

Pensions Automatic Enrolment (“AE”)

Saving costs and remaining compliant



Since the introduction of Pensions Automatic Enrolment (‘AE’) in October 2012, employers of all sizes may now be required to enroll their workers in workplace pensions. With The Pensions Regulator increasing enforcement activity and spot-check reviews, organisations need to ensure their data and process management is robust and can deliver the required insights.

Overview



- All employers now operate one or more workplace pensions and pension providers have been offering schemes designed to support automatic enrolment for some years; but in practice we continue to see cases of non-compliance across a range of AE areas.
- In recent years, the Pension Regulator has significantly increased the number of proactive reviews of AE compliance, with a number of reviews being opened in recent months. Several common issues are regularly being identified and we are seeing the Regulator using its powers to take action against non-compliance.
- Issues noted range from problems arising because the scheme and processes have not been reviewed since AE was first implemented through to issues arising from processes and controls being incorrectly applied.
- Employers need to be ready to produce the data required to evidence compliance with the legislation. Furthermore, employers need robust processes in operation behind the data platforms. There can be gaps in the process both in the day to day compliance tasks and more broadly in the overall compliance function.
- In reviewing current processes and controls both cost and efficiency savings can also be identified, particularly where processes have not been considered or reviewed since AE was implemented. Savings can be identified through considering if current contribution structures are still appropriate in addition to identifying where processes can be automated and made more efficient (moving away from the status quo). Salary sacrifice for pensions is an additional area where savings can be easily achieved and is seen as a benefit to both the member and the employer.
- We therefore recommend that employers consider undertaking a review of their current AE and wider pension arrangements to identify savings, efficiencies and to review their level of compliance.

Common pitfalls



- Late and/or missing contributions – where pension contributions are paid late or missed altogether for certain members due to ineffective processes being in place.
- Under / over payments of contributions – where calculations are performed incorrectly or incorrect amounts are processed.
- Late or non-enrolment of staff – this can create periods of under contribution for both employees and the employer.
- Incorrect salary sacrifice treatment and/or incorrect tax relief application – this is a significant issue we often see with salary sacrifice not being implemented properly alongside AE, or with processes being outdated and no longer compliant.
- Inconsistent data across payroll, HR, finance and the pension provider – this problem can lead to incorrect pension statements, tax non-compliance and AE non-compliance.
- Investment of contribution being made late due to ineffective processes, meaning members are missing out on investment returns.
- Errors with life styling of investment contributions.
- Late auto-enrolment, due to poor on boarding processes.
- Incorrect opt-out processes meaning opt-outs aren’t effective.

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How Deloitte can help

We can support your business to review current processes and systems to identify cost savings and efficiencies, in addition to highlighting areas of compliance risk. Our approach is first to understand your processes, identify opportunities and the changes required before developing an action plan to address any risks and benefit identified.

- **Understand** – We will work with your key stakeholders to understand your member population, the current contribution structures and the relevant systems, processes and controls used within your current AE solution.
- **Identify opportunities and risks** – We will perform more detailed testing and checking, using analytics tools we have developed, to identify where there may be compliance risks (whether that be based on the level of contributions paid, contributions remitted on time, confirming appropriate communications are sent to members in the correct timescales etc.). In addition, we will consider whether there is a better contribution structure or perhaps an opportunity to introduce or improve pension salary sacrifice arrangements. During this phase we will also consider the systems which are currently in place to determine whether there are inefficiencies or risks which could be removed. This phase will involve some detailed testing of the policies and systems in place.
- **Calculate and quantify** – Having identified the opportunities and risks we will then provide a summary of the potential cost savings or non-compliance risks.
- **Change planning** – We will work with the relevant stakeholders to address and action the recommendations from the identify and quantify stage. During this phase we will help you to develop a project plan and assign stakeholder responsibilities.
- **Implementation and testing** – This may take different forms dependent on the recommendations and findings identified but may include considering a new contribution structure for certain members, or removing the need for manual intervention within current systems, or even supporting you in considering/selecting a new systems provider.
- **Communications** – Where changes have been implemented, it is likely these will need to be communicated to members, as well as there being a need to communicate the process changes and updates to those key stakeholders involved in delivering AE requirements. We will support you with those communications to deliver a seamless change.



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