fleming recommended	Examples of current letters in use
	Examples of other communication material
	Audit history of all communications sent

4. Format and fit

The above demonstrates the amount of data that needs analysing and transferring, but remember this list is not exhaustive and will differ depending on particular providers. When conducting this exercise it is also important to remember that the format your data is currently in may not be compatible with your new provider, therefore a data validation exercise will be required.

You will need to match existing data fields to new data fields, ensure the names of key items are standardised across the business and also understand how processes can be improved to ensure all data received after the transition is completed is in the correct format. Many businesses may have incurred additional costs at the beginning of their auto-enrolment project, when asking their payroll providers to supply data in specific formats. Is this a cost they can bear to incur again if the data is now required in a different format?

This data validation, transfer and manipulation into numerous different formats and fields can be a lengthy and arduous process, and many businesses have experienced that it is this that has led to delays in the processing of information for auto-enrolment.

You need to be prepared to question providers about the information they are requesting and why it is required in such a format. Is it to make the providers life easier or your life, as the customer easier?

Often using a third party or middleware solution can help here as they can validate and format the data as they require it, giving you the freedom to switch payroll or pension providers as you wish. They can also take an objective view on the importance of each piece of data required and it's required format of it.



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5. Maintaining the audit history

A central part of auto-enrolment is keeping full records of all activity that has taken place on the scheme, including all communications sent. Will moving your support option mean a break in this audit history?

The Pensions Regulator stipulate in their detailed guidance that all scheme records should be kept for a minimum of six years, with records of all opt out activity kept for four years. Therefore, if you are looking to change your support option you need to understand whether you need to transfer this data or whether your existing provider will continue to store it. If they will, how much will they charge you for this, and exactly how long will they keep it for? The table overleaf shows the records that The Pension Regulator says must be kept.

Again, this is where using a third party adviser can help with the record keeping process, especially if they are truly independent. A truly provider, payroll and trustee agnostic administration platform should maintain a full audit history even if you change providers.





Records an employer must keep about:

01 Jobholders and workers

Who the record relates to	What record must be kept	How long it must be kept
Jobholders and workers who become members	Name	Six years
	National Insurance number (where one exists)	
	Date of birth	
	Gross qualifying earnings in each relevant pay reference period	
	The contributions payable in each relevant pay reference period by an employer to the scheme, and the amount payable. This includes contributions due on the employer's behalf and deductions made from earnings	
	The date contributions were paid to the scheme	
Additional information for jobholders only	Automatic enrolment date	Six years
	Opt-in notice (original format)	
	The contributions to which the jobholder is entitled under the scheme rules (this demonstrates that the scheme used is a qualifying scheme)	
	Opt-out notice (original format)	Four years
Additional information for workers only	Date with effect from which the worker became an active member	Six years
	Joining notice (original format) - Copies of the original format or electronically stored versions are acceptable	
All workers for whom the employer has used postponement	Name National Insurance number (where one exists)	Six years
	Date the notice was sent to the worker	

02 The pension scheme

Type of pension scheme being used	What record must be kept	How long it must be kept
Defined contribution (DC), defined benefit (DB) or hybrid scheme	Employer pension scheme reference	Six years
	Scheme name and address	
	Scheme contracting-out certificate (this applies to contracted-out DB schemes only)	
	Any evidence showing that a scheme meets the test scheme standard (this applies to non-contracted-out DB schemes only)	
	Non-UK administered schemes must keep: <ul style="list-style-type: none"> the address of the scheme name of the authority which carries out functions that correspond to those of the regulator in the country where the scheme is based 	
Personal pension scheme	Employer pension scheme reference	Six years
	Name and address of the pension provider	
	Non-UK administered schemes must keep: <ul style="list-style-type: none"> the address of the scheme name of the authority which carries out functions that correspond to those of the regulator in the country where the scheme is based 	
DC scheme, where the employer is certifying that a quality or alternative requirement is satisfied	The certificate and any data/evidence relating to it	Six years after the end of the certification period

6. Communicating the change

Auto-enrolment has always been a project that has involved lots of stakeholders. With pension and payroll providers, the finance department, HR, the Regulator and your employees all with a vested interest you need to make sure that any changes are well communicated and understood.

