

Increase to minimum contributions

We're here to help you along the way



For people, not profit

the
people's
pension



Here's what we can offer to help you with the increase to minimum contributions

- This guide to tell you what you have to do
- Plenty of information online at: www.thepeoplespension.co.uk/employers/increase-automatic-enrolment-minimum-contributions.
- Communications toolkit – here you'll find template letters, posters, payslip messaging and animations for you to use if you'd like to tell your employees about the increase: www.thepeoplespension.co.uk/increase.



Increase to the minimum contributions are a statutory process that all employers have to go through

This guide tells you what you have to do, and how The People's Pension makes the process easier.

When auto-enrolment was introduced, the government set:

- the minimum total contributions and minimum employer contributions to be paid into an automatic enrolment pension scheme
- how minimum contributions will increase gradually to help ease employers and employees into automatic enrolment.

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Increase to minimum contributions at a glance



Why do you need to know about the increase to minimum contributions?

The increase to minimum contribution is law. By law, minimum contributions will increase again on 6 April 2019. This is known as 'contribution phasing'. It's important that you're ready for the contribution increase so that the correct contributions are deducted at the right time, and that your pension scheme remains a qualifying scheme for members.



The phased increase to minimum contributions will align with the start of the tax year as well as the payroll year (this makes it easier for payroll software to manage the changes).

Employers using the qualifying earnings basis to work out pension contributions

There are minimum levels for employers that use qualifying earnings basis to work out their contributions. Read more about qualifying earnings on our website at www.thepeoplespension.co.uk/qualifying-earnings.

Date	Employer minimum contribution	Employee contribution	Tax relief on employee contribution	Total minimum contribution
Until 5 April 2018	1%	0.8%	0.2%	2%
6 April 2018 to 5 April 2019	2%	2.4%	0.6%	5%
6 April 2019 onwards	3%	4%	1%	8%

Increase to minimum contributions at a glance continued

Employers using their own definition of pensionable pay

When an employer has decided to use their own definition of pensionable pay (also known as self-certification), there are different minimum contribution levels. Employers should confirm which definition of pensionable pay they're using and check which minimum contribution level applies to them.

Pensionable earnings (set 1) – When contributions are worked out on at least basic pay.

Date	Employer minimum contribution	Employee contribution	Tax relief on employee contribution	Total minimum contribution
Until 5 April 2018	2%	0.8%	0.2%	3%
6 April 2018 to 5 April 2019	3%	2.4%	0.6%	6%
6 April 2019 onwards	4%	4%	1%	9%

Pensionable earnings (set 2) – When contributions are worked out on at least basic pay (but pensionable pay must make up at least 85% of total earnings). The employer must monitor this.

Date	Employer minimum contribution	Employee contribution	Tax relief on employee contribution	Total minimum contribution
Until 5 April 2018	1%	0.8%	0.2%	2%
6 April 2018 to 5 April 2019	2%	2.4%	0.6%	5%
6 April 2019 onwards	3%	4%	1%	8%

Increase to minimum contributions at a glance continued

Total pensionable earnings (set 3) - When contributions are worked out on total pay including wages, commission, overtime, bonuses, performance-related pay and any other earnings you've paid the jobholder.

Date	Employer minimum contribution	Employee contribution	Tax relief on employee contribution	Total minimum contribution
Until 5 April 2018	1%	0.8%	0.2%	2%
6 April 2018 to 5 April 2019	2%	2.4%	0.6%	5%
6 April 2019 onwards	3%	3.2%	0.8%	7%

These tables are all based on the 'tax relief at source' method of claiming tax relief. You can read more on other tax relief methods on our website: www.thepeoplespension.co.uk/ae-tax-relief

Increase to minimum contributions at a glance continued

Employees may want to increase the amount they contribute towards their pension. By paying more, employees can save even more towards a more comfortable retirement.

