

By Email

Dear Sirs

The Institute of Payroll Professionals (IPP) was established in September 2006 following a re-branding of the Institute of Payroll and Pensions Management (IPPM). Since 1985, our primary aim has been to raise the standards of professionalism across the payroll industry and, by doing this, elevate the standing and profile of the profession. The IPP currently represents the views of its 5,000 members and works with a number of Government departments, such as HMRC, DWP and BIS (formerly BERR).

The Mission of the IPP is to raise the contribution of payroll and pension professionals to organisations by:

- Improving technical skills and practical experience
- Working with Government to ensure practical implementation of relevant legislation, and
- Promoting the highest standards of professional conduct

The Institute, through its Policy team headed by Karen Thomson, has been responding to consultation documents and attending consultation meetings for more than 12 years. In addition, the IPP makes regular representation to Government departments on current and/or proposed legislation and procedures that are impracticable or inequitable for employers which, in turn, could have a knock-on effect on Government departments. As a result of this sustained effort over the last decade, we have created sound working relationships with DWP, HMRC and other Government departments.

The IPP are grateful for the opportunity to comment on the second consultation for The Pensions (Automatic Enrolment) Regulations. We are pleased to be able to feed into the policy and operational changes that arise from this consultation, and hope that this written response will form the basis of an ongoing relationship with the DWP.

Yours faithfully

Diana Bruce
Policy Liaison Officer

Should you require clarification of any of the points that have been made in this response, please do not hesitate to contact me or one of the members of the Policy and Research Team.

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IPP Member Survey response to the second Pensions (Automatic Enrolment) Regulations Consultation

Introduction

The IPP have surveyed the membership in response to the second Pensions (Automatic Enrolment) Regulations Consultation in order to collect their views. Please find below a summary and the IPP's conclusion based on these responses. The full details of the responses are also included, and below some of the question tables please note the individual member comments.

Summary

There were 26 member responses in total. This is on average a low response and not all responders answered all the questions in our survey; only 9 or 10 responded to all questions posed. However the IPP are aware from the previous survey we conducted and general feedback that many members do not understand the complexities of this subject. The IPP are working hard with the DWP and other organisations to raise the profile of automatic enrolments and to ensure a clearer understanding of future employer responsibilities.

Conclusion

Due to the high number of questions skipped, the IPP feels that the responses were not conclusive enough to give the DWP a recommendation at this stage. However, within the full survey response below, there are some very valid comments from members who do understand what will be involved. The IPP will continue to work with the DWP on the Personal Accounts Delivery Authority forum and once the DWP has had the opportunity to review all consultation responses, the IPP would be happy to assist with a further survey should one be required.

Full survey response

Regulation 2 - Staging

To ensure a smooth implementation the Government are planning to make regulations to stage in the application of the duties to different employers over a 3 year period.

The staging duty date needs to specify on which date in a particular month an employer needs to auto-enrol. The proposals have the following three options:

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Should this be the first day of the month regardless of which day that falls?		
Answer Options	Response Percent	Response Count
Yes	50.0%	13
No	50.0%	13
Don't know	0.0%	0
answered question		26
skipped question		1

Should it be the first working day of the month?		
Answer Options	Response Percent	Response Count
Yes	46.2%	12
No	50.0%	13
Don't know	3.8%	1
answered question		26
skipped question		1

Should it be the first Friday of the month?		
Answer Options	Response Percent	Response Count
Yes	0.0%	0
No	100.0%	23
Don't know	0.0%	0
Comments:		3
answered question		23
skipped question		4

Comments:

- In our industry, (recruitment), payment is based upon timesheets on a weekly basis. Contractors will submit timesheets on an ad hoc basis. It is rarely possible to define a set day in the month at which an enrolment could take place as a result. Rather, based upon first payment would be better
- What if someone starts in the middle of the month? Why should enrolment not start after successful completion of probation period with the option to back date to starting date?
- 1st day of month is the only sensible option for a calendar monthly payroll with a % calculation base

Regulation 3 – Bringing forward automatic enrolment date

If an employer wants to volunteer to bring forward their automatic enrolment date, The Pensions Regulator (TPR) needs to be confident that the employer has allowed themselves enough time to get their scheme in place. A missed enrolment date will trigger enforcement activity which is not in the interests of employers or TPR.

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Q2. How should TPR establish that the employer will be ready? For example, should an employer be required to have a scheme in place before applying? Or should they be able to sign a declaration that they are confident they will be able to discharge their duties?