Firstly, you need to determine who needs to be told. If you are changing provider completely then you will need to communicate to all of your employees to let them know, however if it is just a change to the system you use to manage auto-enrolment then this is probably not necessary. With regards to the Regulator, again you probably do not need to inform them of a change of support options, but if changing scheme you will still need to be able to certify this scheme as qualifying and complete a declaration of compliance.

If you do intend to change your scheme completely then you do need to understand the impact this will have on those who have already been auto-enrolled or opted out of or in to the scheme. The table below provides a summary of how different employees may need to be communicated to, and areas that need to be taken into consideration.

Employee status	Communication content	Considerations
Existing pension scheme member	New scheme announcement including whether they will be automatically placed in the new scheme and details of transfer process	<ol style="list-style-type: none">1. Will the new scheme automatically accept entitled workers based on their previous scheme membership i.e. treat them as existing members?2. Are the scheme rules the same for entitled workers in the new scheme?
Existing non-member of the pension scheme	No communication required	Would you like to offer them the chance to join the new scheme, or wait until the next re-enrolment window?
New hires	Standard communication content	With a new provider this will be in a different format from your existing members, so how do you maintain consistency?



7. Processes and integration...

The final key point to look at when understanding what is involved in changing auto-enrolment support options, is what impact this will have on your current processes and how the new ways of working will integrate with them.

First of all you need to understand how your new support option will work with your other providers such as employee benefit advisers, pension providers and payroll companies. It might be that you have chosen one of these as your support option, but you still need to understand how they will work with the other key business support functions.

You then need to understand what impact moving away will have on other business functions and processes. For example, if you are moving away from your payroll provider as a support option what impact will this have on your standard payroll operations.

Finally you need to get clarity of individual roles and responsibilities for every aspect of the scheme from opt out and contributions to communicating with your employees. A full scheme management file can help to document these and make sure everyone is aware of who needs to do what and when. This is critical to ensuring the transition is as seamless as possible. Unfortunately, the responsibilities and requirements of auto-enrolment don't stop just because you are changing your support function.



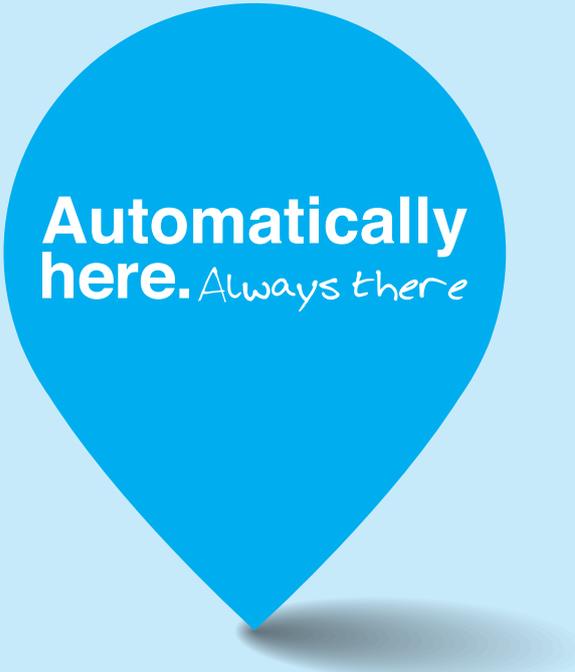
8. Summary

So, from this you can see that the challenges of changing your auto-enrolment support are not too dissimilar to those faced in setting up your original scheme. You will need to carefully plan the switch over to ensure it is a seamless one, negating the potential for breaches, and you'll also have to make sure your data is in the best possible condition and fit for purpose.

However, this shouldn't put you off exploring your options. So many companies scrambled to get any scheme in ready for their staging date that they are now suffering from either a poor scheme, inefficient processes or a lack of support, which leads to a huge increase in their workload. As well as this, with the coming changes in defined contribution pensions some will have no option but to review their scheme and support options, giving them the opportunity to get it right this time.

What you as an employer do need to realise is that there is support out there for you to make these changes. Using a middleware system, or adviser, can help you negate a lot of the issues highlighted, such as a break in the audit trail or incompatible data formats between providers.

At Johnson Fleming we pride ourselves on our administration services and the level of service we provide our customers. Our team of experienced pension professionals and our in house administration system, **inform+equip**, can help you through your transition project in areas such as data validation and formatting, communication, and project management of the whole change. Putting in to practice the experience we have gained from staging some of the country's biggest brands.



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9. Contact information

To find out more about any of the issues raised in this guide please feel free to get in touch...



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