

**November 2017**

As a charity you have a responsibility to make sure that you follow the law when it comes to hiring new employers, this includes pension law.

**Under the Pensions Act 2008, every employer in the UK must put certain staff into a workplace pension and contribute towards this. This is called “auto-enrolment”.**



### **Top tip!**

[The Pensions Regulator's](#) website is full of information to help employers get on top of their responsibilities.

## **What do I need to do when I hire staff?**

If you are hiring staff for the first time from 1<sup>st</sup> October 2017 your duties to provide a pension to your staff begin **immediately** when that person(s) starts work. There is no staging date or period of grace before your pension duties begin, so **charities need to prepare in advance of hiring new staff.**

Charity trustees should actively consider pension responsibilities when hiring a member of staff for the first time. **You only have five months from hiring a new member of staff to comply with the law.**

When your first member of staff is hired, you must immediately assess them to see whether they meet the criteria to be automatically enrolled into a pension scheme. Any staff that are:

- aged between 22 up to State Pension Age
- **and** earn over £10,000 per year, or £833 per month or £192 per week

must be put into a pension scheme.

**You must write to all your new employee(s) and tell them about automatic enrolment and how it will affect them.** Both your charity and your employee must both pay into it.

You need to choose a pension scheme that can be used for automatic enrolment. **CFG has a dedicated guide for small charities on how to get ready for automatic enrolment** and how to select an appropriate pension scheme, including a directory of providers. You can download this guidance for free from the [Small Charities Website](#).

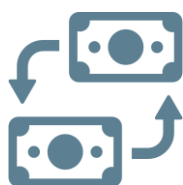
# What are the costs of setting up a pension scheme?

The costs of setting up your auto-enrolment scheme will vary from charity to charity. However, you will need to set aside a budget for setting up a compliant pension scheme, setting up payroll arrangements, administration and so on. If you decide to manage the process without any external support, costs can start from £750. If you want guidance through the process it can cost upwards of £1,500. If you decide to use an external payroll provider you will need to check with your payroll provider whether there will be any additional costs.

## What is the role of trustees?

Charity trustees are ultimately responsible for ensuring that their charity meets its legal requirements.

**So it is good practice to ensure that all trustees understand their responsibilities and discuss the selection of a pension scheme if you are hiring for the first time.** As you only have five months to carry out your responsibilities, you will want to make this a priority of board meetings before you hire staff and then a regular topic once you have successfully hired staff members.



## Free resource!

WYCAS (West Yorkshire Community Accounting Service) have a salary cost budget calculator that you can download for **free** from the [CFG Small Charities Website](#). This will help you understand the costs of hiring staff.

## Make sure you factor employer pension contributions into your financial plans

As part of your responsibilities as a new employer, you need to pay a minimum amount into your employee's pension.

- Up to 5<sup>th</sup> April 2018 you need to contribute 1% to their pension.
- From 6<sup>th</sup> April 2018 to 5<sup>th</sup> April 2019 you need to contribute 2%.
- From the 6<sup>th</sup> April 2019 onwards you need to contribute 3%.

This can be quite expensive. For a full time member of staff on the National Living Wage, employer pension costs will **increase by £262 a year** between 5<sup>th</sup> April 2018 and 7<sup>th</sup> April 2019 – so make sure you plan these into your budgets going forward.

## Do I need to provide a pension if I pay my staff less than the threshold?

If you pay your staff £113 a week (£490 a month) or below, you may not have to register with HMRC for a PAYE scheme but you still have automatic enrolment duties:

- You must write to your staff to tell them how automatic enrolment applies to them
- If your staff then write to ask you to put them into a pension scheme, you must set this up for them, but you don't have to pay into it.

When you start paying a member of staff more than £113 per week, you must set up a PAYE scheme with HMRC. You must also assess your member of staff to work out if they need to be put into a pension scheme that you also pay into.

## What do I do once I have set up a pension scheme?

Once you assess the status of your employees, written to them and set up a pension scheme where appropriate, you need to write to The Pensions Regulator with a [Declaration of Compliance](#). This makes clear to the regulator that you have carried out your responsibilities. This can be done quickly and easily online.

To find out more about what to expect from The Pensions Regulator, read their auto-enrolment update on p40 of CFG's [Navigating the Charities Pensions Maze](#) guide.

**If you don't do this, you put yourself at risk of a fine from the Pensions Regulator.** If you do outsource this process to another organisation, you are still responsible for filing a Declaration of Compliance, so don't forget to do it!



### Any problems? Get in touch

Remember you can contact the CFG Policy Team ([policy@cfg.org.uk](mailto:policy@cfg.org.uk)) for free if you have any problems about automatic enrolment or would like further support.