Staying ahead of auto-enrolment penalties

It is not only BHS which is keeping the Pensions Regulator busy.

The Pensions Regulator (TPR) has been in the headlines recently following the demise of BHS and the issues surrounding the store group's £571m pension deficit.

The BHS pension problem stems in part from the type of scheme it used to offer its employees – a final salary pension scheme. Over the years, strengthened legislation and poor investment performance have prompted most private sector employers to close such schemes to new members and now, increasingly, even to existing members.

The disappearance of the final salary pension was one of the reasons behind the introduction of automatic enrolment in workplace pensions. The aim was not to replace the old final salary scheme – that would have been too costly – but to ensure that there was at least some pension provision on top of the modest amount the state provides.

So there is a little irony in the fact that TPR is not only having to deal with the BHS fallout, but also the failure of employers to carry out their auto-enrolment duties. TPR's latest review of auto-enrolment compliance revealed:

- In the first quarter of 2016 the regulator issued 3,057 Compliance Notices, bringing the total since October 2012 to 7,834.
- 806 £400 Fixed Penalty Notices were sent out, three times as many as had been served in the previous 39 months. These penalties can be up to £10,000 a day for large employers (500 or more employees) and even for small employers (5-49 employees) accrue at £500 a day.

If you do not want to add to TPR's workload and your business has not yet reached its auto-enrolment date, make sure you're well-prepared. The accumulation of fines can mount up – one employer has already been hit for over £22,000.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.