Answer Options	Response Count
	16
<i>answered question</i>	16
<i>skipped question</i>	11

Number	Response Date	Response Text
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Comments:

- They should have a scheme in place before applying
- An employer should have an appropriate scheme in place before applying
- Yes the scheme should be in place before applying and TPR should ensure this is the case
- An employer should be required to have a scheme in place before applying
- An employer should have a scheme in place before applying
- They should have a scheme in place before applying
- Sign a declaration - they can then be held to account
- They should have a scheme in place
- They should be required to have a scheme in place AND sign a declaration
- I feel they should probably have one in place
- Employer declaration
- Sign a declaration
- Scheme should be in place before applying – you never know if there may be delays
- Our existing schemes will comply since they are all contracted out so we don't have a view on this
- Employer should have a scheme in place; otherwise TPR will have to waste time in the future checking that the employer has fulfilled their promise on any declaration signed
- An employer should have a scheme in place before applying this will prevent any misunderstanding and make sure the scheme is compliant from the onset

Regulation 40 – Postponement

The Department for Work and Pensions (DWP) are keen to ensure that short term workers do not miss out on pension saving through employers' use of postponement. They propose that postponement may only be used for jobholders who will achieve active membership of a qualifying scheme. In other words, the employer must expect the jobholder still to be in post beyond the postponement period.

Does this change provide sufficient protection for short term workers? Are there any circumstances where short term workers could still miss out on pension saving due to postponement? If so, how might these be addressed?

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Answer Options	Response Count
	9
<i>answered question</i>	9
<i>skipped question</i>	18

Comments:

- They should be able to back date
- No
- Don't know
- Yes, in the temp industry. Suggest that a temp should sign up to either be included or excluded at day one, (with full explanation), and auto-included if they go past a set contract duration
- Yes
- Yes if the contract is fixed term less than standard probation period. If only working for three months what value would the pot have. Could end up with lots of pension pots not much value
- No comment
- I think so - short term contracts are usually for 3 months or more
- Short term workers should not be penalised by their length of service therefore if employers are not allowed to use any form of postponement this should solve the problem, and make all employers have a workable scheme in place

Regulation 41 – Information to individuals affected by transitional period

Jobholders whose employer decides to make use of the transitional period to gradually adjust to the reforms will be given information about the scheme and date when they will become scheme members and, the right to opt in earlier if they wish.

Should this information be required within one month rather than the two months prescribed in the regulations?		
Answer Options	Response Percent	Response Count
Yes	33.3%	5
No	53.3%	8
Don't know	13.3%	2
<i>answered question</i>		15
<i>skipped question</i>		12

The DWP would also welcome views as to whether there are any other key pieces of information which should be given to these individuals?

Answer Options	Response Count
	3
<i>answered question</i>	3
<i>skipped question</i>	24

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Comments:

- An explanation in leaflet form from DWP, in layman's terms, of why their employer is required to processes things in this way. I fear that, as usual, payroll staff will bear the brunt of exasperation and frustration from employees - especially those who have already opted out of the existing arrangements and will have to go through hoops to opt out again
- No, provided they are fully briefed as to how enrolment will impact on their net pay
- A requirement for all employers to inform their employees of their pension rights should be part of any induction program, which needs to be carried out within one month of joining

Regulations 3 & 4 – Employers’ Duties – Registration and Compliance

Employers will be required to provide information about how they have met their automatic enrolment duties, via a process of registration. TPR will check the information that it receives from employers against HMRC data on PAYE schemes, and with employers' chosen pension schemes where possible. Registration is needed because there are no existing sources that will allow employer data to be linked to pension data in a timely and reliable manner.

The DWP are proposing that the information required from employers at registration include the following:

Information that enables TPR to identify and contact them.

Information about the action they have taken to enrol their jobholders into pension saving, and where those jobholders have opted out.

Where they do not have to enrol individuals into pension saving, why this is the case - for example, whether those people are outside the age bands for automatic enrolment, are subject to postponed automatic enrolment, or were already in a qualifying scheme.

Information about their pension arrangements, which will enable TPR to link the employer to the pension scheme they have chosen. This will include providing a reference to enable TPR to match the employer with their pension arrangement. TPR guidance will help employers identify the right reference to use.

