

Paying below the minimum contribution levels



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What are the auto-enrolment contribution minimums?

By law, minimum contributions for auto-enrolment increased on 6 April 2018 and are going up again on 6 April 2019. You need to make sure you're remaining compliant and paying the correct contribution amount.

Under auto-enrolment law, you must make at least the 'employer minimum contribution' into your employee's pension, as shown in the table below. The total contribution is reached by adding the employee's contribution (deducted from their earnings) and tax relief from the government.

These are the minimum levels of contribution:

Dates	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%

This table is based on qualifying earnings and the 'relief at source' method of claiming tax relief. You can read more on calculating contributions using different elements of pay at: www.thepensionsregulator.gov.uk/en/employers/phasing-calculating-contributions-using-different-elements-of-pay.aspx and the other tax relief method at: www.thepeoplespension.co.uk/employers/how-tax-relief-works

If your employee has told you they don't want to increase their contributions

Pension savings can be a very effective way to save for the future, and your employee may not be aware of how much money they are missing out on if they stop paying into their pension pot. They should [visit our website](#) before they make a decision, to understand what they risk losing by stopping or reducing their contributions.

If your employee wants to stop paying into the pension scheme altogether:

- Employees have one calendar month from the date they're auto-enrolled to opt out and get a refund of their contributions. They'll find this date in their joiner information. [Read more about how they can opt out on our website »](#)
- If your employee wants to leave the scheme after the opt-out period has finished, they can still use the same method, but won't receive a refund of their contributions. The pension pot will remain invested until they access this from age 55 (proposed to change to 57 from 2028).

If your employee wants to stay in the pension scheme, but doesn't want to pay the balance to meet the total minimum contribution:

An employer can agree that the employee can pay below the legal minimum contributions, but doesn't have to. Please note if you do agree:

- the employee should remain in the pension scheme as an active member
- if you agree an employee can pay less, they'll no longer be considered a member of a 'qualifying scheme'
- you do not have to continue making your employer contributions in respect of them, but you can if you wish and can choose how much you will pay.

If you don't want to allow your employees in the pension scheme to pay below the minimum contributions, they can opt-out and come directly to us and pay pension contributions via Direct Debit. They'll still benefit from the tax relief on their payments, and you won't need to make a contribution. Your employee should get in touch with us if they'd like to set this up.



You must not coerce, persuade or suggest your employees pay below the minimum contribution levels.

The Pensions Regulator is very clear that the decision to pay less or leave the pension scheme altogether must be made by the employee. If an employee tells us they didn't choose to pay less, we will investigate this and if we believe the employer has coerced their employee, will report to The Pensions Regulator.

You can read more about coercion on [The Pensions Regulator website](#).

Four steps to support your employees in paying below the contribution minimums

If you agree an employee can pay below the legal minimum contributions there's just a few steps to follow to set this up:

Step
1

Your employee lets you know that they would like to reduce their payments into their pension – they shouldn't opt out of the scheme if they want to do this. **This must be the employee's choice, and you cannot offer this or encourage your employee to pay less.** Although there are no additional duties under auto-enrolment for you to confirm this in writing, we recommend that you do so. This will help reduce queries on what you've agreed, and to help demonstrate that you've not coerced your employee.

Step
2

Let us know that you'd like to allow your employees to reduce their payments into their pension pot. We'll activate a new worker group called 'PBM' – you'll see this on your Online Services account. You'll only need to do this once.

Step
3

If you use payroll software to deduct your contributions, you'll need to change the pension deductions to match what you've agreed with your employee. You'll also need to assign them to their new worker group 'PBM'.

Step
4

Next time you submit your employee data, we'll do some checks to make sure the employee is still an active employee and place them in the new worker group. Your employee will also get a letter to confirm this change.

If you use The People's Pension to assess your contributions, or submit your data through manual keying, step 4 will be different for you. We'll cover this on **page 6-7** of this guide.

View your new worker group

Log into your Online Services account, then click 'manage worker groups' from the 'manage employer' section of your home screen. You'll see the new worker group is active.

