

Automatic Enrolment - Pensions

All employers need to enrol their **qualifying employees** into a **qualifying pension scheme**. This process is called **automatic enrolment** and requires all employers to set up a qualifying pension scheme and enrol the qualifying employees. From 1st October 2017, all new employees need to be auto enrolled from their first day of work.

Qualifying Employees

All employees aged between 22 and the state retirement age with earnings more than £10,000 will automatically be enrolled into the scheme, although the individual employees concerned can opt out of the scheme if they so desire. If employees opt out of the scheme then there is a requirement every 3 years for those employees to be automatically enrolled again back into the scheme, unless they make any further opt outs. Employees aged 21 and under and/or those earning less than £10,000 can also opt to join the scheme.

Qualifying Pension Scheme

The most likely scheme that small companies will have will be a defined contribution scheme. For 2017/18 an employer will be required to contribute 1% of the employee's income between £5,876 and £45,000 and the employee will also contribute 1% of their income into the pension scheme.

The rates are then changing as follows –

From 6/4/18 to 5/4/19 – Employer contribution 2%, employee contribution 3%

From 6/4/19 – Employer contribution 3%, employee contribution 5%

Automatic Enrolment will be an additional cost of engaging and paying employees, it is important to bear this in mind when companies decide remuneration strategies. It is also important to set up a qualifying pension scheme as soon as possible in order to ensure the company complies with the legislation once it is introduced to their particular company.

If you require assistance in setting up a scheme, please call Nick Kimberlee on 01299 832713 or email nick@kimberlee.co.uk