In general, does the proposed registration process achieve the right balance between minimising additional burden and enabling TPR to check compliance effectively?		
Answer Options	Response Percent	Response Count
Yes	54.5%	6
No	18.2%	2
Don't know	27.3%	3
answered question		11
skipped question		16

Will the process work for small and large employers, employers with existing provision and those encountering pensions for the first time?		
Answer Options	Response Percent	Response Count
Yes	27.3%	3
No	27.3%	3
Don't know	45.5%	5
answered question		11
skipped question		16

Will it work for employers being staged in and new employers who set up afterwards?		
Answer Options	Response Percent	Response Count
Yes	9.1%	1
No	9.1%	1
Don't know	81.8%	9
answered question		11
skipped question		16

Is there any registration information required that does not appear to be relevant?		
Answer Options	Response Percent	Response Count
Yes	9.1%	1
No	45.5%	5
Don't know	45.5%	5
Comments:		3
answered question		11
skipped question		16

Comments:

- Employers may operate multiple schemes so the reporting methodology needs to be flexible
- It's difficult to comment beforehand. Once up and running there may be areas which could be streamlined, or areas where more information will be required
- What is the registration information that the TPR will be requesting?

The DWP propose requiring registration 9 weeks after the auto-enrolment date. Is this workable?		
Answer Options	Response Percent	Response Count
Yes	63.6%	7
No	9.1%	1
Don't know	27.3%	3

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Comments:	0
<i>answered question</i>	11
<i>skipped question</i>	16

The DWP propose requiring new businesses to register 3 months after paying PAYE income in respect of their first worker. Will this work in practice? Will employers have a PAYE scheme number in time?		
Answer Options	Response Percent	Response Count
Yes	27.3%	3
No	0.0%	0
Don't know	72.7%	8
Comments:		2
<i>answered question</i>		11
<i>skipped question</i>		16

Comments:

- Long time since this applied to me! Would be a little concerned if the 3 month period overlapped a tax year end
- It depends how long it generally takes to set up a PAYE scheme

The DWP propose asking employers to re-register every 3 years to enable TPR to check compliance with automatic re-enrolment. Does this seem reasonable?		
Answer Options	Response Percent	Response Count
Yes	45.5%	5
No	45.5%	5
Don't know	9.1%	1
Comments:		4
<i>answered question</i>		11
<i>skipped question</i>		16

Comments:

- This will be an administrative nightmare. Do not know if current software system would cope without need to keep separate spreadsheets of who has opted out of the scheme date trigger system to alert you to contact staff
- As commented before, the employer should have simple literature from DWP to explain to individuals why they are being forced to go through hoops and hurdles again
- Presumably if a business closed (for any reason) before the check is due, the DWP would have been informed? If not they could waste time trying to check with a business no longer in existence
- This sounds like a way for the TPR to obtain more money, once a scheme is in place why should they have to re-register it every 3 years

Regulations 6 & 7 – Record Keeping

The DWP are proposing that:

Employers be required to keep records relating to the pension arrangements they have made, the enrolment of jobholders and the opt-out and 'opt-in' processes, and the pension contributions they have made. TPR will use these records where needed to check that employers have undertaken enrolment and opt-out correctly.

Occupational pension schemes and pension providers be required to keep records of enrolments and opt-outs in respect of each employer, as well as information relating to individual scheme members. TPR will use these records to confirm enrolment and payment of contributions with the pension scheme or provider, and help identify prohibited behavior such as employers inducing workers to opt-out of pension saving.

In general, does the proposed set of record-keeping requirements seem reasonable?		
Answer Options	Response Percent	Response Count
Yes	80.0%	8
No	20.0%	2
Don't know	0.0%	0
<i>answered question</i>		10
<i>skipped question</i>		17

Will there be particular difficulties in maintaining these records for certain types of employers or schemes or in particular industries?		
Answer Options	Response Percent	Response Count
Yes	60.0%	6
No	30.0%	3
Don't know	10.0%	1
Comments:		4
<i>answered question</i>		10
<i>skipped question</i>		17

Comments:

- Any industry which has a high turnover of workforce, i.e. recruitment, retail, leisure, etc. will inevitably find the record-keeping process difficult to administer
- Is this not a doubling up of record keeping? As the employer would be the one giving the information to the pension company
- Given the broader definition of worker implicit in the regulations there will be many 'casual' 'employees' who will have completed work and left by the time payroll even know about them. The hassle factor of opt out and refund to people who have left has not been factored in to any considerations that I can see
- Those industries which employ a large number of casual laborers, and quick turnover of staff
Companies with multiple sites, and a quick turnover of staff

Are there any requirements that are in your view unnecessary and if so why?		
Answer Options	Response Percent	Response Count
Yes (please comment below)	20.0%	2
No	50.0%	5
Don't know	30.0%	3
Comments:		3
<i>answered question</i>		10
<i>skipped question</i>		17

Comments:

