Workplace pensions: 2019 contributions & ongoing duties

All deadlines and staging dates for auto enrolment have now passed. This means that under the Pensions Act 2008, every employer in the UK must put their qualifying employees in a workplace pension scheme (called auto enrolment) and, where appropriate, pay contributions. If you employ just one person, you are classified as an employer and have certain legal duties. This article from the pensions regulator web site explains more about ongoing pensions duties for employers.
If you are employing staff for the first time (or haven't caught up with auto enrolment) act now and click on this link to the pensions regulator web site, to find out what to do and by when.

Auto enrolment, Employer contributions increasing in 2019.

The minimum amounts that employers and their staff have to pay into their workplace pension scheme increased in April 2018, and increase again in April 2019.

As the employer, you must by law make a minimum contribution towards this increased amount. You can decide to pay contributions at a rate that suits your business objectives, so long as you meet at least the Total minimum contribution figure, on the far right in the table below. If, for example, you decide to pay the minimum contribution (i.e 3% from April 2019 onwards) your employees must make up the difference (contributing 5%) to reach the total of 8 % minimum contribution.

Date	Employer pays minimum contribution of	Employee pays contribution of	Total minimum contribution of
6th April 2018 – 5th April 2019	2%	3%	5%
6th April 2019 onwards	3%	5%	8%

Contributions are set on "qualifying" earnings of over £112 per week to an upper limit of £827 per week.

2. Remember to keep assessing your workforce, as someone not yet old enough or not yet earning the minimum salary required may in time fit the criteria and need to be auto enrolled. The link below explains what salary levels qualify for pension auto enrolment Pension Regulator Know Your Workforce site –

3. Review your pension arrangements – there is paperwork to complete if you want an existing pension scheme to be approved. The pension scheme you use for auto enrolment must pass a 'Quality Test' in order to comply with new legislation. There is to be consultation on simplifying this too.

4. Communicate the changes to all your workers – The Pensions Regulator requires employees to be provided with specific information about auto enrolment, including what it means for them and their right to opt-out.

5. Automatically enrol your 'eligible jobholders' – and remember that in three years you will need to re-enrol any who decide to opt out

6. Register with The Pensions Regulator and keep records – You will need to register your scheme with The Pensions Regulator. Registering the scheme will include providing a range of evidence to the regulator as listed below:

Overview of the organisation

Details of the pensions scheme

The number of jobholders that have been auto enrolled

You will also have to provide evidence to the Pensions Regulator on an ongoing basis demonstrating that you have met your auto enrolment responsibilities. This evidence will include:

Name and Date of Birth of employees

Employees salary

Contributions made in each payment period

Dates of contribution

Auto enrolment dates

Details of employees who opt-out of the scheme

Failure to provide sufficient evidence will incur penalties and fines.
Be aware too that employers who fail to heed a 28 day warning notice from The Pensions Regulator risk a fine which increases each day. The fine for small employers with 1 to 4 staff who fail to comply with an "escalating penalty notice" is £50 per day and £500 per day for those with 5 to 49 staff.

7. Contribute to your workers' pensions – The legislation sets out minimum contribution levels at which eligible employees must be automatically enrolled. As in the diagram above, employer contributions will start at 1% of an employee's salary. This will increase to 2 % by April 2019, then rising to 3%; dates are subject to approval by Parliament and may change. For more details and planning advice visit http://www.thepensionsregulator.gov.uk/employers/planning-for-automatic-enrolment.aspx

Employer and Employee Contributions for pension auto enrolment

Employees must also contribute to the pension to receive the employer's benefits. Employee contributions will start at 0.8%. This will increase to 2.4% by 2019, then rising to 4%. The Pensionable Salary for every worker between £5,668 and £41,450 per annum includes:

Salary

Wages

Commission

Bonuses

Overtime

Statutory sick pay

Statutory maternity, paternity and adoption pay.

What to do next.

What is the impact on employers' cashflow of Pension auto enrolment?

It is important that all businesses start planning for auto enrolment and consider how this will affect cash flow and how you will deal with it in terms of your employees eg will this be a form of pay increase?

Which employees qualify for Workplace Pension Schemes?

Eligible jobholders have to be automatically enrolled. This is a jobholder who:

- is aged at least 22 but has not yet reached state pension age, and
- earns above the earnings trigger for automatic enrolment, currently £833 per month: (£192 per week)These figures change year on year so do che
ck The Pensions Regulator website here.

Also check The Pension Regulator Know Your Workforce web site here

Non-eligible jobholders are not eligible for automatic enrolment but they must be offered the opportunity 'opt in' to an automatic enrolment scheme. This is a jobholder who:

- is aged at least 16 and under 75, and
- is earning between £486 – £833 monthly (£112 – £192 weekly)
- is aged at least 16 and under 22, or between state pension age and under 75, and earns above £9,440.

Employees earning less than £5,668 have the right to join a pension scheme but there is no obligation on employer to contribute.

What are the age limits for pension auto enrolment?

The age band for eligibility is between 22 and the state pension age, 67. Retaining the state pension age as the upper age limit gives people access to pension saving during their normal working lives and avoids automatically enrolling people for whom saving is no longer the right option. Assess your workforce to see how many are likely to opt-in to the new workplace pension scheme.

What changes do employers need to make to Employment

Contracts and staff Handbooks for workplace pensions?

You will need to inform and consult with staff as every employment contract will need the clause about pensions changed according to what type of workplace pension scheme you put in place. The staff handbook will also need to refer to the pension auto-enrolment scheme you have put in place.

What payroll changes need to be made for workplace pensions?

You will need to contact your payroll provider to ensure the correct changes are made by way of salary deductions and reporting in pay slips. You should also decide if your business is going to offer salary exchange arrangements. If salary exchange is used as well that can add additional complications. Salary exchange is a mechanism to enable staff to exchange part of their gross salary in return for a non cash benefit such as employer contributions into a pension scheme. This means they get 100% of the salary exchanged going into their pension scheme because no PAYE or NICs are deducted.