

JLT Employee Benefits

AE Smart



FACT SHEET 100: WHAT IS AUTO-ENROLMENT?

This guide introduces you to the main principles and concepts of auto-enrolment and how it affects you. It also tells you who should enrol and how much you need to pay.

Key Facts

- > You must enrol some of your employees into a suitable pension scheme, without the employees doing anything themselves.
- > You must enrol other employees into a suitable pension scheme, if they ask.
- > You must pay contributions into some of your employees' pensions.
- > Employees can opt-out of the pension scheme after you have enrolled them.
- > You should re-enrol employees who have opted out, broadly every three years.
- > You must give your employees information about their rights.
- > You must register with The Pensions Regulator.

Introduction

Auto-enrolment is designed to help people to save more for their retirement by making employers put them into pension schemes, without them doing anything. At the moment, most people need to take action to join a pension scheme, such as filling in an application form. With auto-enrolment, they will end up in a scheme if they do nothing and have to take action if they want to leave.

By turning the tables in this way, the Government expects about 10m more people to save towards the retirement.

Who does this apply to?

Every company that employs at least one person will need to follow auto-enrolment rules.

The rules cover all workers who:

- work under a contract of employment; and
- ordinarily work in Great Britain and Northern Ireland.

It is clear when this applies in most cases, but you need to be careful with some groups, such as freelance workers, agency staff, people on secondment and casual workers. *Fact Sheet 120: Who does auto-enrolment cover?*, gives you more detail on this.

Who do I need to enrol and pay for?

There are four categories of worker that you need to identify:

- **Eligible jobholder.** You must enrol eligible jobholders automatically and pay contributions for them.
- **Non-eligible jobholder.** You do not need to enrol non-eligible jobholders automatically. However, they may ask to opt into a scheme. You must pay contributions for them if they do.
- **Entitled worker.** You do not need to enrol entitled workers automatically. They may ask to join a scheme. You do not have to pay contributions for them if they do.

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- **Active members.** You do not need to automatically enrol anyone who is already an active member of a suitable pension scheme. They remain in their scheme, unaffected.

This is best illustrated in the diagram below.

Assess every pay-period

You need check your workers every time you pay them to see what category they fall into. This means

How do I categorise workers?

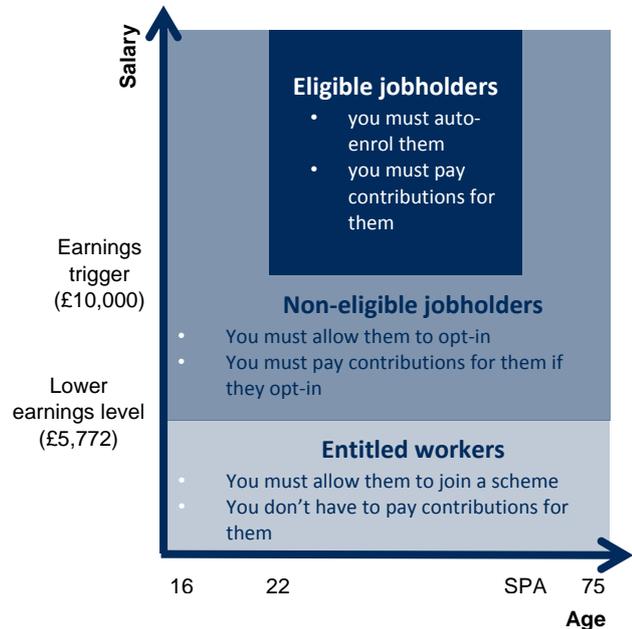
A worker's category depends on their age and earnings.

Eligible jobholders are aged between 22 and State Pension Age and earn over £10,000pa (2014/15).

Entitled workers earn under £5,772 (2014/15).

Non-eligible jobholders are everyone else, so they either

- earn between £5,772 and £10,000, or
- earn over £10,000 and are either under age 22 or over State Pension Age.

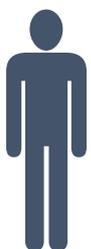


that you need to look at the equivalent weekly or monthly amounts, depending on if you pay weekly or monthly.

