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Auto-enrolment: the post staging date guide

How to...

certify your pension scheme



Johnson Fleming

Group Pensions | Group Risk and Healthcare | Service Provision

Contents

Introduction	3
1 What is certification?	4
2 Who needs to do it?	6
3 When do you need to renew your certificate?	6
4 What happens if your certificate falls short?	7
5 What does renewing your certificate mean for your business?	7
6 How Johnson Fleming's services can provide you with a solution	8
7 Your complimentary consultation	10
8 Contact information	11

Introduction

Certification is highly complex and surrounded by a minefield of information and auto-enrolment jargon, which can make it very difficult to understand. However for many employers it is a necessary process that must be executed successfully.

Under auto-enrolment legislation, schemes must satisfy minimum quality requirements to ensure all eligible employees receive mandatory minimum levels of pension contributions from their employer. As more and more employers approach the renewal of their certificates we want to help you achieve a greater understanding of the following areas:

- What certification is and who needs to do it.
- When to renew your certificate.
- What happens if your certificate falls short?
- What does renewing your certificate mean for your business?
- How Johnson Fleming's services can provide you with a solution.



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1. What is certification?

Certification offers employers an alternative to using 'qualifying earnings' (QE) as a salary definition to base pension contributions upon. When you use QE, pension contributions are based only on earnings received within national insurance contribution thresholds known as the lower and upper earnings limit. For the tax year 2015/16 this is all paid earnings between £486 and £3532 each month.

Where a scheme uses QE as their pensionable salary definition and contributions made are currently at least 1% employer and 1% employee, certification is not required. It is important to understand however that not many schemes fit the criteria or work in this way. QE must include all of the following pay elements:

- Salary and allowances.
- Overtime, commission and bonuses.
- Statutory payments including sick pay and maternity pay.
- Anything else deemed to fall within section 13(3) of the Pensions Act 2008.

Certification allows you to certify that your auto-enrolment pension scheme meets the standard required, if you are using a definition of pensionable pay which does not base contributions on all of the above pay elements: or only earnings between the set limits.

As an employer you can certify that your workplace pension scheme meets the necessary standards required using one of the following certification sets:

Timeline	Set 1	Set 2	Set 3
	(9%) Pensionable Salary (at least basic pay)	(8%) Pensionable Salary (provided at least 85% of total pay is pensionable)	(7%) (all earnings are pensionable)
Staging date to 30 Sept 2017	3% (2% employer)	2% (1% employer)	2% (1% employer)
1 Oct 2017 to 30 Sept 2018	6% (3% employer)	5% (2% employer)	5% (2% employer)
1 Oct 2018	9% (4% employer)	8% (3% employer)	7% (3% employer)

It is often beneficial for employers to use their own definition of pensionable pay for many reasons, such as:

- Saving money by contribution design.
- Continuing with an existing contribution structure.
- Avoidance of any extra scheme communication or administration.
- Avoiding changes to existing, or requiring additional contracts of employment.
- To improve the accuracy of budgeting and accounting for your pension contributions. This can be difficult if earnings fluctuate.
- Different sets for different levels of payroll groups may be in use.



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2. Who needs to do it?

It is an employer's responsibility to ensure a scheme meets the minimum quality requirements. If your definition of pensionable salary is different to QE, you need to certify your scheme. This also needs to be re-addressed if anything in your organisation changes that could affect the way your scheme works. This could include a change to the company pay structure or changes to your pension contribution levels. If this is not addressed this could leave your scheme not meeting the necessary requirements.

3. When do you need to renew your certificate?

A certificate can be valid for up to 18 months - you as an employer can decide when the certificate expires provided that the deadline does not cross the 18 month threshold. The certificate then needs to be safely filed for at least 6 years and The Pensions Regulator may ask for this when conducting a review of your scheme. You should consider in advance of your certificate expiring how you intend to comply after the end of the certificate period. If you choose to renew your certificate, it needs to be ready the day after your previous certificate expires. For example if your certificate expires on July 31st 2015 your next certificate needs to be ready and in place by August 1st 2015.



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4. What happens if your certificate falls short?

If, when you come to renew your certificate you find there has been a shortfall in contributions, the scheme that you are currently using may need to be rectified. This can be assessed using your records; employers have a statutory obligation to keep all scheme documentation and The Pensions Regulator could choose to review this.

If The Pensions Regulator believes the scheme has been incorrectly certified, you may be required to pay the shortfall, or enforcement action could be taken.

5. What does renewing your certificate mean for your business?

From the outset your certificate must cover everyone eligible for auto-enrolment and those eligible to opt-in. When you come to renew your certificate the same applies but with the exception of those who have opted out or for employees who have asked to pay lower contribution levels than the legislation states.

