

Automatic Enrolment - What you need to know.



This factsheet details the Automatic Enrolment requirements for employers and the rights for individual workers.

The Pensions Advisory Service is unable to give individual specific advice and you should seek alternative tax or regulated financial advice.

The basics

The Government has introduced provisions for all UK employers to either automatically enrol workers or allow individuals to join workplace pension schemes that meet minimum standards. Employers are required in certain circumstances to pay minimum rates of contributions; the employer will normally require an employee to contribute a minimum amount as well. The Pensions Regulator makes sure employers put their staff into a pension scheme and pay money into it.

Since 2012, employers were required to enrol eligible workers into a workplace pension scheme. This involved them setting up a new scheme or using an existing one. This process (known as staging) was completed in February 2018 at which point all companies had to comply.

If you, as an employee, meet certain criteria based on age and earnings you will be automatically enrolled. This means you will not have to complete any application form or make an investment decision. You have the ability to opt out within certain timescales or subsequently stop contributions.

Usually, once you start paying into a pension, the Government contributes to the scheme in the form of tax relief. For example, if you are paying basic rate tax of 20%, then for every £8 you pay in £2 will be added by the Government resulting in a £10 contribution. However, if you do not earn enough to pay tax and your workplace scheme is of a particular type, known as a net pay scheme, you will not receive any tax relief. You will still get the benefit of your employer's contributions. See further information on page 3 below.

If you stop working for an employer, then your employer will cease contributing and the accrued benefits you have will continue to be held under the scheme. If you join a new employer then it's possible you will be automatically enrolled again in a new pension arrangement, so over a period of time you may build up a number of pension pots. These should be regularly reviewed and could be merged or left separate.

Key facts

Do I get automatically enrolled?

Your employer is required to automatically enrol all eligible workers. You are an eligible worker if you:

- Are at least age 22
- Have not yet reached state pension age
- Earn more than a minimum amount set each year by Government (currently £10,000 a year)
- Work in the UK (including seafarers residing in the UK)

You will be informed by your employer if you qualify for automatic enrolment and will be enrolled into the scheme they have chosen.

Can I opt out?

Your employer will supply the scheme with details about you which creates the membership and you will then be told by the scheme when this is complete. You will be told of your opt out rights and how this can be done. Once you have been enrolled into the pension scheme, you have one calendar month during which you can opt out and get a full refund of any contributions. This is known as the 'opt out period'. It starts from whichever date is the later of:

- the date active membership was achieved.
- the date you received written confirmation of your enrolment.

Opting out will result in any contributions deducted from earnings being refunded with future contributions being cancelled. You will then be treated as if you had never joined the scheme in the first place. You subsequently have rights to opt back in to the scheme.

Usually you can't opt out before the start of the opt out period or after it ends. If you decide to leave the scheme after this period, you will instead be 'ceasing active membership' and will normally keep your benefits in the scheme rather than receiving your contributions back (unless you are a member of a defined benefit scheme where different rules may apply).

What happens to me if I'm not automatically enrolled?

If you don't meet the criteria to be automatically enrolled you will fall into one of the following categories:

Earnings (2020/21 tax year)	Age (inclusive)		
	16-21	22-SPA*	SPA*-74
Lower earnings threshold (£6,240) or below	Entitled worker		
More than lower earnings threshold up to and including the earnings trigger for automatic enrolment (currently £10,000)	Non-eligible jobholder		
Over earnings trigger for automatic enrolment (currently £10,000)	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

* State pension age

If you are assessed as a non-eligible jobholder you will be informed by your employer that you may opt in to their scheme. You will then be entitled to the minimum level of employer contributions. You subsequently have the right to opt out if you wish. If you are assessed by your employer as an entitled worker as described above you will be informed by them that you may join a pension scheme and they will make arrangements if you wish to do so. Your employer, however, does not need to pay in any employer contributions.

What happens when my earnings or my age changes?

Your employer should have assessed you on the date their automatic enrolment duties started or when you joined the company. If you are not automatically enrolled, you will be re-assessed at each further pay period. It is therefore possible that you may not be automatically enrolled initially but an increase in earnings at a future date may trigger you being automatically enrolled. If you were under the age of 22 when your employer reached their staging date, you will be automatically enrolled when you reach this age if you earn above the trigger of £10,000 per year.

What is postponement?

Postponement allows an employer to postpone their automatic enrolment duties for an employee for a period up to three months. If they do this they will have to inform you of this action and you have the right to opt in during the postponement period. If you opt in, you will start building up pension benefits sooner than if you wait. At the end of the notified postponement period they will assess you; if you meet the criteria for automatic enrolment you will be enrolled in a pension scheme.

What is re-enrolment?

Approximately every 3 years after their staging date, your employer is required to put any eligible workers, that have previously opted out, back into an automatic enrolment pension scheme. This is called 're-enrolment'. The re-enrolment process at the chosen re-enrolment date is essentially the same as for enrolment at the staging date. However, the employer cannot use postponement. It must arrange for qualifying pension scheme membership to start from the re-enrolment date. You can still opt out if you do not wish to become a member.

