

JLT Employee Benefits

AE Smart



FACT SHEET 400. Do I Need To Certify?

This fact sheet explains when you need to certify that your pension scheme meets the minimum contribution levels for auto-enrolment. It describes the process for and benefits of certifying your scheme.

Key Facts

- > Unless your scheme explicitly matches or exceeds the relevant quality requirement, you should complete a certificate should for it.
- > Certifying that your pension scheme meets or exceeds the minimum contribution requirements for automatic enrolment means that you do not need to make good any shortfalls that arise in practice during the certification period.
- > You need to make certain checks before you can sign a certificate.

Introduction

You must enrol certain employees into a qualifying automatic enrolment pension scheme, the criteria for which include a minimum contribution requirement (see *Fact Sheet 100: What Is Auto-Enrolment?*).

A certificate shows that your scheme meets this requirement.

This means that, provided the certificate is given in good faith, you will not need to reconcile and make good any shortfalls in contributions that arise when the certificate is in force.

Who can certify?

The employer is responsible for certifying a scheme, but if you need to make some calculations first, you can delegate this duty to a competent person.

Only you or someone authorised on your behalf (e.g. a professional adviser) can actually sign the certificate.

When would you certify?

Certification is not necessary for a scheme if it explicitly meets the minimum total contributions based on qualifying earnings (gross earnings between £5,772 and £41,865, in 2014/15).

Certification will also not be necessary where you have chosen to do individual checks for every jobholder who is automatically enrolled or who opts in to the scheme. This entails an individual check for each of your employees to ensure minimum contributions are being made for them.

In all other cases, employers should certify their scheme.

However, before you certify, you must first be satisfied that your scheme will meet the “relevant quality requirement” or one set of the “alternative quality requirement” (see below) for each jobholder to whom the certificate relates.

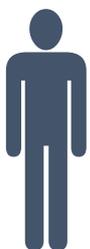
In other words, you must first check that it is reasonable to believe that

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your scheme will provide for at least the minimum level of contributions required by law.

A certificate is evidence that the scheme satisfies the law for the people that it covers.

How certification works

You have one month from the effective date of the certificate (which, for the first certificate, will usually your Staging Date – see *Fact Sheet 110: Staging Dates*) to carry out any necessary checks and calculations and sign the certificate.

You may look forward for up to 18 months (the maximum certification period) to certify that your scheme will be qualifying for that period. At the end of the period, if you wish to re-certify, you must do so within one month.

The Department for Work and Pensions has practical guidance on certification, including a template certificate, which can be viewed at www.dwp.gov.uk/docs/money-purchase-schemes-guidance-2012.pdf.

Who needs to be covered by a certificate?

Based on the position at the effective date for the first and subsequent certificates you must include the following when you are certifying your schemes:

- Jobholders who are existing members of the scheme;
- Jobholders eligible for automatic enrolment; and
- Jobholders who are able to opt in.

Once completed, there is no need to revise your certificate to include the names and roles of jobholders newly hired after the effective date. They will be covered by the certificate until it needs to be renewed.

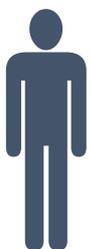
You must keep a copy of any signed certificate and any data/evidence relating to the certification for at least six years after its expiry. However, you do not have to send the certificate to the Pensions Regulator unless asked to do so. A jobholder or trade union can also ask for a copy of your certificate.

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A step by step guide

In practice, most employers use a definition of pensionable pay for contributions that is based on the basic pay of their workers (gross pay other than commission, bonuses, overtime, or similar payments, shift premium pay and certain job related allowances).

This means checking your pension scheme against the alternative quality requirement (see below) by following a ten-step process.

1. Choose a date from which the certificate will start (usually your staging date) and the certification period (up to 18 months).
2. To certify you will need to: consider the type of scheme(s) on offer; identify the contribution rate(s) required by the scheme(s); identify the basis on which pension contributions are calculated; and ensure pensionable earnings are at least equal to basic pay. For Tier 2, you will also need to obtain recent earnings data, e.g. from the previous tax year, or use projected data to anticipate earnings.
3. Based on the records at the effective date, identify all the relevant jobholders to be covered by the certificate.
4. Identify any individuals whose benefits do not need to be tested against the certification requirements (e.g. individuals who are not jobholders – see *Fact Sheet 120: Who Does Auto-Enrolment Cover?*).
5. If necessary, divide jobholders into categories based on the contribution band, job, department etc.
6. Identify which set(s) of the alternative requirement is/are to apply and based on the data obtained for step 2 and in respect of the jobholders identified in step 3:
 - a. identify contribution rate(s) required for the scheme(s) to meet the set selected;
 - b. for Tiers 1 and 2, ensure that pensionable pay is at least equal to basic pay;

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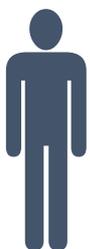
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- c. for Tier 2, calculate pensionable pay as a percentage of total earnings for relevant jobholders in aggregate (this must be at least 85 per cent);
7. If the scheme satisfies one set of the test for all relevant jobholders, go to step 10.
8. If the scheme does not satisfy any of the sets for all of the relevant jobholders of the test go to step 9.
9. Consider making improvements to contribution levels into the scheme.
10. The certificate must be completed, signed and dated within 1 month of its effective date.

employers to be produced and a copy provided to each employer.

I want to satisfy different sets of the requirements for different jobholders?

You can use different sets of requirements for different jobholder categories. A single certificate can be used to cover the scheme as a whole or separate certificates can be completed for the different categories.

FAQs

What if more than one employer participates in my scheme?

In a scheme where more than one employer participates and one or more employers choose(s) to use certification, each employer using certification will be required to hold a certificate in respect of the relevant jobholders. It would be sufficient for one certificate that lists all the relevant

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Relevant Quality Requirements

The table below shows the relevant quality requirements.

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%

Alternative Quality Requirements

Period	Tier 1		Tier 2		Tier 3	
	Total	Employer	Total	Employer	Total	Employer
Earnings basis	Basic		Basic (must be at least 85% of total)		Total	
01/10/2012 to 30/09/17	3%	2%	2%	1%	2%	1%
01/10/2017 to 30/09/2018	6%	3%	5%	2%	5%	2%
01/10/2018 onwards	9%	4%	8%	3%	7%	3%

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