	Group Identifier	Description	Contribution basis	Employer contribution	Employee contribution	Tax relief	Total contribution	Options
 View contribution history	W	Weekly	Qualifying earnings	2.00%	2.40%	0.60%	5.00%	Edit
	PBM	Below AE-Mins	Below ae min	—	—	—	—	

If you use The People's Pension for your assessment

If you use The People's Pension to assess your staff and work out pension contributions, we'll usually suggest a contribution amount for your employees. Employees you place in the 'PBM' worker group are paying contributions below the minimum contributions, as agreed with you. We therefore wouldn't be able to suggest a figure for any employees within this worker group.

If you normally don't put any contribution amounts in and we work out your contributions for you, you must make sure you calculate contributions for any employees in this worker group before submitting your data to us.

If you leave the contribution as zero for employees in the PBM worker group, we'll submit your data with no contributions for them.

Submit your data - file upload

Exit file upload



Contribution amounts

Here are our suggested contribution amounts for your employees. We've worked this out based on the age and salary and worker group you've given us. Have a look through and accept or ignore our suggestions for each employee.

Keep all supplied values Accept all suggested values

Unique ID: 786	Name: Fred Black	Worker Group: 1	
	Supplied	Suggested	
Employer Contribution:	£0.00	£32.16	<input type="radio"/> Keep the supplied value <input type="radio"/> Accept the suggested value
Employee Contribution:	£0.00	£25.73	<input type="radio"/> Keep the supplied value <input type="radio"/> Accept the suggested value

Unique ID: 787	Name: Billy White	Worker Group: 1	
	Supplied	Suggested	
Employer Contribution:	£0.00	£32.16	<input type="radio"/> Keep the supplied value <input type="radio"/> Accept the suggested value
Employee Contribution:	£0.00	£25.73	<input type="radio"/> Keep the supplied value <input type="radio"/> Accept the suggested value

[Download CSV assessment summary](#) [Download Excel assessment summary](#)

If you submit your data through manual keying

When you use manual keying to submit your employee data, we'll normally calculate minimum contributions based on the salary information you enter. But for employees in the 'PBM' worker group, we'll return a figure of zero. This is because the amount of contributions is agreed between the employer and employee. Instead, you can overwrite this with your own calculations.

Enter employee data

Pay period: Start: 15/04/2018 End: 21/04/2018
Tax basis: Net
Pay frequency Weekly

You are sending employee contributions after deducting tax.

Enter employee earnings to work out who needs to be put into the pension ?

You must include your employees' NI numbers. Without these, we won't be able to claim tax relief from HMRC for your employees if you're deducting employee contributions from their pay after tax. You'll find more information on this in our [help and support](#).

Employee	Age	Earnings (Gross)	Status	Enrolment date	Employer amount	Employee amount	Leaver
Test One More +	32	250.00	Paying Below Minimums	08/04/2018	0.00	0.00	<input type="checkbox"/>
Test Three More +	47	250.00	Paying Below Minimums	08/04/2018	0.00	0.00	<input type="checkbox"/>
Test Two More +	42	250.00	Enrolled	01/04/2018	2.68	3.22	<input type="checkbox"/>

Re-enrolment assessments

Every three years you must assess certain employees and may need to re-enrol them into the pension scheme at the auto-enrolment minimum contribution levels.

Even if your employees have asked to pay below the minimum contribution levels – these employees must be included in this assessment.

To make things easier for you, these employees will show up alongside your other employees that need to be assessed on the re-enrolment report.

[For more information on re-enrolment, please visit our website »](#)

Frequently asked questions

Can an employee who I'm about to enrol in the pension scheme choose to pay below the minimum contribution levels straight away?

By law, every employee who's assessed as needing to be auto-enrolled into the scheme must be enrolled before they're able to opt out of auto-enrolment. Non-eligible and entitled employees who ask to join the scheme can't go straight into the 'PBM' worker group. Employees assessed as eligible or non-eligible must pay the minimum contribution levels for the first pay period.