Employers could also choose to pay more towards their employees' pension. This can be a great way of attracting people to the business by investing in them for the long-term.

Either way, we can support you.



Is your pension scheme offered as part of your employee's contract?

If your pension scheme is offered as part of your employment contract – perhaps through salary sacrifice or contractual enrolment – the increase to the minimum contribution levels still applies to you. This will also be the case if employees have transferred to you under a TUPE arrangement. You might need to discuss any changes of contract with your employees. If you're not sure, you might need to seek independent advice.



How The People's Pension can help

Since 2012 we've helped you through auto-enrolment. And we've continued to work together to help you run your workplace pension.

Now we're here to support you through the next stage – the next increase to minimum contributions.

- As a not-for-profit organisation, we put our profits back into developing The People's Pension. This means we're well placed to keep meeting your needs moving forward.
- We aim to keep things simple for you and for your employees. We want to make it easy for you to complete the process. We'll explain how it works in simple terms, and give you a step-by-step checklist to keep you on track.
- Although it's a process you have to complete, we'll be there to help. And we'll let you know what you need to do on your employer Online Services account.



We've made it easier for employers to communicate the changes to their employees – by creating some handy template letters, payslip wording and posters. Check them out on our website at

www.thepeoplespension.co.uk/increase

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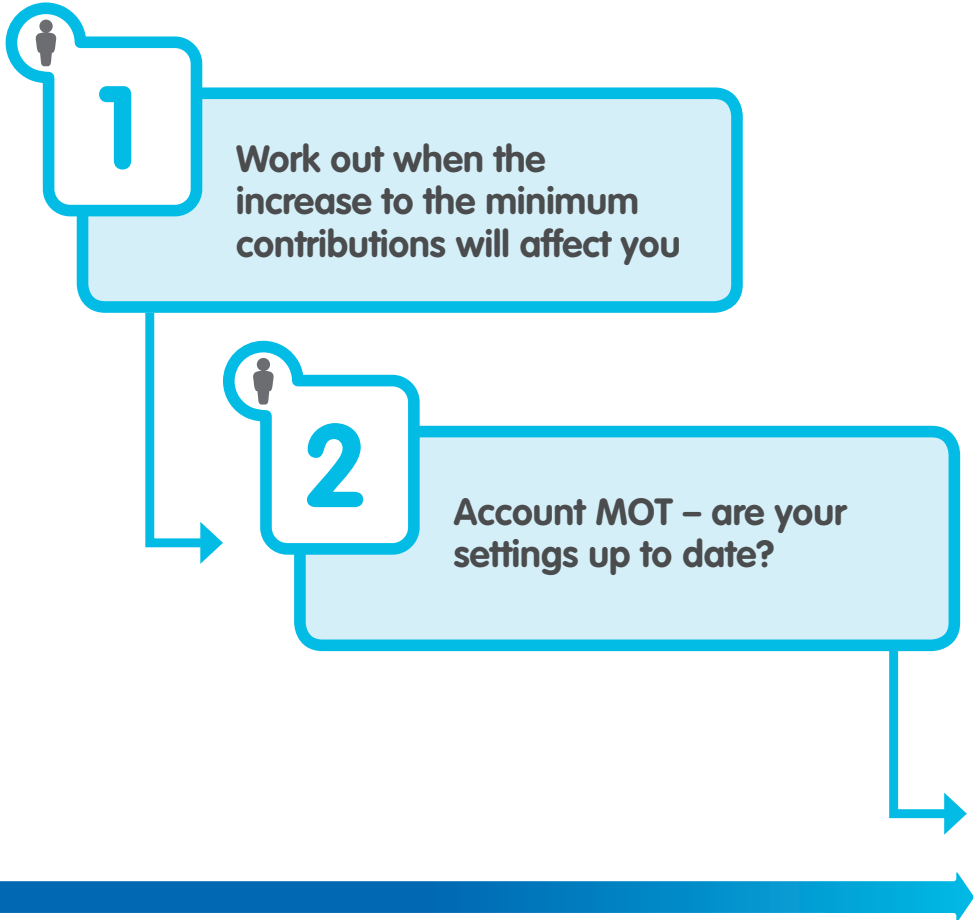
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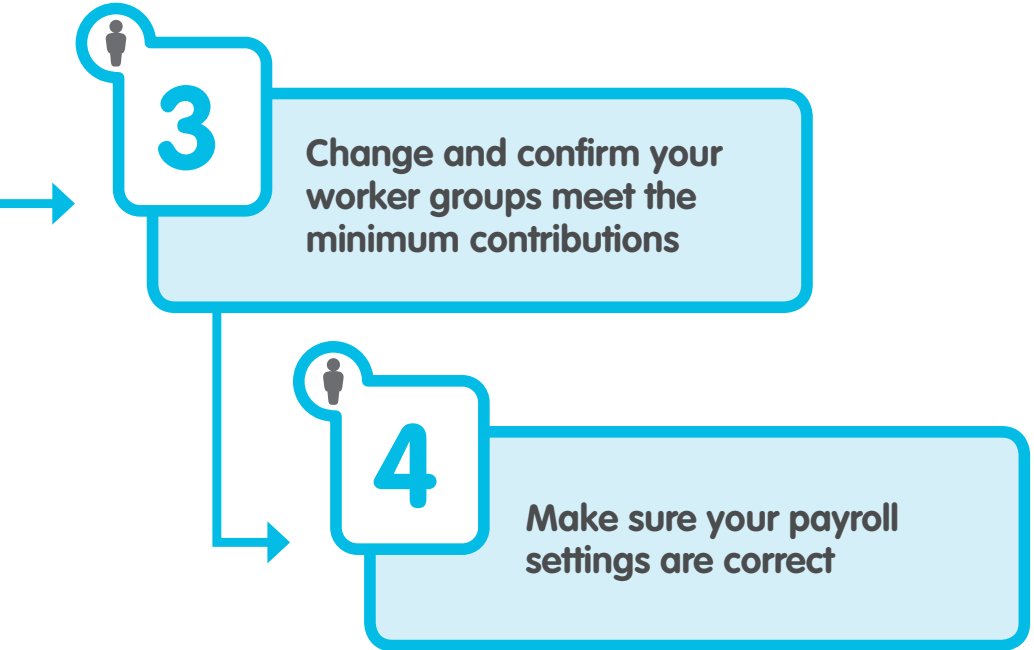
Workplace Pension

