

You may have heard about ‘auto-enrolment’ – where workers are automatically provided with a workplace pension by their employers to help them save more for their retirement. Here we explain the main things you need to know about auto-enrolment.

What is auto-enrolment?

Auto-enrolment is a government initiative that requires *all* employers to automatically enrol certain staff into a pension scheme (if they do not already provide a workplace pension which is at least as good as the requirements of automatic enrolment) and make contributions towards it. This includes those employees aged between 22 and state pension age, who (for the foreseeable future at least) earn more than £10,000 a year. £10,000 a year translates into the following amounts depending on how often you are paid:

Weekly	£192
2-weekly	£384
4-weekly	£769
Monthly	£833

Your employer will have to select a good quality pension scheme to enrol you in, for example one that is well run, offers value for money and protects your retirement savings. To make it easier for employers to do this, the government has set up a simple, low-cost ‘default’ scheme called the National Employment Savings Trusts (NEST) which employers may use if they wish. **You can find out more about NEST here:** <http://www.nestpensions.org.uk/>

You may ‘opt out’ of auto-enrolment (more on this later). Although auto-enrolment is complex for an employer to administer, it is against the law for them to try to persuade you to opt out of auto-enrolment or treat you unfavourably for not opting out.



When will I be auto-enrolled?

You may already be in a pension scheme offered by your employer.

Auto-enrolment should now be available in all workplaces. If you do not meet the eligibility criteria, you might do at some stage in the future, for example if your earnings change. If you have not been auto-enrolled yet but think you should have, talk to your employer.

What if I earn less than £10,000 or am not 22 yet?

If you do not initially meet the eligibility criteria to be automatically enrolled, you may do at some stage in the future, for example if your earnings change.

Your employer should monitor you and if/when you meet the criteria, auto-enrol you at that point.

In the meantime you can ask to join a pension scheme. Your employer may have to pay into it on your behalf depending on whether you are a ‘non-eligible jobholder’ or ‘entitled worker’:

- **Non-eligible jobholders** – for example those aged 16 to 74, earning from £6,136 to £10,000. These workers are entitled to opt in, with an employer contribution.
- **Entitled workers** – for example those earning under £6,136. These workers are entitled to join a scheme but are not entitled to an employer contribution if they do so.

What if I’m not an ‘employee’?

Auto-enrolment applies to anyone working in the UK under a contract of employment. It also applies to agency workers and people working on an independent basis if they provide their services personally (that is, cannot send a substitute) and are not undertaking the work as part of their own business. These people are known as ‘workers’ for employment law purposes.

You can find out more about ‘workers’ on the GOV.UK website: <https://www.gov.uk/employment-status/worker>



Opting out

Through auto-enrolment, you will be building up a pot of money for your retirement, however if you are on a limited budget, this may not be top priority, if for example, you have debts to pay. You can therefore 'opt out' of auto-enrolment, and provided this is done within one month of joining, any contributions made should be refunded. You may ask to re-join the scheme at a later date. Even if you do not re-join – your employer will normally put you back into a scheme every three years.

I do not think my employer is complying with their pension duties

If you have concerns about your employer then you can report this to The Pensions Regulator using their whistleblowing service on their website:

www.thepensionsregulator.org.uk

Please note that it is possible for an employer to legitimately postpone offering a pension scheme to their staff for up to three months, meaning that if you are with an employer for a very short period only, for example in a seasonal job, you might not be offered auto-enrolment, even if you are otherwise eligible.

How much is this going to cost me?

Normally, a percentage (%) of your earnings between £6,136 and £50,000 (in the tax year 2019/20) has to be put into your pension each year.

	Overall % to be put in	Minimum from Employer
Up to April 2018	2%	1%
Up to April 2019	5%	2%
Currently	8%	3%

Your employer can pay all of this, or they can pay a minimum amount – meaning you have to pay the rest. So how much you have to pay depends on how much your employer pays.

If you do have to pay, you will normally get tax relief to help make up your contribution. If the pension scheme uses a 'relief at source' method of tax relief (as NEST do) then they are able to claim a 20p uplift from the government on every 80p you pay into the scheme, regardless of how much you earn. Some other providers use a different approach, which means employees do not get such an uplift unless their earnings are more than £12,500 (in 2019/20). You should check with your employer which type of pension scheme they use.

Any contributions you make will be automatically taken from your pay packet and will lead to a reduction in your take home pay. However this may mean you are entitled to more tax credits, universal credit or other income related benefits.

What if I have two jobs?

Each employment is looked at separately. This may mean that no employer needs to enrol you in a workplace pension scheme, although overall you may earn more than £10,000 per year. On the other hand you may have two workplace pensions. However in each, the contribution amounts involved are likely to be smaller because the first £6,136 of earnings are not included in the calculations.

Where can I find out more?

Our website <http://www.litr.org.uk/tax-guides/employed/pensions-and-employees>

GOV.UK <https://www.gov.uk/workplace-pensions/about-workplace-pensions>

Pensions Advisory Service <http://www.pensionsadvisoryservice.org.uk/about-pensions/pensions-basics/automatic-enrolment>

Money Advice Service <https://www.moneyadvice.service.org.uk/en/articles/automatic-enrolment-into-a-workplace-pension>



This factsheet is intended to provide general information only and does not constitute advice. Before taking any action, you should get appropriate advice from a professional adviser which is based on your particular circumstances. We have done our best to ensure that the information in this factsheet is up to date as of April 2019. You can read our full disclaimer on our website: www.litr.org.uk/legal.