What contributions will I need to pay?

Your employer will inform you of the contributions that you will need to pay if you are automatically enrolled or choose to opt in. There are minimums that must be paid across to the scheme by your employer depending on the definition of earnings used by the employer to base contributions on. Your employer will normally deduct some of these from your earnings. These amounts were phased in over time.

"Qualifying earnings" are normally the earnings used to base contributions on into pension schemes set up by employers to meet their automatic enrolment duties. Each tax year the earnings figures are reviewed, and the figures for the 2020/21 tax year are earnings between £6,240 and £50,000.

Assuming your employer uses qualifying earnings to calculate contributions then the following minimums apply once you have been automatically enrolled:

Minimum contributions based on qualifying earnings		
Phasing	Employer	Total
Staging Date to 5 April 2018	1%	2%
6 April 2018 to 5 April 2019	2%	5%
6 April 2019 onwards	3%	8%

Your employer will set the percentages you need to pay taking into account the minimum percentages above, but can set a higher level. You will need to check with your employer. It may be possible that your employer uses a different definition of earnings which can result in different contribution rates. Again, you will need to check with your employer.

Will I get tax relief on my contributions?

Employees who earn less than the personal allowance (£12,500 in the tax year 2020-21) and therefore do not pay tax, will not receive tax relief if their employer operates a 'net pay' scheme.

If your workplace scheme operates under 'relief at source' you will receive basic (20%) tax relief on your contributions no matter your level of pay, although higher rate tax payers will need to claim any additional tax relief. If you are impacted by this, you can check with your employer what type of scheme they offer and if they would be willing to change to a relief at source scheme. Please be aware your employer does have to operate the same method for all employees in the scheme.

I can't afford my 5% contributions, can I choose to reduce my contributions?

- Whether or not you have this option available is dependent on your individual arrangement. In order for you to take advantage of this flexibility it is necessary for your scheme to provide in its rules (or terms and conditions) that you can pay contributions at a lesser rate and also confirm what the employer contribution rate will be in those circumstances.
- When you have the ability to and exercise the right to remain at a lower contribution rate or to reduce the contribution rate after an increase has occurred (and the total contributions fall below 8%) you will cease to be in a qualifying scheme. This in turn will trigger the re-enrolment provisions which require your employer to automatically re-enrol eligible jobholders approximately every three years if they are not active members of a qualifying scheme.

What if my employer does not comply with the rules?

Your employer is responsible for meeting the legal duties of automatic enrolment. If they do not comply, they can face enforcement action and fines.

- If your employer is late complying with their automatic enrolment duties, The Pensions Regulator expects them to pay back any missed contributions to put you in the position you would have been in if they had complied on time. This would include backdating contributions to the day that you first met the criteria to be put into a scheme.
- When backdating contributions, your employer must pay all the unpaid employer contributions and you must pay yours, unless your employer chooses to pay them for you.

The Pensions Regulator is responsible for workplace pensions in the UK and can investigate concerns if your employer is not following the rules or you are missing contributions into your pension scheme.

In the first instance, if you have any concerns, you should speak to your employer direct, if you feel able to do so, and seek to resolve the issue with them. If, after speaking to them, you are still concerned, The Pensions Regulator has a whistleblowing service:

<https://www.thepensionsregulator.gov.uk/en/contact-us/whistleblowing-contact-us>

or you can call them on 0345 600 7060.

Despite the current challenging coronavirus environment employers are still required to automatically enrol staff and pay pension contributions. Given the exceptional circumstances, the Pensions Regulator recognises that some employers may need additional time to meet their duties. With the virus affecting everyone, also please be aware that many pensions companies are very busy at this time, so it is likely that things will take longer and there may be delays in response times, particularly in response to non-urgent requests.

The Pensions Regulator has added some information to its website specifically relating to coronavirus COVID-19: <https://www.thepensionsregulator.gov.uk/en/covid-19-coronavirus-what-you-need-to-consider/automatic-enrolment-and-pension-contributions-covid-19-guidance-for-employers>

If you do need further information or to discuss your situation, details of how you can contact us are on the following page.

About Us

The Pensions Advisory Service (TPAS) works to make pensions accessible and understandable for everyone. We provide independent and impartial information and guidance about pensions, free of charge, to members of the public.

We help with all pension matters covering workplace, personal and stakeholder schemes and also the State Pension. We answer general questions, help with specific queries and offer guidance for people with complaints about their private pension scheme.

The Pensions Advisory Service is provided by



Contacting us



Pensions Helpline

Monday-Friday 9am-5pm

0800 011 3797



Online enquiry form

www.pensionsadvisoryservice.org.uk/online-enquiry



Web chat live

8am-6.20pm Monday/Wednesday/Friday
9am-6.20pm Tuesday/Thursday
9am-1pm Saturday

www.pensionsadvisoryservice.org.uk



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