Four steps in detail

The four steps to minimum contributions



Four steps in detail continued



Four steps in detail continued




Work out when the minimum contribution increase will affect you

Although the next minimum contribution increase will affect you on the 6 April 2019, you'll need to begin assessing your staff from the beginning of your pay period that includes this date.

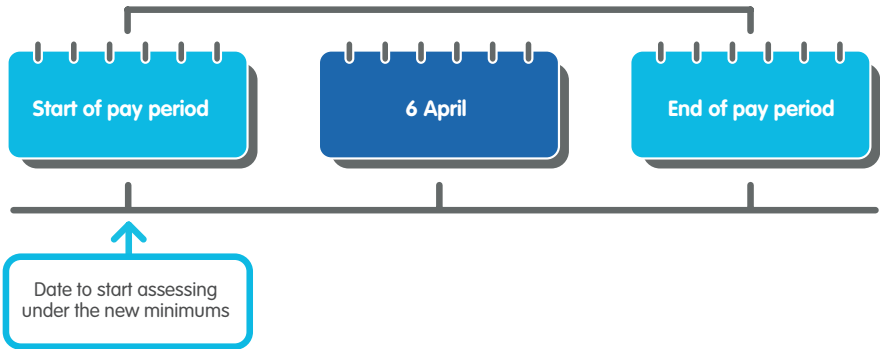
This means you'll need to work out where the 6 April falls within your pay period – your payroll provider might be able to help you with this.

