

## Cyclical Automatic Re-enrolment

As part of their automatic enrolment duties employers are required to automatically re-enrol those workers who chose to opt out (or ceased membership) after the employer's staging date. Employers will receive a reminder from the Pensions Regulator about this duty, setting out the automatic re-enrolment window and what needs to be done. This is known as cyclical automatic re-enrolment and occurs every three years after the employer's staging date.

The Department for Work and Pensions (DWP) has previously introduced some technical changes to the legislation to reduce the burden on employers. Further changes now include exemptions from the employer's duty to automatically enrol for jobholders who have Individual Protection 2016 or Fixed Protection 2016. As with the previous technical changes, employers should decide whether to use these discretions if they have not already done so.

Re-enrolment is also an ideal opportunity to audit the existing enrolment process and the communication materials used to comply with the information requirements to ensure they remain fit for purpose; making adjustments as necessary.

**The information in this briefing note was originally issued in May 2016. It has been updated for the change in legislation from 6 March 2017.**

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### Key Points

Cyclical automatic enrolment means that an employer automatically re-enrols (i.e. puts back into pension savings) employees who have:

- already had an automatic enrolment date with that employer
- opted out or voluntarily ceased active membership of a qualifying scheme more than twelve months before the re-enrolment date, and
- who are eligible jobholders on the re-enrolment date.

As with automatic enrolment, once re-enrolled, the jobholder has a right to opt out.

An employer may choose their automatic re-enrolment date from any date falling within a six month window, starting three months before the third anniversary of their original staging date and ending three months from that anniversary.

The process for automatic re-enrolment is essentially a repeat of the process carried out on the original staging date or deferral date (if postponement was used). However, postponement cannot be applied at re-enrolment, so if the relevant jobholder criteria are met by a worker on the automatic re-enrolment date, automatic re-enrolment must take place with effect from that date. Also, an employer cannot apply different dates for different employees.

## **Key Actions**

### **Choose the cyclical automatic re-enrolment date**

Employers can choose the most suitable date for them within the six month re-enrolment window. Months refer to calendar months. Remember that this date will be the date active membership of a pension scheme must start, the start date of the six week joining window and the start date for the calculation of contributions. It may be appropriate to choose the first day of a pay reference period.

### **Engage with the pension scheme**

The employer and trustees / provider of the pension scheme will follow the same process for establishing active membership as for automatic enrolment. However, it's worth engaging with the pension administrators as they may need to process a large number of new joiners and/or opt-outs in a short period.

### **Check business processes and test software**

As the re-enrolment assessment is a standalone process there may be changes needed to software and processes, particularly payroll. Again, early engagement with the relevant parties is recommended to determine whether the auto-enrolment software needs testing in advance of their cyclical re-enrolment date.

### **Assess workers**

This assessment involves looking at a particular group of employees who have already been enrolled but have opted out or ceased active membership more than 12 months before. The normal assessment process for automatic enrolment carries on regardless. Employers also need to decide whether to exclude those employees for whom the duty to automatically (re-)enrol is now a discretion (see below).

### **Review / update enrolment information**

Employers may wish to review the standard enrolment information that is given to newly enrolled employees, particularly if this has not been done since the changes effective from 1 April 2015. For those employees who are to be re-enrolled it may be appropriate to issue communications in advance as a 'warm-up' or to add a further paragraph to the standard letters about this re-enrolment exercise.

### **Complete a re-declaration of compliance**

The re-declaration (using the Regulator's online service) must be completed within five calendar months of the third anniversary of the employer's staging date. This single deadline applies from 6 April 2016. Failure to meet the re-declaration deadline could result in a fine.

## **Exceptions to the Duty to Automatically (Re-)enrol**

Since 1 April 2015 there are some exceptions to the employer duties where, depending on the circumstances, the employer has a choice as to whether to comply with a duty or not, or the duty is removed altogether.

These are the main exceptions. Full details are to be found in the Pensions Regulator's detailed guidance for employers no. 1 'Employer duties and defining the workforce'.

### **Employees in notice periods**

Where an eligible jobholder has given in their notice to end their employment (on resignation or retirement) or been given notice of dismissal by the employer before the end of six weeks beginning with their automatic (re-)enrolment date.

### **Former members**

Where an eligible jobholder has opted out or ceased active membership of a qualifying scheme at their own request within the 12 months before the automatic (re-)enrolment date.

### **Employees with lifetime allowance protection**

Where an employer has reasonable grounds to believe that an employee has primary, enhanced, fixed (2012 or 2014), or individual protection 2014. Fixed protection 2016 and individual protection 2016 are to be added with effect from 6 March 2017.

Employers will need to consider what evidence they will require of the employee's tax protection and how they will obtain this evidence. For those with one of the 2016 tax protections, up until 6 March 2017 such an employee would have needed to opt out in order to preserve the protection.

### **Employees who have been paid winding-up lump sums**

Where an employee was paid a winding-up lump sum within the 12 months before the automatic (re-)enrolment date, whilst in employment with the employer, and then during the 12 month period (that started on the date the winding-up lump sum payment was made) ceased employment, and was subsequently re-employed by the same employer.

## **Information Requirements**

Since 1 April 2015 the number of separate communications that employers need to send to employees has been reduced. Employers may want to use the cyclical automatic re-enrolment exercise as an opportunity to review the literature that is used to comply with the information requirements.

Essentially, the regulations:

- make some changes to the information given upon automatic (re-)enrolment
- allow the information to be given about opting in or joining pension saving to be combined
- reduce the information to be given about postponement (noting postponement cannot be used for automatic re-enrolment)
- remove the requirement to give any information to jobholders who are already active members of a qualifying scheme
- reduce and simplify the statements of information to be given

## **How can we help?**

Conduent HR Services can help clients with a full audit of current processes and communications for automatic enrolment and assist with the preparation for the cyclical automatic re-enrolment exercise. We have a menu of services below which clients can choose from.

## Service Option

- Audit of current automatic enrolment processes
- Preparation of a report to recommend actions on current processes
- Automatic re-enrolment strategy guidance and project planning
- Reviewing statutory employer communications and making recommendations
- Provision of scheme specific automatic re-enrolment standard letters
- Reviewing the certification / re-certification of the qualifying scheme
- Assisting with the declaration / re-declaration of compliance
- Set up of a strategy document to document all processes for automatic (re-)enrolment

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