

SIMPLE PENSIONS

Workplace Pensions – An Update

With up to half a million smaller employers expected to reach their staging date during 2016, it's likely that the Pensions Regulator (and the rest of the pensions industry) will be a bit busy. In its latest compliance bulletin, the Regulator sets out its compliance action so far and how it intends to communicate with smaller employers and their advisers.

Compliance so far

It's fair to say that there has been a considerable increase in compliance action. According to the Regulator, of the 1,594 fixed penalty notices issued since the start of auto enrolment, 1,021 were issued in the last quarter of 2015.

And, somewhat worryingly, of the 31 escalating penalty notices issued since 2012, 24 were issued in the last quarter of 2015. These figures are only likely to increase.

Getting the message across

The Regulator says that while many employers want to do the right thing, smaller employers are more likely to leave things until the last minute. As a result there has been an increase in the number of compliance notices issued. Lots of employers then complied but some smaller employers didn't sort things out until after they were issued with a fixed penalty notice of £400.

The Regulator, together with the DWP, intends to continue to get the message across to small and micro employers* through various channels such as by letter, TV and radio advertising, and social media. So far, the Regulator reckons that their communications plan has been a success, citing that 90% of the first 12,000 small and micro employers have complied.

Spotlight on advisers

Research conducted by the Regulator suggests that the majority of smaller employers will contact an adviser for help and advice. As a result, the Regulator has developed targeted communications for the business adviser audience.

Among other things, it has a dedicated area on its website, is advertising in trade publications, and is engaging with professional bodies – all designed to help business advisers help their clients with auto enrolment.

Escalating penalty case

One case focuses on an employer who didn't do anything about auto enrolment until after their staging date. The Regulator subsequently issued a compliance notice requiring them to pay both the employer and employee contribution arrears. They failed to comply so were then issued with a £400 fine.

Eventually, the employer appointed an adviser but by then they had incurred a fine of £10,000 (£2,500 per day for four days). So all in all, by failing to comply this employer incurred unnecessary costs of around £25,400 – made up of a £400 fine, a £10,000 fine, and around £15,000 in employee back contributions.

***Published by Andy Acton
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