If your pay periods are aligned to tax weeks and months don't worry – your new pay period will start on 6 April.



What's a pay period?

Under auto-enrolment rules, this is the period of time over which earnings are to be measured. For example, if an employee is paid weekly, the pay period would be one week. And if they are paid monthly, the pay period would be one month.



Four steps in detail continued


Step 2

Account MOT – are your settings up to date?

Things to check:

First you need to check how your Online Services account was set up – perhaps this was a while ago or someone else did the initial set-up? It's important to get it right, so we can be sure you're making the correct contributions.


- **Is your tax basis right?**

You might be deducting your contributions after tax (net tax basis also known as relief at source) or before tax (gross tax basis also known as net pay arrangement). You can check your tax settings on the 'submit employee data' page on your account. Just look for the 'guides & settings'  tab on the top right of the page. Compare this to your payroll if you have one, to make sure you're making the contributions correctly. If your tax basis isn't right, you can email us at taxrelief@bandce.co.uk.

- **Do we have your employees' National Insurance (NI) numbers?**

No matter how you pay your pension contributions, we need your employee's NI number(s) so we can trace members in the future. If you're deducting your contributions after tax (net tax basis also known as relief at source), we need your employees' NI numbers to make sure we're applying the right tax relief. If we're missing this, by law we won't be able to apply tax relief and your contributions may not meet the legal minimum contributions.

You can check your employee's NI number on the 'manage employee details' section of your home page. We'll alert you with an exclamation mark if we're missing any.

Unique ID	Forename(s)	Surname	NI number	Worker group	Enrolment date	Enrolment status	Opt out end date for refund	Date left scheme	View/amend
1	Test Test	Test		M	01/03/2017	Auto-enrolled 01/03/2017	26/05/2017	N/A	Select 

Four steps in detail continued



Step 2 Continued


- **Are your worker group settings right?**

A worker group is a group of employees who have the same contribution level. We use this to make sure we're sending out your employee's joiner information with the correct contribution amount displayed. If we work your contributions out for you, it's also how we do your assessments.

Check your worker groups on the account home screen section 'manage worker groups'. You'll find all the worker groups you've set up with their contribution percentage and basis. Compare this to your payroll (if you have one) to make sure your settings are correct.

If your worker groups aren't right, you can change them yourself by clicking 'edit' alongside the worker group you want to change. You should also make sure your employees are allocated to the correct worker group.

Group identifier	Description	Contribution basis	Employer contribution	Employee contribution	Tax relief	Total contribution	Options
 1 <small>View</small>	Staff	Total earnings	2.00%	2.40%	0.60%	5.00%	

 **Important: getting your payroll right**

Although we're here to help you along the way, it's your responsibility to make sure your payroll and The People's Pension account are set up correctly. If we don't have the right information, you might not be complying with the auto-enrolment rules. We have a legal duty to monitor your contributions, and if you don't meet the legal minimum contributions, we may report to The Pensions Regulator.



Four steps in detail continued

Step 3

Change and confirm your worker groups meet the minimum contribution requirements

You need to check your worker groups before the start of the pay period that includes 6 April. Depending on how your account is set up, there are two possible journeys to follow:

Journey one – Follow this journey if you have all of the following:

- One worker group per admin account, **and**
- Contributions currently at 2% employer and 3% employee (if you're deducting contributions after tax (net) this will be 2.4% employee), **and**
- Contributions based on qualifying earnings

And

You only want to increase contributions to the new minimum level.

Journey two – Follow this journey if you have any other variations of the above, for example:

- More than one worker group, **or**
- Contributions **not** set to the minimums of 2% employer and 3% employee (if you're deducting contributions after tax (net) this will be 2.4% employee), **or**
- Contributions **not** based on qualifying earnings – for example pensionable or total earnings.



