



## AUTOMATIC ENROLMENT – 2019 MINIMUM CONTRIBUTIONS INCREASE (PHASING)

- Third stage of contribution phasing here in April
- Minimum statutory contributions will increase
- New minimum rises to 8% - employers must pay at least 3%
- Affects defined contribution pension schemes used for automatic enrolment
- Eligible jobholders and those treated as eligible jobholders may be affected
- Payroll processes need to be changed to allow for this and to identify affected employees
- Employees should be reminded of the increase before payroll is run!
- Positive communication could lead to fewer withdrawals from the scheme

Do you operate a defined contribution pension scheme - if so, you could be affected by this. Drafting this Focus was like stepping back in time to very similar content which we drafted 12 months ago! In fact, the eagle-eyed amongst you will notice that we have simply re-used much of the content of last year's Focus - well, why reinvent something if what you have works perfectly!

We are now about to enter the third (and final?) stage of automatic enrolment contribution phasing and as a result, minimum contributions to defined contribution workplace pension schemes are going up again from 6<sup>th</sup> April 2019.

**Are you ready for this? Are your employees ready for this?**

### What is phasing and what is changing

Phased contributions allowed employers and their employees to pay a lower level of contribution under automatic enrolment, before these were increased in two stages to the maximum.



The table below sets out this latest stage of the phasing and how it affects the contribution rates depending on the earnings basis that your pension scheme uses.

	Before 06/04/2018		06/04/2018 - 05/04/2019		From 06/04/2019	
	Employer	Total	Employer	Total	Employer	Total
Qualifying Earnings	1%	2%	2%	5%	3%	8%
Set 1 Pensionable Pay	2%	3%	3%	6%	4%	9%
Set 2 Pensionable Pay (at least 85% of total earnings on average)	1%	2%	2%	5%	3%	8%
Set 3 Gross Earnings (full P60 earnings)	1%	2%	2%	5%	3%	7%

If you and your employees are already paying contributions at or more than the minimums for 2019/20 then you should not need to take any action.

### Are your employees aware of the increase and ready for it?



If you are using phasing for your pension scheme, the information you sent to your employees when they were enrolled should have explained how it works and when the increases would happen. You will probably (hopefully) have communicated the increase last April and with this, you may have commented on this year's increase.

However, in our experience, even if you did communicate a year ago this further increase may not have registered with your employees. We suggest that you send out an announcement or letter to let them know. Some pension providers offer templates - or we can prepare a tailored announcement.

### What actions should you be taking?

If you are using phasing for contributions to your workplace pension scheme you will need to take actions now to ensure that you are ready for the increase. You will need to :

- understand how / if you are affected
- check that your pension scheme rules / agreements allow for the latest increase
- check that you / payroll are able to identify the affected employees for whom the increase applies
- make sure that you have the ability to deduct the increased contributions via payroll
- positively communicate the increase to your employees

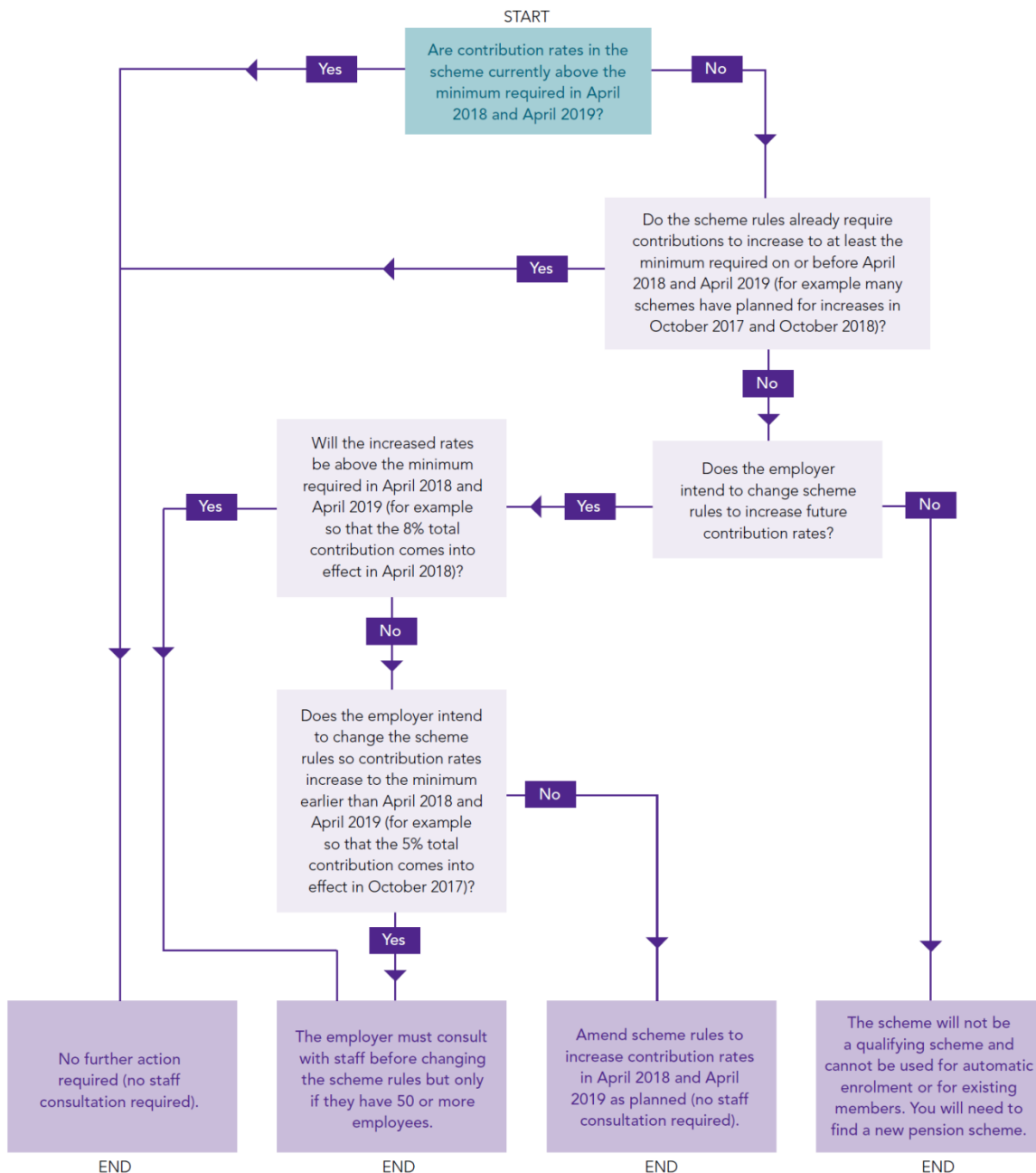
**Need help? We can support you with all of this, as well as providing ongoing monitoring and governance of your workplace pension scheme - contact us for more information on phasing and to learn more about our fixed fee, cost-effective solutions.**



This flow chart has been prepared by the Pensions Regulator and is intended to help employers understand what their duties are and whether staff consultation may be required.

## Minimum contribution increases

Understanding your duties



Visit [www.tpr.gov.uk/en/employers/increase-of-automatic-enrolment-contributions](http://www.tpr.gov.uk/en/employers/increase-of-automatic-enrolment-contributions) for more information



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