

NEWS LETTER

AUTO ENROLMENT (AE) – UPDATE

Auto enrolment has been a subject that we have raised with you on several occasions over the past few years. As you will recall AE - Auto Enrolment was introduced so that all qualifying employees in Great Britain who are not already in a suitable pension scheme, are automatically enrolled by their employers into an appropriate pension scheme. Qualifying employees are aged 22 years old or more, have not reached State Pension age and earn more than £10,000.

We have already assisted several of our clients in successfully setting up a qualifying pension scheme and overall a good percentage of our employer clients are operating within the various AE rules. See the notes below if you have not yet been contacted by The Pensions Regulator or you are not sure what to do.

The rates of pension contributions will soon be increasing and we have included a table below which tells you about the new minimum rates from **April 2018** which rise again from April 2019. These are statutory levels and so they have to operate and The Pensions Regulator will be in contact if they are not applied.

If the employer pays the same as the minimum total contribution then the member of staff will not need to pay any contributions, but do check the scheme rules as they may require a contribution from the member of staff.

If the employer contributes more than the employer required minimum amount - but less than the total minimum amount - then the staff member only needs to make up the shortfall between the total minimum and the employer contribution.

Both the employer and staff member can choose to contribute greater amounts to the pension if they wish.

How minimum contributions increase in stages

The increase start from April 2018 and will rise until the employer is paying a minimum of 3% towards the pension and the total minimum contribution reaches 8% - with the member of staff making up the rest.

The table below demonstrates the phases of contribution increases and the minimum rates.

Date effective	Employer minimum contribution	Staff contribution	Total minimum contribution
Currently until 5 April 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 onwards	3%	5%	8%

If you are already paying above the increased minimum amounts, you do not need to take any further action.

If you don't have any staff in an automatic enrolment pension scheme then of course you do not need to take any further action to implement these increases but it will be worthwhile being aware of the limits should you recruit qualifying staff in the future.

You may have agreed with your pension provider to calculate your contributions in a different way. If this is the case you will need to apply different increases. To find out what these increases are go to: www.tpr.gov.uk/certified

Action needed:

The increase from 2% to 5% is a relatively significant increase and so should be planned now. It is likely to be particularly important to notify staff so that they can personally consider their position and involvement in the scheme.

Where a salary sacrifice is in place you will need written consent from staff wishing to contribute at the new higher rates.

For those clients that we are already assisting with their AE scheme we will reflect these changes on your behalf automatically but do get in touch if the mix of employee and employers contribution will change either now or after April.

Notes:

Staging dates and minimum contributions are being phased in based on the number of people employed. The Pensions Regulator will be writing to employers at least 12 months in advance and you will need to consider how this will be administered. Employers should allow at least six months for completing this process of Auto Enrolment before their staging date:

Employers with 1- 50 employees have started to stage **now** so you must check for your date. To find out your staging in date visit: www.thepensionsregulator.gov.uk have your PAYE references handy.

All employers must choose a pension provider, so that you are ready to make the correct deductions from eligible employees before your staging date.

Taking time to understand what needs to be done to meet your duties will potentially save you time, effort and money as you will identify what support you might need.

(Failure to comply with Auto enrolment rules will result in heavy fines)

The Pensions Regulator (TPR) has announced that £400 Fixed Penalty Notice fines are being issued to employers that do not comply.

If you want further information or need assistance please contact your lead partner or [Terry Bennett in payroll](#). If you have not yet needed to start Auto enrolment we can provide you with details of low cost pension providers and have a news sheet with more detailed information, which will help.