Paying your employees under the Construction Industry Joint Council (CIJC) Working Rule Agreement (WRA)?

If you follow the CIJC WRA, you'll need to make sure these payments are meeting the minimum auto-enrolment regulations as well. Please make sure you check the CIJC WRA to make sure you're meeting the minimum requirements.

Journey one



We will increase your contributions for your worker group on your online account automatically.

But you'll need to confirm these changes following the instructions below:



Log in to your Online Services account and go to the 'manage worker groups' screen.



Here you'll see the current worker group that's set up, as well as the changes we're going to make and when these will happen. You can change this information by clicking the 'edit' button.



To confirm you understand these changes, click the green confirmation button.

The increase in contributions will begin for the pay period that includes 6 April. You can continue submitting your employee data as normal. You'll also need to make sure your payroll settings are correct – read more in step 4.



Journey two



We won't increase your contributions for your worker groups on your online account automatically.

You'll need to make the changes yourself by following the instructions below:



Log in to your Online Services account and go to the 'manage worker groups' screen.



Here you'll see the current worker groups that are set up. For each one, you'll need to check you're meeting the new legal minimums. Click 'edit' to amend your worker group settings and enter an 'effective from' date – we'll suggest a date for the pay period that includes 6 April.



To confirm you understand these changes click 'update'.

The increase in contributions will begin from the 'effective from' date that you've told us to use. You can continue submitting your employee data as normal. You'll also need to make sure your payroll settings are correct – read more in step 4.



Not using qualifying earnings to work out your pension contributions?

The minimum legal contributions might be different for you. Please take a look at pages **3-4** to see what you need to update your contributions to.

Four steps in detail continued




Make sure your payroll settings are correct

When the minimum contribution amounts increase again on the 6 April 2019, you'll need to make sure you've also updated your payroll settings to meet the new legal minimums.

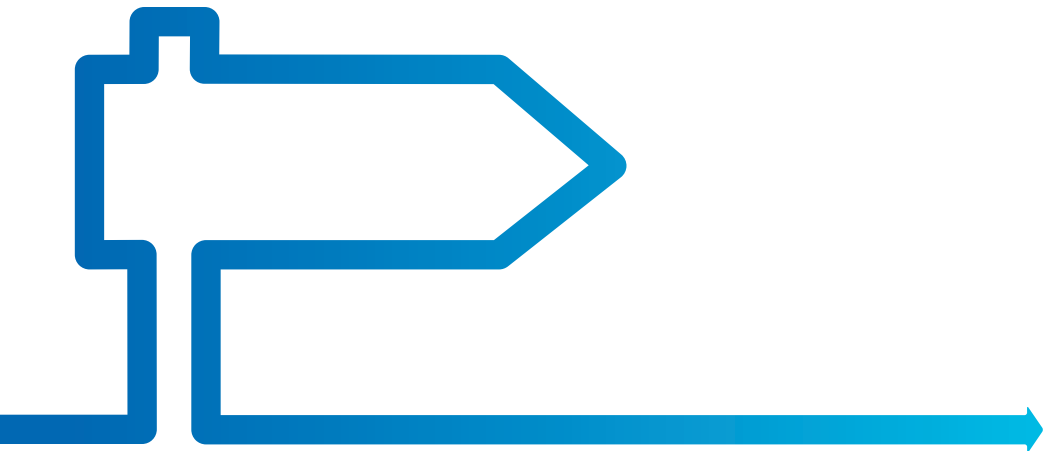
If you don't meet the new legal minimums, you won't be meeting your legal duties.

For more information about this you'll need to contact your payroll provider.



Remember

We have a legal duty to monitor contributions, and if they don't meet the legal minimum, we may report to The Pensions Regulator.