To successfully renew your certificate you must first consider if any action needs to be taken to ensure that the quality requirements are met for the proposed period of your next certificate. This can be analysed using the earnings data that was accumulated during the period of your previous certificate.



6. How Johnson Fleming's services can provide you with a solution

It is clear from the steep rise in compliance notices issued by The Pensions Regulator, along with supporting evidence from recent surveys, that many organisations cannot achieve compliance without specialist help.

Certifying your workplace pension scheme is undoubtedly one of the hardest areas to get right. We can provide you with a solution to take this responsibility off your desk, allowing you to concentrate on your regular tasks and obligations.

We start by breaking down your employees into each of the three worker categories and then detail how your workforce will change through auto-enrolment phasing, as minimum contribution requirements are raised.

We ensure that the payroll elements you deem pensionable fall in line with one of the acceptable certification sets.

CONTRIBUTION DESIGN

Potential employer pension contributions and National Insurance savings, assuming all current non members who are categorised as eligible jobholders are auto enrolled, based on qualifying earnings and minimum contributions:

	Required employee contribution Ee %	Required employer contribution Er %
Stage 1 - Staging Date	1%	1%
Phase 2 - 2017	3%	2%
Phase 3 - 2018	5%	3%

	Total Employer contribution (current non members)	Potential Employer NI saving (current non members)
Stage 1 - Staging Date	£81,126.36	£11,195.44
Phase 2 - 2017	£162,252.71	£33,169.29
Phase 3 - 2018	£243,379.07	£55,977.19

Potential employer pension contributions and National Insurance savings, assuming all current non members who are categorised as eligible jobholders are auto enrolled, based on basic salary. Set 2 (85% of salary is pensionable) and auto-enrolment minimum contributions are made:

	Required employee contribution Ee %	Required employer contribution Er %
Stage 1 - Staging Date	1%	1%
Phase 2 - 2017	3%	2%
Phase 3 - 2018	5%	3%

Highlighting the costs and savings you can expect to benefit from is also something we can provide, including significant employer National Insurance savings which are available via salary sacrifice.

When a certificate is put in place a declaration needs to be completed. By signing this declaration you are agreeing that your workplace pension scheme is able to satisfy the relevant quality requirements throughout the certification period, in relation to the correct jobholders. It is therefore imperative that you can demonstrate this and support the reasons behind the chosen certificate set.

Although complex, ensuring you have certified is not the only task you need to complete in order to guarantee compliance. A wider look at your auto-enrolment scheme compliance should be considered. This can be achieved through conducting an audit of your auto-enrolment scheme.

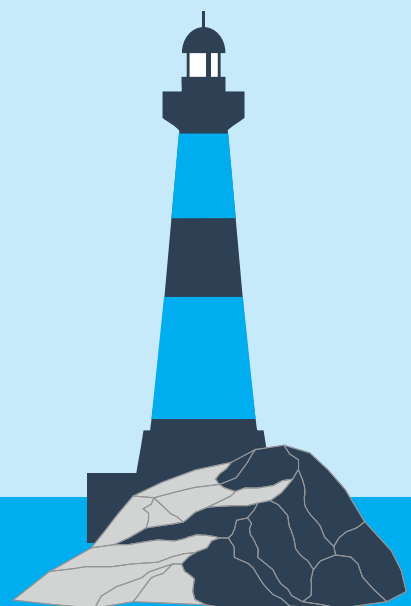
When looking retrospectively at your scheme it is not only key to review whether or not it meets the auto-enrolment criteria, the qualifying scheme criteria and the minimum requirements, but also whether your record keeping processes are robust enough to demonstrate this, should The Pensions Regulator come calling. For more information on how to audit the key areas of your auto-enrolment scheme, download our [‘How to... audit your auto-enrolment scheme compliance’](#) guide.

For over 13 years Johnson Fleming have been specialists in the employee benefits landscape providing expert advice and guidance to some of the largest companies in the UK. Certifying your scheme is certainly one of the hardest areas to successfully complete and help is often needed. We are here to help you with certification and any wider compliance issues you may have.



Contact us for more information

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7. Your complimentary consultation

For your complimentary consultation with one of Johnson Fleming's auto-enrolment experts contact us quoting the reference "**aeconsult15**".

In this free consultation, one of our experts will visit you at your convenience to discuss some of the following topics:

- What problems you may have faced in the past 18 months.
- A review of what improvements could be made to your pension scheme.
- How you could be saving time and money.
- The new pension freedoms and how they could affect you.
- How your employees have engaged with auto-enrolment.



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8. Contact information

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



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