

# A brief guide to automatic enrolment pensions – April 2014

## What is automatic enrolment?

Automatic enrolment pensions represent a major change to how we save for retirement. From October 2012, the government has introduced a new law which requires all employers to enrol eligible workers into a pension scheme, if they are not already in one.

The aim of this new law is to encourage more people to save in pension schemes while they are working and help them to build up another income, on top of the State Pension, for when they retire.

## What are an employer's duties?

### 1. Enrolment

Employers must enrol **Eligible Jobholders**, that is workers who;

- Are not currently a member of their employer's pension scheme;
- Are aged between 22 years and state pension age;
- Earn over £833 each month in the 2014/15 tax year.

Other workers, **Non Eligible Jobholders**, can opt-in to membership and their employer must pay a contribution. These are workers who:

- Are aged between 16 and 74 years AND
- Earn between £481 and £833 each month in the 2014/15 tax year, OR
- Are aged between 16 and 22 years or between state pension age and 74 years AND
- Earn over £833 each month in the 2014/15 tax year.

**Entitled Workers** can apply for membership but their employer is not required to make a contribution. These are workers who:

- Are aged between 16 and 74 years;
- Earn less than £481 each month in the 2014/15 tax year.

### 2. Postponement

An employer can postpone enrolling workers into a pension scheme by up to three months. Workers must be notified of this and Eligible Jobholders and Non Eligible Jobholders be permitted to opt-in during the postponed period.

### 3. Contributions

Employers must pay contributions for Eligible Jobholders and Non Eligible Jobholders, starting at a minimum of 1% of earnings between £5,772 and £41,865 for the 2014/15 tax year until September 2017.

#### **4. Tell workers they have been enrolled**

When a worker is automatically enrolled the employer must confirm in writing, the date of joining the scheme, the type of pension scheme and contact details for the scheme, amount of contributions due from the worker and employer and how to opt-out of membership.

#### **5. Re-enrolment**

An employer must:

- Let a worker rejoin the scheme on request at least once a year following opt-out
- Re-enrol Eligible Jobholders every 3 years

#### **6. An employer must not**

- Encourage or force anyone to opt-out of membership
- Unfairly dismiss or discriminate against a worker for remaining in membership
- Suggest a job offer may be made if the worker would opt-out of membership
- Close the pension scheme without transferring all members to a new arrangement.

#### **Does a worker have to pay contributions?**

Any worker who is auto-enrolled or opts in to membership of their employer's scheme must pay a contribution. The minimum rate until September 2017 is 1% of earnings between £5,772 and £41,865 pa for 2014/15.

#### **Can workers opt-out of membership of a pension scheme?**

Once enrolled into a pension scheme, a worker can opt out by giving the statutory notice which is available from the scheme administrator. A refund of contributions can be made if the opt-out notice is given within one month.

For further information, go to:

- <https://www.gov.uk/employers-workplace-pensions-rules>

## **What the terms mean**

### **Auto-enrolment**

The requirement to enrol every Eligible Jobholder into a Qualifying Pension Scheme.

### **Eligible Jobholder**

A Jobholder who is aged between 22 years and State Pension Age, with Qualifying Earnings of more than £10,000 pa in the 2014/15 tax year and who works or ordinarily works in the UK. An Eligible Jobholder must be auto enrolled.

<b>Entitled Worker</b>	A Worker aged between 16 and 75 years with Qualifying Earnings below £5,772 pa in the 2014/15 tax year who works or ordinarily works in the UK can opt in to a Qualifying Pension Scheme but the employer is not required to contribute.
<b>Jobholder</b>	A Worker aged between 16 and 75 years with Qualifying Earnings of at least £5,772 pa in the 2014/15 tax year and who works or ordinarily works in the UK.
<b>NEST</b>	National Employment Savings Trust, a defined contribution multi employer Qualifying Pension Scheme set up by the government, <a href="http://www.nestpensions.org.uk">http://www.nestpensions.org.uk</a>
<b>Non-eligible Jobholder</b>	Can opt in to a Qualifying Pension Scheme if aged between 16 and 75 years with Qualifying Earnings between £5,772 and £10,000 pa in the 2014/15 tax year, <b>or</b> aged between 16 and 22 years or between State Pension Age and age 75 with Qualifying Earnings of more than £10,000 pa in the 2014/15 tax year.
<b>Postponement</b>	The deferral of Auto-enrolment by up to three months.
<b>Qualifying Earnings</b>	Levels set in regulations each year for the purposes of assessing auto enrolment eligibility - these include bonuses, commission, overtime, sick pay, maternity pay and other items.
<b>Qualifying Pension Scheme</b>	A pension scheme that meets the requirements of the Pensions Act 2008 – the Worker must not be required to take any action to become a member, nor must the employer be able to prevent a qualifying individual from being automatically enrolled.
<b>Staging date</b>	The first effective date when an employer must assess the workforce
<b>State Pension Age</b>	The earliest age at which a basic state pension can be paid. This is currently age 65 for males and a date between age 60 and 65 for females born between April 1950 and 1955. By November 2018 SPA will be age 65 for all and then start increasing to reach age 66 by October 2020.
<b>Waiting period</b>	Postpones Auto-enrolment for new joiners and Workers who become Eligible Jobholders.
<b>Worker</b>	A person who works under a contract of employment (an employee) <b>or</b> who has a contract to perform work or services personally and is not undertaking the work as part of own business.