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, increasing over a period of time; the employer may require an individual to contribute a minimum amount as well.

Since 2012, starting with the largest first, employers are 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.

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’. Whether you get a refund of contributions will depend on the pension scheme rules.

**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:

<table>
<thead>
<tr>
<th>Earnings (2019/20 tax year)</th>
<th>Age (inclusive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower earnings threshold (£6,136) or below</td>
<td>16-21</td>
</tr>
<tr>
<td>More than lower earnings threshold up to and including the earnings trigger for automatic enrolment</td>
<td>Entitled worker</td>
</tr>
<tr>
<td>Over earnings trigger for automatic enrolment (currently £10,000)</td>
<td>Non-eligible jobholder</td>
</tr>
</tbody>
</table>

* 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. 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 are also being 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, the latest figures for the 2019/20 tax year are earnings between £6,136 and £50,000.

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

<table>
<thead>
<tr>
<th>Minimum contributions based on qualifying earnings</th>
<th>Phasing</th>
<th>Employer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Staging Date to 5 April 2018</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>6 April 2018 to 5 April 2019</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>6 April 2019 onwards</td>
<td>3%</td>
<td>8%</td>
</tr>
</tbody>
</table>

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.

My contributions went up to 5% on 6 April 2019 and I can’t afford it, can I choose to keep my contributions at 3%?

- 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.
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.

Contacting us

Pensions Helpline 0800 011 3797
(Monday-Friday 9am-5pm)

Online enquiry form www.pensionsadvisoryservice.org.uk/online-enquiry

Web chat live www.pensionsadvisoryservice.org.uk
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