

## ~ AUTO-ENROLMENT ~



From legislation passed in 2012, employers must offer a workplace pension scheme and automatically enroll eligible employees or workers into it. This has applied to larger employers since October 2012 and will apply to all employers by 2018.

### When does automatic enrolment start?

Employers with 250+ PAYE employees must register between October 2012 and February 2014.

Employers with 50 to 249 PAYE employees - between 1st April 2014 and 1st April 2015.

Employers with less than 50 PAYE employees will be staged between 1st June 2015 and 1st April 2017.

New employers setting up business from 1st April 2012 up to 30th September 2017 will have to register between 1st May 2017 and 1st February 2018.

To access your registration (Staging) date, go to: <http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx>

### Who will be automatically enrolled?

Workers who will need to be automatically enrolled in a pension scheme are called: 'jobholders'.

An eligible jobholder is:-

- Aged between 22 but under [State pension age](#)
- Working or ordinarily working in the UK
- Earning above £9,440\* \* (2013/14 - to be amended each Tax Year).

As long as these criteria are met employees will also be covered if on a short-term contract, or an agency pays their wages, or they are away on maternity, adoption or carer's leave.

### How much will I have to contribute?

There is a minimum total amount that has to be contributed by you, your employer, and the government in the form of tax relief. This total minimum contribution is currently set at 2% of your earnings (0.8% from you, 1% from your employer, and 0.2% as tax relief).

In October 2017 and October 2018, the contributions will increase as a percentage of your earnings:-

	% of Earnings			Total Contributions
	Employer's Contribution	Employee's Contributions	Government Tax Relief	
Oct 2012 - Sept 2017	1.0%	0.8%	0.2%	2.0%
Oct 2017 - Sept 2018	2.0%	2.4%	0.6%	5.0%
Oct 2018 - Onwards	3.0%	4.0%	1.0%	8.0%

The minimum contribution applies to anything you earn over £5,668 (in the tax year 2013-14) up to a limit of £41,450. This includes overtime and bonus payments. So if you were earning £18,000 a year, your contribution would be a percentage of £12,332 (the difference between £5,668 and £18,000).

Your employer will let you know how much of your earnings you will need to contribute. They may tell you this as a sum of money or as a percentage.

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### Should I stay in or opt out?

For most people, staying in a workplace pension is a good idea, particularly if the employer is contributing to it. Workplace pensions are a great way to save for retirement. However, there are circumstances in which it might not make sense to stay in, for example, if you are dealing with unmanageable debt.

### Do I have any choice about being enrolled?

You can opt out of your employer's workplace pension scheme after you have been enrolled. But if you do, you will lose out on your employer's contribution to your pension, as well as the government's contribution in the form of tax relief.

If you decide to opt out, ask the people who run your employer's workplace pension scheme for an opt-out form. You must then return your completed form to your employer, not to the people who run the scheme.

If you decide to opt out within a month of being enrolled, any payments you have made into your pension pot during this time will be refunded to you.

After the first month, you can still opt out at any time, but any payments you have made will stay in your pension pot for retirement rather than be refunded.

You can re-join your employer's workplace pension scheme at a later date if you want to. And your employer must by law re-enroll you back into the scheme approximately every three years, as long as you still meet the eligibility criteria.

### As An Employer, How Do I Get An Approved Auto Enrolment Scheme?

Existing pension schemes can be used to enroll all eligible workers into it. It will need to qualify as an 'automatic enrolment scheme' (AES).

If an existing suitable pension scheme is not available, employers must select and establish a new scheme from a pension fund provider. This can be a commercial fund open in the market place from one of the advertised providers or can be the Government-backed NEST scheme fund.

To qualify, a scheme must have the minimum levels of contributions made into it or provide a minimum rate at which benefits will build up.

The National Employment Savings Trust (NEST) has a public service obligation to accept all employees that apply to join it. Details can be found at:

*[www.nestpensions.org.uk](http://www.nestpensions.org.uk)*

NEST can be used to meet the employer duties, for example:

- **as a sole scheme** for all the workers in an organisation
- **for a particular group of workers** alongside an existing scheme for a different category of workers
- **as an entry-level scheme** with immediate access where an existing scheme has a waiting period.

NEST gives employees one retirement pot for life that they can continue to contribute to even if they stop working or become self-employed.

Members' contributions will be paid into their retirement pot, along with any contributions from the employer and any tax relief from the government.

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