

All about pension auto-enrolment

Specialist medical accountant Pauline Hogg explains what it means for GP practices

Like all businesses in the UK, GP practices will have been bombarded with information from the Pensions Regulator about auto-enrolment. Although the majority of practices will meet the auto-enrolment rules because most employees will already be in the NHS Pension Scheme, there are instances where employees may need to be enrolled into an alternative scheme.

Why has auto-enrolment been brought in?

The UK government is concerned that not enough people are saving for their retirement. Auto-enrolment aims to increase the level of retirement saving through the workplace.

Along with all other businesses GP practices will need to implement a pension scheme by a particular date, called the "staging date", and then assess which employees will need to be enrolled into the scheme.

Each practice will have a different staging date, set by the Pensions Regulator.

What are your duties?

These can be broken down into four main areas:

1. **Categorise your workers** – there are three categories (see below).
2. **Communications** - there are a number of different communications you need to send to different categories of worker at different points in time.

3. **Keep detailed employee records** - employees can opt out, employees who aren't eligible now may become eligible, opted out employees may change their mind. Detailed records relating to all this must be maintained and updated on an ongoing basis.
4. **Manage your payroll** - your payroll system will need to ensure the correct contributions are payable for each employee every time the payroll is run.
Once you have established the above, you will need to set up a pension scheme and manage that scheme each month.

Categories of worker

There are three categories:

1. **Eligible Jobholders**
Aged 22 or over and under state pension age (a moving target these days); and earning more than £10,000 a year in 2015/16. Eligible jobholders must be automatically enrolled into a suitable pension scheme unless they are members of an existing 'qualifying scheme', such as the NHS Pension Scheme.
2. **Non-eligible Jobholders**
Earning more than £5,824 a year in 2015/16 and not eligible jobholders. Non-eligible jobholders must be offered a pension on the same basis as eligible jobholders, but they must apply to join rather than being automatically enrolled.
3. **Entitled Workers**
Over age 16 and earning under £5,824 a year. Entitled workers have to be offered



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access to a pension scheme, but you do not have to make employer contributions.

What are the minimum contributions?

The minimum contributions that the practice must pay into an employer's pension scheme are shown in the table below.

The figures relate to Qualifying Earnings only, which are deemed to be all earnings between the lower and upper earnings thresholds (£5,824 and £42,385 in 2015/16). These limits will be reviewed every year.

Qualifying Earnings (QE) consist of the following:

- Salary
- Commission and bonuses
- Overtime
- Statutory sick pay, maternity & paternity pay
- Statutory adoption pay.

STAGED CONTRIBUTIONS	Employer minimum contribution	Total minimum contribution
Up to 30 September 2017	1%	2%
1 October 2017 to 30 September 2018	2%	5%
1 October 2018 onwards	3%	8%

Although the NHS scheme has higher contribution rates than the minimum requirements, GP practices do not have to provide an alternative option to facilitate this lower level.

How does the NHS Pension Scheme fit in?

Thankfully most GP practices will meet the auto-enrolment rules because most employees will already be in the NHS scheme, which is a qualifying scheme that meets the criteria set out by the Pension Regulator. However, there will be certain instances where this isn't the case, because some employees may have been denied entrance to the NHS scheme.

Examples include:

● 24 hour retirement

If an employee takes 24-hour retirement (ie retires from the NHS pension scheme and then returns to work), they are not allowed to re-join the NHS pension scheme. If, however, they are younger than 65, they will have to be offered an alternative pension scheme.

● Multiple NHS jobs and overfunding

If an employee has a full time position within the practice and has another, or multiple, NHS positions with other employers (for example a hospital) and they have reached the full time equivalent pensionable earnings that can be paid into the NHS scheme, they cannot be auto-enrolled into the NHS scheme for their second job(s). Therefore an alternative scheme must be provided.

If overfunding has not occurred then the employee must, if eligible, be enrolled in the NHS scheme in each location and with each employer contributing. They can opt out of auto-enrolment in one or more of the locations without leaving the NHS scheme as a whole.

Where employees do not have access to the NHS scheme an alternative option will have to be offered, such as the NEST scheme.

NEST – National Employment Savings Trust

NEST has been set up by the government especially for auto-enrolment. These schemes are provided to make sure that every employer has access to a workplace pension scheme that meets the requirements of the new pension rules.

It is completely free for employers to use, with no charges to set up NEST or for ongoing administration. It also has one simple charging structure for everyone and because NEST is run as a trust, the scheme doesn't have to make profits for shareholders.

Useful websites

www.thepensionsregulator.gov.uk

www.nestpensions.org.uk

www.nhspa.gov

www.sppa.gov.uk