

Auto-enrolment: Key information

Useful definitions

Eligible jobholder

- Aged between 22 and State Pension age
- Has gross earnings above the earnings trigger for Auto Enrolment (2015/16 - £833 pcm)
- Ordinarily work in the UK

Non-eligible jobholder

- Aged between 16 and 21 or state pension age and 74
- Has gross earnings above the earnings trigger for Auto Enrolment
- Ordinarily work in the UK

Or

- Is aged between 22 and State pension age
- Has gross earnings above the qualifying earnings threshold (2015/16 - £486 pcm) but below the earnings trigger for Auto Enrolment
- Ordinarily works in the UK

Entitled workers

- Aged between 16 and 74
- Has gross earnings below the qualifying earnings threshold per month
- Ordinarily works in the UK

Qualifying earnings

Qualifying earnings is used to establish if the employee is an eligible jobholder, non-eligible jobholder or entitled worker. It is also the minimum basis for calculating contributions.

Qualifying earnings is a reference to earnings between:

- The lower level of qualifying earnings - £5,824 pa (2015/16)
- The upper level of qualifying earnings - £43,000 pa (2016/17)

Qualifying earnings is made up of the following components of pay:

- Salary
- Wages
- Commission
- Bonuses
- Overtime
- Statutory Sick Pay
- Statutory Maternity Pay
- Ordinary or additional Statutory Paternity Pay

- Statutory Adoption Pay

Employers can choose an alternative earnings definition for calculating contributions providing they are happy to certify that it meets the contribution quality requirements stipulated in the legislation. Please ask if you would like more information on the options available.

Contributions

- Employers will have to make payments into the pension scheme for all staff who are automatically enrolled and all non-eligible job holders who choose to opt in.
- Employee contributions will attract tax relief, so a 5% gross contribution would be 4% net.
- Contributions are being phased in as follows (all quoted gross):

Transitional period	Duration	Employer minimum Contribution	Total minimum Contribution (So employer plus employee)
1	Employer's staging date to 5 April 2018	1%	2%
2	6 April 2018 to 5 April 2019	2%	5%
6 April 2019 onwards		3%	8%

Earnings definition for contributions

- **Qualifying earnings basis:**
 - **Banded earnings** - contributions as a minimum are based on an employees' qualifying earnings (see above) between the lower and upper level.
 - **Non-banded earnings** – contributions based on an employee's qualifying earnings but with either no lower or upper threshold or both.
- **Pensionable earnings basis**
 - You can certify that your scheme meets the contribution quality requirement.
 - A certificate can cover all workers or groups of workers.
 - There are three certification options available, as shown in the table below.
 - All three options require contributions to be calculated from the first £1 of earnings. The upper and lower earnings thresholds do not apply.
 - Basic pay must include earnings before deductions such as tax and National Insurance, holiday pay and some statutory benefits but doesn't have to include variable pay such as bonuses, overtime and commission.

	Certificate option 1	Certificate option 2	Certificate option 3
Total contribution	9% Of pensionable earnings.	8% Of pensionable earnings.	7% Of total earnings.
Including an employee contribution of up to	5%	5%	4%
Reference to total earnings	None. Pensionable salary must be at least basic pay.	Pensionable earnings must be no less than 85% of total earnings. Pensionable salary must be at least basic pay.	100% of total earnings. All earnings must be pensionable.
Phasing	Employer contributions phased in at 2%, 3% and 4%.	Same as standard.	Employer contribution levels same as standard.

Penalties

The penalties for non-compliance with AE are a compelling reason for ensuring you do comply!

There is a three stage process that TPR will follow:

- Compliance/unpaid contributions notice
- Fixed penalty notice - £400
- Escalating Penalty notice – issued if any breach identified is not put right within four weeks of the fixed penalty notice. This depends on the number of employees and ranges from £50 to £10,000 per day!

You can also receive a prohibited recruitment conduct fixed penalty – ranging from £1,000 to £5,000.