

Opting out

You cannot 'opt out' of your duty to automatically enrol eligible jobholders into an automatic enrolment scheme.

'**Opting out**' is when a staff member decides to leave the pension scheme within one month of being auto enrolled into it. Opting out has to follow a formal procedure. The facility to opt out applies both to workers that have been automatically enrolled (eligible jobholders) and those who have chosen to opt in (non-eligible jobholders).

- Workers must not be actively encouraged to opt out (which could be considered an 'inducement'), the decision to opt out must be taken freely by the employee without your influence
- There is a specific timescale within which jobholders can opt out of active pension scheme membership, known as the 'opt-out period'. They may opt out by either contacting the provider directly or giving an 'opt-out notice' to you
- In most cases, the opt-out notice should be provided to the staff member by the pension scheme. This acts as a safeguard to ensure that their decision to opt out is taken freely and without influence from you
- You'll need to find out from the provider how they will send the opt out data to you and whether this is compatible with your payroll software
- When you receive a valid opt-out notice you must refund to the jobholder any contributions deducted from pay, within specific timescales. Equally, any money paid over to the pension scheme must be refunded to you
- After the opt-out period has expired, a employee who wishes to leave the scheme will be ceasing membership under the scheme rules
- Entitled workers do not have opt-out rights; instead they can cease active membership under the scheme rules

When can a jobholder opt out?

Before a job holder can choose to opt out of pension scheme membership, they must:

- have become an active member of the pension scheme under the automatic enrolment or opt-in provisions, and
- have been given the enrolment information from their employer

The latter is important to ensure the jobholder will have been provided with sufficient information about the effect of the enrolment, so they can make an informed choice about whether to opt out.

There are specific timescales during which staff members can opt out of active pension scheme membership. They can only opt out during what is known as the 'opt-out period', which starts after active membership has been achieved and gives the employee one month, from and including the first day of the opt-out period, to complete a valid opt-out notice and give it to the employer or contact the provider.

How a jobholder opts out

If the jobholder wishes to opt out after being given this information, they must do so by giving an 'opt-out notice' to you, which is usually provided by the pension scheme provider. NB. - Some pension providers do not supply a paper "opt-out notice" and only allow the worker to opt out via a telephone or online opt-out service.

On receipt of the opt-out notice, you must take action to unravel the membership of the scheme so that the employee is treated as if they were never a member on that occasion. This includes giving refunds of any contributions that have been deducted. You must keep records of any opt-outs because you will be required to re-enrol on the three-yearly re-enrolment date.

Workers can choose to stop contributions after the opt out period. They may be entitled to a refund depending on the rules of the scheme you are using.

You must put processes in place to deal with opt outs

To deal quickly and efficiently with opt outs, you should put processes in place that will enable you to:

- check the validity of opt-out notices
- notify the scheme of the opt-out
- stop the deduction and payment of contributions
- refund contributions to the jobholder

Any evidence that you as an employer encourage opting out will lead to severe penalties.

Refund of contributions

Pension contributions have to be deducted from an employee's pay from the first occasion that they are paid, following the date that they became an active member of the scheme.

Upon receipt of a valid opt-out notice, any contributions that have been deducted from pay have to be refunded to the employee:

- within one month of receiving the notice, or
- if the payroll arrangements have recently closed, by the end of the next available payroll run after receipt of the notice

When the auto enrolment pension scheme is set up, it will be agreed with the scheme administrator how opt outs will be handled.



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