

Automatic Enrolment



What it is and what it means for you as an employer

The government has introduced a new law to make it easier for people to save for their retirement. It requires all employers to enrol their workers into a qualifying workplace pension scheme if they are not already in one. At present, many workers fail to take up valuable pension benefits because they do not make an application to join their employer's scheme. Automatic enrolment is meant to overcome this. This has already started for the largest employers, but will take place between 2016 and 2017 for businesses with less than 50 employees.

Which workers do you need to automatically enrol?

- workers who are not already in a qualifying workplace pension scheme
- aged at least 22 years old
- aged below state pensions age
- earn more than (currently) £8,105 a year; and
- work or ordinarily work in the UK (under their contract)

If a worker does not qualify to be automatically enrolled but they would like to join the scheme, you must allow the worker to join the scheme.

Your duties as an employer:

You as an employer are required by law to write to all workers (except those aged under 16, or 75 and over) explaining what automatic enrolment into a workplace pension means for them.

We will prepare these letters for you to pass onto your workers when you are required to do so.

Contributions & Funding:

There is a minimum percentage that you as an employer must contribute. You can contribute more than the minimum if you wish.

The minimum percentages do not apply to all of the worker's salary, but on what they earn over a minimum (currently £5,564) up to a maximum limit (currently £42,475).

As an employer, you must:

- pay worker's contributions to the scheme within 19 days from the end of the month in which they were deducted from pay (like your PAYE & NIC at present), and
- pay your own contributions in line with the pension scheme.

We will inform you of the total due for payment at the end of each month.

Types of pension to choose from:

Defined contribution (DC) pension scheme: contribution level is set as a % of salary, however the amount of income received in retirement is not predefined. This is the most common type of pension scheme today.

NEST (National Employment Savings Trust) is a DC pension scheme promoted by the government and is the scheme we will help set up for your workplace pension.

Defined benefit pension scheme: the amount of income a worker receives on retirement is defined in advance, usually by reference to years of service and level of salary at retirement.

Minimum Contributions

<u>Oct 2012 to Sep 2017</u>	<u>Oct 2017 to Sep 2018</u>	<u>Oct 2018 onwards</u>
Employer 1%	Employer 2%	Employer 3%
Employee 0.8%	Employee 2.4%	Employee 4%
Government 0.2%	Government 0.6%	Government 1%
TOTAL 2%	TOTAL 5%	TOTAL 8%