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FOR AGENCIES

# Pension Auto-enrolment

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**The Pension Act 2008 requires employers to automatically enrol their employees into a work place pension scheme. This is called auto-enrolment. Auto-enrolment began on 1 October 2012 for employers with more than 120,000 employees, but all employers, regardless of size, will be legally bound to enrol their employees at various staging dates over the next few years. The Pension Regulator bases each employers' staging date on the number of their PAYE employees on 1 April 2012.**

Employers and agencies will automatically enrol employees/temporary workers who are:

- aged at least 22, but under state pension age
- earning more than the current years PAYE tax threshold
- working in the UK.

Initially, a minimum of 2% of qualifying earnings must be contributed, with at least 1% of this coming from the employer. Contributions increase over time to 8% in 2018, of which the employer must contribute a minimum of 3%.

When an employee is automatically enrolled into a pension scheme they are given the option of opting-out during the first month and all their contributions will be refunded. If they decide they do not want to be a member of the scheme after this date, any contributions paid in by both employer and employee will be kept in the fund.

### **How agencies are affected**

Auto-enrolment is an added layer of administration that most agencies could do without. Not only do they have to manage and assess the contributions of their own staff, they also have to understand the qualifying conditions for each temporary worker which will differ depending on their circumstances.

An agency running a PAYE scheme needs to consider the set up and ongoing costs required to manage their pension arrangements. The initial costs could include:

- upgrading an existing payroll system so it identifies, calculates and displays an individual's pension contributions
- additional staffing to administer the scheme
- senior director time spent choosing a suitable pension provider
- costs of communicating these changes to both workers and clients.

Managing the fluctuating incomes of temporary workers can be particularly complicated for agencies. Umbrella employees, limited companies and PAYE employees all have variable criteria and have to be managed differently. For example, the rate received from the agency for each umbrella employee will include the employer's contribution. This is not the case for PAYE employees. However, the umbrella rate will need to be increased if the temporary worker is affected by the National Minimum Wage. Failure to comply with regulations can result in significant fines.

EdenGroup's umbrella service can manage the complete auto-enrolment process for all your temporary workers.

## How EdenGroup Umbrella can help

Every new change in legislation makes it more difficult for recruitment companies to keep up with the latest regulatory controls. This is where EdenGroup can help.

As part of our ongoing service enhancements, EdenGroup provides a complete and fully compliant pension scheme for our clients.

Our payroll software has been developed to enable trouble-free pension scheme administration and to ensure EdenGroup meets all pension responsibilities.

EdenGroup provides:

- a fully compliant and regulated pension scheme
- automatic transfer of new enrolment information
- automatic transfer of contributions to our pension provider
- monitoring of opt-outs and processing of return contributions
- automatic qualification trigger points
- transparent contribution activity
- communications to workers and clients
- clear and concise enhanced payslip information
- no set up fees or ongoing administration costs.

For more information on auto-enrolment please see:

[www.thepensionsregulator.gov.uk/pensions-reform](http://www.thepensionsregulator.gov.uk/pensions-reform)

To discuss your auto-enrolment responsibilities with EdenGroup Umbrella please contact:

[enquiries@edenoutsource.co.uk](mailto:enquiries@edenoutsource.co.uk)

[www.edenoutsource.co.uk](http://www.edenoutsource.co.uk)

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**We are a fully compliant payroll provider with the solutions and experience to ensure you and your business meet all necessary legal and tax issues associated with running your recruitment company.**