Other things to consider

Paying below the minimum contributions

The People's Pension does support employees who want to pay below the legal minimum contributions. If an employee is unable to, or doesn't want to pay the increased amounts, they'll be able to stop contributing by opting out or leaving the qualifying scheme. This must be the employee's choice, and you legally cannot encourage or induce your employees to do so. Employers can (but will no longer have to) pay any contributions for that employee.



If you'd like to enable your employee to pay below the legal minimum contributions

An employer can agree to pay below the legal minimum contributions for the employee (but doesn't have to). Even though the employee will continue to contribute to The People's Pension, they would not be considered a member of a 'qualifying scheme'. An employee can also come directly to us and pay pension contributions via Direct Debit. Employees can read more about this on our website: www.thepeoplespension.co.uk/personal-payments

Any employees who choose to stop contributing, opt-out or pay below the legal minimum contributions will need to be re-enrolled at your next re-enrolment date.

Read our guide '[Paying below the minimum contribution levels](#)' for more information on how to support this at

www.thepeoplespension.co.uk/below-minimums

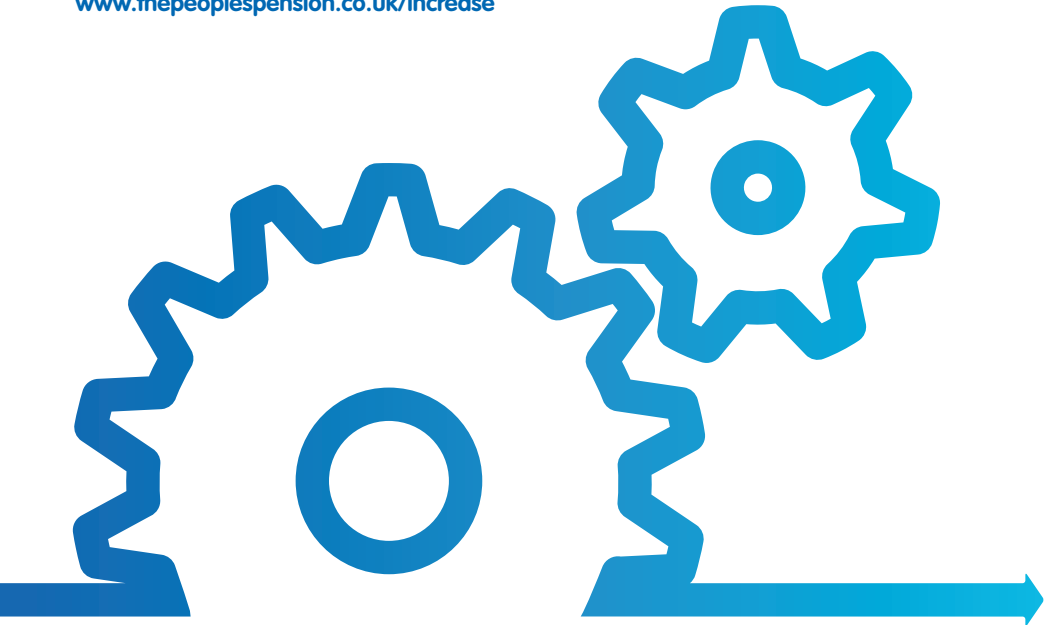
Other things to consider continued

Communicate with your employees

There is no duty under auto-enrolment for you to tell your employees about the increase to contributions. But you might want to do so. This will help minimise queries and reduce the risk of some employees deciding to leave the pension scheme.

To help you, we've created template letters, posters, payslip messaging and animations that you can use. You can find these in our communications toolkit:

www.thepeoplespension.co.uk/increase



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Useful links

The People's Pension

Here's where to find more information about contribution phasing:
www.thepeoplespension.co.uk/employers/contribution-increases

The Pensions Regulator

The Pensions Regulator has more information on their website:
www.thepensionsregulator.gov.uk/en/employers/phasing-increase-of-automatic-enrolment-contribution

Want to know more?

✉ support@bandce.co.uk

☎ 01293 586666



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