- As long as the employer keeps the records why ask the pension company to keep it as well. They will have to increase there management changes to the pension scheme to cover the cost of this and ultimately this will be passed on to the individual - they will get less pension. Pension databases will have to store large amounts of information on non contributors
- Opt out only being arranged via the scheme and not the employer. I understand why this is the case but practical considerations of tax and NI adjustments for, by definition, late opt outs will cause potentially substantial work
- It will depend on how detailed these records need to be and at what frequency they need to be submitted

Are there records other than those set out here that you think should be included?		
Answer Options	Response Percent	Response Count
Yes (please comment below)	0.0%	0
No	70.0%	7
Don't know	30.0%	3
Comments:		0
<i>answered question</i>		10
<i>skipped question</i>		17

Regulation 9 – Payment failures

For the purposes of unpaid contribution notices, the DWP are proposing that TPR use a due date of the 19th of the month following the month in which contributions were deducted, or when the employer contributions were due. This is intended to minimise the need for TPR to get detailed information from individual schemes.

They propose an exception for defined benefit schemes, and the defined benefit components of hybrid schemes, where it is common for the employer due date to be longer than the 19th day of the following month.

Are there any other categories of schemes which typically may have longer employer due dates in their schedules?		
Answer Options	Response Percent	Response Count
Yes (please specify below)	0.0%	0
No	70.0%	7
Don't know	30.0%	3
Comments:		0
answered question		10
skipped question		17

Regulation 10 – Payment failures

The DWP have proposed that TPR cannot include in a compliance notice or unpaid contributions notice a requirement to pay both employer and worker contributions until a 'prescribed period' of three months have passed.

Would limiting in this way TPR's ability to use this specific discretionary power strike the right balance between protecting the savings of individuals and not having a disproportionate impact on employers?		
Answer Options	Response Percent	Response Count
Yes	50.0%	5
No	20.0%	2
Don't know	30.0%	3
Comments:		1
answered question		10
skipped question		17

Comments:

- The object of the exercise is to provide everyone with a higher pension. Therefore, surely it is just as important as paying over tax and N.I.? Why wait 3 months?

The DWP have proposed that where TPR requires an employer to calculate and pay interest on contributions, that this be calculated at 4.9% + RPI.

Does this measure of interest provide fair and appropriate restitution?		
Answer Options	Response Percent	Response Count
Yes	30.0%	3
Don't know	50.0%	5
No (What would be a better approach?)	20.0%	2
answered question		10
skipped question		17

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Comments:

- It should be the actual lost interest, relevant at the time. Otherwise they are building in a penalty regime at this stage (although that's what HMRC do already!)
- Why make it so complicated stick to a round figure of 5% per month of unpaid contributions

Regulation 2 – 19 Day Rule

The DWP are proposing to lengthen the due date for contributions deducted during the joining window and opt out period by approximately one month to minimise costs involved in making refunds to those who opt out.

Would this change significantly increase risk to members' benefits?		
Answer Options	Response Percent	Response Count
Yes	0.0%	0
No	66.7%	6
Don't know	33.3%	3
answered question		9
skipped question		18

If so, is this risk justifiable in relation the other cost/burden saving achieved for employers and schemes?		
Answer Options	Response Percent	Response Count
Yes	16.7%	1
No	0.0%	0
Don't know	83.3%	5
Comments:		1
answered question		6
skipped question		21

Comments:

- One month is probably insufficient unless all scheme operators are exceptionally efficient and employees respond very quickly

Payment schedules would need to be updated to reflect the new due dates where a jobholder was auto-enrolled. How costly would it be to make these changes, as well as initial system changes?	
Answer Options	Response Count
	6
answered question	6

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skipped question 21

Comments:

- It depends on whether electronic software is used as this can cut time and costs
- Don't know
- Provided initial work was carried out in payroll software systems this shouldn't pose a problem. The issue is going to lie with systems that are unable to manage this. Then an almost entirely manual process would need to be undertaken which would have implications throughout the process. Approved systems should be required to incorporate this
- this question we would have to ask both our software provider and pension company
- Very difficult to say
- This will all depend on the type of system each employer used

Are the costs likely to be outweighed by the savings from reduced refunds?		
Answer Options	Response Percent	Response Count
Yes	0.0%	0
No	11.1%	1
Don't know	88.9%	8
Comments:		1
answered question		9
skipped question		18

Comments:

- Possibly

Are these proposals acceptable to you?		
Answer Options	Response Percent	Response Count
Yes	0.0%	0
No	0.0%	0
Don't know	0.0%	0
answered question		0
skipped question		27

Please provide any further comments or suggestions.	
Answer Options	Response Count
	0
answered question	0
skipped question	27