



## AUTOMATIC ENROLMENT – MINIMUM CONTRIBUTIONS INCREASE (PHASING)

■ Second stage of contribution phasing here in April

■ Minimum statutory contributions will increase

■ New minimum rises to 5% - employers must pay at least 2%

■ 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**  
When automatic enrolment was introduced from October 2012, many employers breathed a sigh of relief that the government had decided to delay the implementation of the full contribution, instead allowing employers to adopt 'phasing'. We are now about to enter the second stage of phasing and as a result minimum contributions to defined contribution workplace pension schemes are going up from next month.

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

### What is phasing and what is changing

The phasing of contributions allows employers and their employees to pay a lower level of contribution under automatic enrolment, before these are increased in two stages to the full maximum. Phasing was introduced to ease the initial burden and cost of both employers and employees. The table below sets out the three stages of phasing and how phasing affects the contribution rates depending on the earnings basis that is used by your pension scheme.



	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 2018/19 then you do 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.

However, for many employees, this was received some time ago and it is likely that many of your employees will not be aware that the first increase happens next month. 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 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

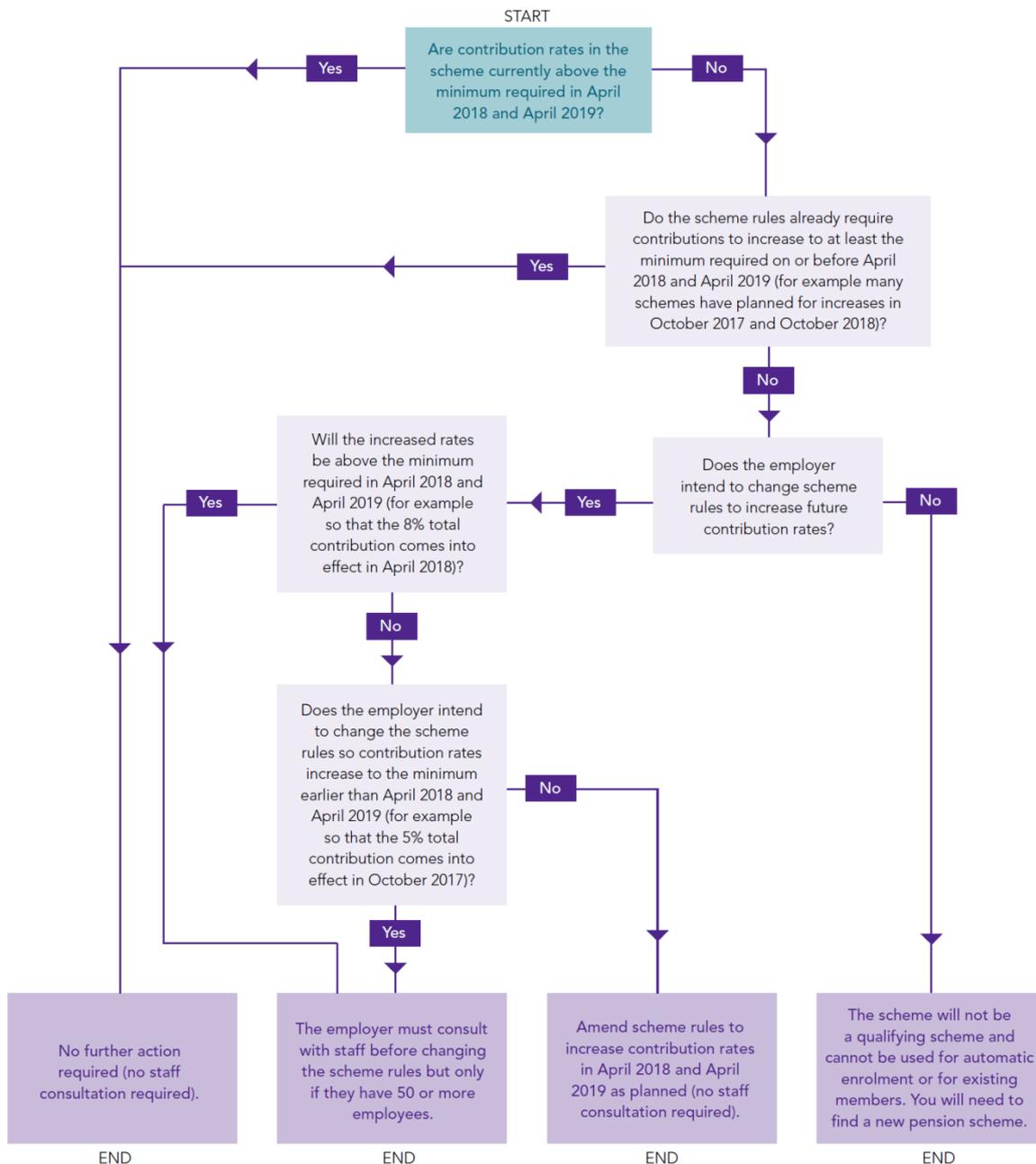
**Need help?** We can support you with all of this, as well as providing ongoing monitoring and governance of your workplace pension scheme - contact us for more information on phasing and to learn more about our fixed fee, cost-effective solutions.



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/contribution-increases](http://www.tpr.gov.uk/contribution-increases) for more information



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