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For example, the £10,000 that determines if someone is an eligible jobholder is equivalent to £833 per month or £192 a week.

You can find a full table of the limits for different pay frequencies in *Fact Sheet 140: Thresholds Summary*.

Look at all earnings

You should look at everything a worker earns when you assess them.

This includes salary, wages, bonus, commission, overtime and some statutory payments, such as maternity or sick pay.

Benefits-in-kind or expenses are not included. *Fact Sheet 130: Which Earnings Should I Use?* contains more information on earnings.

How much must I pay?

You must pay at least the minimum contributions set by the Government. These minimum contributions increase over time. You and your worker must pay at least 2% in total until September 2017, of which at least 1%

must come from you. From October 2017 to September 2018 the total increases to 5%, of which at least 2% must come from you. From October 2018 onwards the total is 8%, of which 3% must come from you.

The minimum contributions are based on the worker's total earnings between the lower limit, £5,772 (2014/15), and an upper limit £41,865 (2014/15).

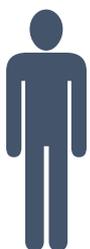
This is summarised in the table below.

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Period	Minimum		If employer pays minimum	
	Total	Employer	Employee before tax relief	Employee after tax relief
01/10/2012 to 30/09/17	2%	1%	1%	0.8%
01/10/2017 to 30/09/2018	5%	2%	3%	2.4%
01/10/2018 onwards	8%	3%	5%	4%

There are other alternative definitions you can use for minimum contributions and these are described in *Fact Sheet 400: Do I Need To Certify?*

What if they don't want to be enrolled?

Eligible and non-eligible jobholders have a right to opt-out of the pension scheme after they have been enrolled. They cannot tell you in advance that they don't want to be in the scheme; you must enrol them first.

If they opt-out, they are treated as if they had never joined and you must refund any contributions you have deducted from them.

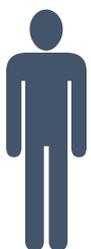
They have one calendar month to opt-out, from the later of being enrolled and being given an enrolment notice.

You must re-enrol any eligible jobholders who have opted out, broadly every three years.

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When does this apply to me?

The size of your largest PAYE scheme on 1 April 2012 determines when the auto-enrolment rules apply to you.

The Pensions Regulator writes to you 12 months before your staging date to confirm it. If you do not have this letter, you can check your staging date by entering your PAYE reference into the tool on their website, <http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx>

Fact Sheet 110: Staging Dates tells you more about staging dates including how you can move them and what happens if you have more than one PAYE scheme.

What must I tell my workers?

There are various notices that you must send your workers, which tell them what rights they have. You must give them these notices individually, either by email or by letter. You

cannot put up a poster in the workplace or point them to a website.

Each notice has prescribed content that it must contain and a deadline by which it must be sent. *Factsheet 320: Auto-Enrolment Notices* tells you more. AE Sure also provides you with standard notice templates.

How are workers protected?

There are some new rules to protect workers' pension rights.

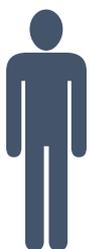
- You cannot screen job applicants based on whether or not they might join the pension scheme
- You cannot treat workers unfairly based on their pension scheme membership, for example denying them a promotion because they didn't opt-out
- You cannot encourage someone to opt-out or leave the pension scheme.

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How is this enforced?

The Pensions Regulator is responsible for making sure that employers comply with auto-enrolment rules.

It is very important to register with The Pensions Regulator. This lets them know that you have complied with your duties and is one of the key checks they use to decide who to investigate. See *Fact Sheet 420: Registering With The Pension Regulator* for more details.

The Regulator's approach is to educate, enable and enforce. They will try to help employers who are having difficulties before imposing sanctions.

They do have a variety of sanctions at their disposal, if necessary, ranging from telling you to put something right to a substantial fine of up to £10,000 per day and ultimately criminal prosecution.

Employees who feel that they have been mistreated could take you to an employment tribunal.

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