



## AUTO ENROLMENT AND THE EMPLOYER DUTIES – POSTPONEMENT FACTSHEET

Postponement is intended to give employers flexibility in the design of their auto enrolment scheme. It allows them to delay the assessment of their workers and their employer duties for up to three months.

This factsheet will explore when and how postponement can be used within an auto enrolment scheme. It's based on our current understanding of the relevant legislation and regulations (including drafts) which could change in the future.

Postponement is now known as deferment, however we continue to use postponement in this leaflet as it is a more familiar term.

### THE BACKGROUND TO POSTPONEMENT

Employers have a duty to assess their workforce to identify the types of worker they employ and the duties they'll have to carry out. For a maximum of three months, postponement gives employers the option to defer:

- the assessment of their workers or
- the auto enrolment date for workers who have been assessed.

This allows employers to smooth the administration of their employer duties and align it with their existing business processes. For example they can use postponement to:

- stagger the assessment of workers at their automatic enrolment start date
- align the assessment of workers with their payroll processes
- avoid having to assess seasonal workers or those with one-off spikes in earnings
- avoid calculating pension contributions on part month earnings.

They can use postponement with their whole workforce, groups of workers or individuals.

### USING POSTPONEMENT

Postponement can be used on the:

- employer's automatic enrolment start date
- first day of employment for a new worker
- date a worker meets the criteria to become an eligible jobholder.

Employers will need to decide who they want to use postponement with and how long they want the postponement period to last. The last day of the postponement period is known as the deferral date and employers must assess their workers on this date.

The deferral date the employer selects will depend on their reason for using postponement. For example, if the objective is to avoid calculating pension contributions on part month earnings, then they might use the first of the next calendar month as the deferral date.

## COMMUNICATING POSTPONEMENT TO WORKERS

Employers have a duty to tell their workers they're using postponement by sending them a postponement notice. This has to be issued within six weeks of the day after the date they want to use postponement. If they fail to issue the postponement notice in time then postponement cannot be applied.

The postponement notice must tell workers:

- that auto enrolment has been postponed
- the deferral date
- they have the right to opt in or join before the deferral date
- if they meet the eligible jobholder criteria on the deferral date they will be automatically enrolled into the pension plan.

There are different types of postponement notice employers can issue. A general notice can be used where workers haven't been assessed. It tells workers what will happen on the deferral date depending on the type of worker they are. A tailored notice can be used where workers have been assessed. It gives information that's specific to the type of worker and explains what will happen on the deferral date.

## POSTPONEMENT IN PRACTICE – SOME BASIC EXAMPLES

### Using postponement to align the assessment of workers with payroll processes

Clive Smart owns a small garage called Kwik Fix Ltd. On 23 August, Andy Daly starts working for Clive on a salary of £24,000. Clive knows he must assess Andy on his first day of employment to establish what type of worker he is.

The earnings Clive would use to assess Andy are his part month earnings from 23 to 31 August – a total of £550. This would make Andy a non-eligible jobholder and Clive would need to give him information about his right to opt in to an auto enrolment scheme.

In September Andy's earnings will be his total monthly salary of £2,000, making him an eligible jobholder. This means Clive would have to automatically enrol Andy, even though he will just have received the information about his right to opt in as non-eligible jobholder.

Clive decides to use a short postponement period for Andy and selects a deferral date of 1 September. On 23 August, he issues Andy with a general postponement notice. On 1 September Andy is assessed as an eligible jobholder and Clive has one month to complete the steps for auto enrolment.



### Using postponement to avoid having to assess seasonal workers

Card Corner is a retailer of greetings cards owned and run by Julie Scotland. Julie employs two additional full time employees from 1 November to 24 December to cope with the seasonal spike in business.

Julie knows that she needs to assess workers on their first day of employment to find out what type of worker they are.

This could lead to Julie having to automatically enrol these workers into Card Corner's pension scheme but she also knows they'll only be employed for eight weeks.

Julie decides to use postponement for these workers and selects a deferral date of 1 January. She issues a postponement notice to each worker. As long as the workers do not ask to opt in before 1 January Julie will not need to assess them, as they will no longer be working for Card Corner on the deferral date.

### Using postponement to avoid calculating pension contributions on part month earnings

ACME Widgets Limited pay their workers on the 20th of each month for work done during that month. Andrew Hill the HR manager notices that one of their workers, Steve Nail, turns 22 on 14 January. Andrew knows that due to Steve's age and earnings he'll become an eligible jobholder on his birthday and will have to be automatically enrolled into ACME's pension scheme.

While Steve will get paid on the 20 January for the entire month as normal, the payroll department would have to calculate his pension contributions based on Steve's earnings from 14 January to 31 January.

Andrew decides to use a short postponement period for Steve, to avoid having to work out pension contributions on his part month earnings, and selects a deferral date of 1 February. As Steve will be assessed as an eligible jobholder on 1 February his pension contribution will be based on the entire month's earnings.



## HOW ROYAL LONDON CAN HELP

As you can see there is a lot for employers to think about before using postponement. We're pension experts and we want to work with you to prepare for auto enrolment and the employer duties. To find out more speak to your usual Royal London contact.



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