

Auto Enrolment: Pension contributions increase April 2018

By law, on 6 April 2018, the minimum contributions payable into auto enrolment pension schemes will increase from 2% to a **total of 5%** of qualifying earnings (i.e. earnings between the lower earnings level (LEL) and upper earnings level (UEL) for national insurance purposes). The **employer** must contribute at least **2%**. Employees will contribute the shortfall to make up the total.

Eg. If you currently pay 1% Employer contributions and 1% Employee contributions, this will increase to a statutory minimum of 2% Employer contributions and 3% Employee contributions. You can, as an employer, pay more than the minimum 2% if you wish, to reduce the cost to your employees, however, the minimum overall must be 5%. As an employer you may need to consider informing your staff about the increase in deductions.

The increase does not apply to employees who asked to be put into a scheme that the employer does not have to pay into.

For employers who calculate contributions on gross earnings rather than qualifying earnings, the calculations will increase from 3% to 6% of which the employer must contribute 3%. The new contribution rates will apply to the first payment on or after 6 April 2018.

You do not need to do anything, we will process the rate increases for you through the payroll, however, if you or your employees pay more than the minimum and you want the contributions increased, you will need to advise us of the new contribution percentages or amounts.

Further information can be found on

<http://www.thepensionsregulator.gov.uk/phasing-minimum-contribution-increases-automatic-enrolment-advisers.aspx>

or alternatively, please contact your Payroll Client Manager.

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