Pension scheme automatic enrolment
Obligations and duties for dental practices
By Amanda Maskery, UK

New legislation came into force in June 2012 that will eventually oblige all employers in the UK to automatically enrol certain workers in a pension scheme and make contributions towards it. The practical arrangements of this are not straightforward in all cases and the need for careful preparation should not be under-estimated.

The new duties are being implemented month by month over a five-and-half-year staging period that began on 1 October 2012. Larger employers have been obliged to start before smaller ones. Staging dates will depend on the number of workers in a PAYE scheme. In brief, employers with between 50 and 249 workers had staging dates that ran from 1 April 2014 to 1 April 2015 and those with fewer than 50 workers (which applies to most practice owners) have staging dates between 1 June 2015 and 1 April 2017. New businesses have staging dates at the end of the overall timetable, up to 1 February 2018.

As employers, practice owners should be thinking about how they are going to implement the changes to ensure they are fully compliant with the law when the requirements take effect for them. The new duties require employers to automatically enrol eligible jobholders in their own qualifying pension scheme or the National Employment Savings Trust, a government saving scheme. They further require employers to make contributions that will gradually increase over a period of six years, from 1 per cent to 3 per cent by 2019.

From the date employers become subject to the new duties, they will have to automatically enrol any eligible jobholders in an enrolment scheme, unless a jobholder is already an active member of a qualifying scheme at the practice. That may sound straightforward, but there is more to it. First, any existing pension arrangement has to be reviewed to ensure this meets the stipulated requirements. Not all current stakeholder schemes will. It is possible that current pension arrangements will have to be amended and an appropriate alternative scheme will have to be implemented.

There are three categories of jobholders under the new legislation: eligible jobholders, non-eligible jobholders and entitled workers. Eligible jobholders are enrolled automatically and those who have opted out need to be re-enrolled every three years. As employers, practice owners have to provide these employees with mandatory information about automatic enrolment and pay mandatory minimum contributions towards their pension.

Non-eligible jobholders are workers who do not fit the eligibility criteria for automatic enrolment and are defined as those earning over £10,000 per annum and aged between 16 and 21 or between state pension age and 74, or those earning between £5,772 and £10,000 per annum and aged between 16 and 74. While employers are not required to automatically enrol these workers, such employees can opt in to the scheme and, if they do so, employers may make minimum contributions on their behalf.
Entitled workers are those who earn less than £5,772 per annum and they are required to be provided with information about their right to join a non-contributory scheme. While they do not have to make contributions, employers must ensure that these workers have access to a pension scheme, even if not a qualified pension scheme, should they request one.

In order not to fall foul of the safeguarding duties, it is important that practice owners update their practices and keep mandatory information about all their pension scheme-related arrangements. Furthermore, they should regularly review those employees who are or may become eligible and, if necessary, alter contracts of employment and other relevant documents to ensure compliance and best practice.

“...it is important that practice owners update their practices and keep mandatory information about all their pension scheme-related arrangements.”

Breaching the new duties could result in compliance notices and penalties that would vary according to the size of a practice. Employers that do not comply could be liable for escalating penalties, ranging from between £50 for the smallest employers and up to £10,000 a day for the largest employers if failure to comply was wilful, it could amount to a criminal offence, liable on conviction to imprisonment or a fine or both.

Compliance with the new legislation is policed by the Pensions Regulator. Practice owners that have not made any arrangements yet should immediately check the staging date that applies to their practice or practices by looking at the staging date timeline on its website (www.thepensionsregulator.gov.uk). All practice owners are well advised to start taking steps well before their individual staging date to prepare, particularly so that they can manage the financial implications of the changes.

Eligible workers in companies with fewer than 50 employees need to be enrolled by April 2017.