Pension schemes UK

Under the Pensions Act 2008, ALL EMPLOYERS must ENROL their company to a Pension scheme as soon as they recruit an eligible employee: This is called **'automatic enrolment'. Enrolment and re-enrolment every 3 years have to be processed through THE PENSIONS REGULATOR https://www.thepensionsregulator.gov.uk. This is a continuous responsibility of the Employer.**
Please be prepared to perform the Declaration of Compliance for enrolment duties!!!

Who you must enrol?

You must enrol and make an employer's contribution for all staff who:

- aged between 22 up to state pension age*
- and earn over £10,000 per year, or £833 per month or, £192 per week
- normally work in the UK (this includes people who are based in the UK but travel abroad for work)

If your employee become eligible because of a change in their age or earnings, you must enrol them into your pension scheme and inform them within 6 weeks of the day they meet the criteria. Any employee from 16 years old can also ask to contribute and this is your duties to also enrol them if they request it, even if less than 22 years old. If they are eligible, you must put them into the scheme within 1 month of getting their request. Minimum salary for basic contributions is 520 GBP/ month.

IMPORTANT
"You can choose to delay working out who to put into a pension scheme for up to three months for some or all of your employees. This is known as postponement. You must write to your employees to tell them what you are doing and how automatic enrolment applies to them. You will have six weeks to write to them from the date after postponement starts".

Option-Out
"Employee can leave your pension scheme whenever they want. You must take them out of the scheme within one month of getting their request.
If employee ask to leave your pension scheme within 1 month of joining (known as the 'opt-out window'), you will have to refund their contributions within 1 month. If they ask to leave after the opt-out window, their contributions will be kept in their pension until they retire."

<u>How much you must pay?</u>

The amount of income that's used to calculate how much goes into a member's retirement pot is called 'pensionable earnings' or an 'earnings basis'.

You can choose from several different ways to define the earnings basis for your workers, as long as the contribution amounts you end up paying match at least the legal minimums based on qualifying earnings, explained below.

The figures will be reviewed every year by the government.

From 6 April 2019 onwards	Minimum Contributions		
	Total	**Employer**	**Employee**
Qualifying earnings	8%	3%	5%
Tier 1	9%	4%	5%
Tier 2	8%	3%	5%
Tier 3	7%	3%	4%
Custom	Minimum contributions must at least meet what would be paid under qualifying earnings		

1. **The qualifying earnings**

Qualifying earnings is the name given to a band of earnings that you can use to calculate contributions for auto enrolment.

You must pay at **least 3%** of your employee's '**<u>qualifying earnings'</u>** into your staff's pension scheme from April 2019 onwards.

Qualifying earnings include a worker's salary, wages, overtime, bonuses and commission, as well as statutory sick, maternity, paternity or adoption pay.

Qualifying earnings are those that fall within a set band. For tax year 22/23, It is calculated on the employee's total earnings between £6,240 and £50 270 a yea**r** before tax (so not on the full salary as there are a lower and upper level which are not included in the contributions). This means that qualifying earnings can't be more than £44 030 (£50 270 minus £6,240) for the 2022/23 tax year.

Earnings thresholds for 2022/2023

Pay periods	Lower level of qualifying earnings	Upper level of qualifying earnings
Weekly	£120	£967
Monthly	£520	£4189

Example for a gross salary of £2 500 per month
£2 500- £520 (the lowel level) => £1 980 of qualifying earnings to contribute
Employer contribution is: £1 980 x 3% = £59.4
Employee contribution is: £1 980x 5% x (20% offered by the government) = £79.20

2. **Tier 1 certification pensionable earnings**

This is based on earnings equal to or more than a worker's basic pay. Basic pay is defined as a worker's gross earnings, including holiday pay and statutory benefits, but not including commission, bonuses, shift allowance, overtime or any other similar allowance. You can decide whether to include any of these other elements in this definition of earnings if you want to.

3. **Tier 2 certification pensionable earnings**

For tier 2, total pensionable earnings of all workers must be at least 85 per cent of their total earnings. Total earnings mean everything paid to a worker including salary, commission, bonuses and overtime, performance related pay and any other earnings you have paid the worker. It also includes statutory sick, maternity, paternity and adoption pay.

4. **Tier 3 certification total pay**

This is earnings based on the worker's total pay. Total pay includes everything paid to a worker in respect of their employment, including basic pay, commission, bonuses, shift allowances and statutory sick, maternity, paternity or adoption pay, with some very limited exceptions.

5. **Custom – your own choice**

You can calculate your contributions based on any other method that's convenient for you, as long as you make sure that your contributions meet the legal minimums based on qualifying earnings.

<u>Pension Provider</u>

SEDI works with the pension scheme **NEST which is the workplace pension scheme set up by the Government.** It's free for employers and easy to set up. Otherwise if you want to use a private pension provider, we will be happy to put you in touch with our Insurance Partner in order you can get tailor made quotes for a Pension scheme.

Source: The Pensions Regulator, the gov.com, Nest.

Feel free to contact us should you have further questions!