My employee wants to pay below the minimum levels, but has already opted out or left the scheme. What do I need to do?

As we can only accept an active member paying below the minimum levels, we'll need you to assess your employee and re-enrol them back into the scheme into their ordinary worker group. Once one pay period has passed, you'll be able to include them in the 'PBM' worker group and begin deducting the amount of contributions agreed going forward.

If your employee has opted out within their opt-out refund period they'll receive a refund of their contributions. If they then ask to pay less than is needed to meet the total minimum contributions, they'll need to wait until they've received a refund first.

I've just enrolled an employee who has asked to pay less, but they don't want to pay the first pay period of higher contributions – what should they do?

Any employee that has been auto-enrolled into the pension scheme must have their first pay period of contributions deducted at the higher level before they can ask their employer not to meet the minimum total contributions.

Can I offer my employees the choice to lower their pension contributions?

If you're willing to meet the total minimum contribution, your employee doesn't have to make a contribution. However, if you're paying the minimum employer contribution only, your employee must make up the difference and cannot be offered the option to pay less and leave the qualifying scheme.

My employee wants to pay less than is required to meet the minimum contribution levels – do I have to let them?

An employer can agree the employee can pay below the legal minimum contributions (but doesn't have to). It's your choice as the employer if you'd like to allow this. If you don't agree they can pay less, your employee can get in touch with us, opt-out and make contributions directly to us via Direct Debit, and they'll still benefit from tax relief on their contributions.

Do I need to agree to pay below the minimum contribution levels in writing?

Although there are no additional duties under auto-enrolment for you to confirm this in writing, we recommend you do so. This will help reduce queries on what you've agreed. If an employee advises us they didn't agree to lower their contributions, we will investigate this and may ask you to prove this was agreed with your employee.

What happens if I just lower the contributions and don't move an employee into the new worker group?

We have a legal duty to monitor contributions and part of this is making sure making sure these increase to the new minimum contributions. If we check contributions for employees not in the 'PBM' worker group and find they don't meet the legal minimums, we may report to The Pensions Regulator. This is also in breach of our scheme rules.

Can I edit the new PBM worker group?

Because the worker group settings should stay the same for any employees placed into the new worker group, you won't be able to change these through your Online Services account. If you need to change the worker group ID from 'PBM' and you're not able to do this within your payroll, please [contact us](#).

Frequently asked questions **continued**

Will you confirm to my employees the amount they've agreed to pay?

Because employers could agree to different amounts with each employee and this decision is one between the two of you, we aren't able to confirm the amount agreed. While there's no obligation for you to do so, it might be useful to write to your employee and keep a copy for your records.

I no longer want to allow my employees to pay less than the minimum contributions – what do I do?

As it's up to you if you want to allow employees to do this, you can choose to stop at any time. For employees that are already paying below the minimum levels, when and if you can withdraw this would depend on what was agreed with those employees.

My employee wants to go back into the scheme paying the full amount required under the auto-enrolment minimums – do I need to let them?

If your employee changes their mind, they can choose to later increase their contributions to meet the minimum levels required for auto-enrolment, so that The People's Pension becomes an auto-enrolment qualifying scheme for them. They'll need to give you a signed note or an email that clearly states that it comes from them personally. If they later again reduce their contributions and then want to increase them again more than once in any 12-month period, you don't have to agree to their request.

I only want to allow certain employees to pay less than the minimum contributions – am I able to do this?

As it's at your discretion to allow this, you can choose who to refuse or allow, but you should make sure that you're not discriminating against anyone by doing so.

Is it possible for my employee to receive a refund of their initial contributions within their opt-out period, but then begin paying below the minimum contribution levels?

An employee who has been auto-enrolled will still be able to receive a refund of their initial contributions if they opt out within one calendar month. But in order to pay below the minimum contribution levels, they must be an active member of the scheme.

If you want to allow your employee to pay below the minimum contributions levels, they must:

- go back into the scheme as an active member, in one of your ordinary worker groups.
- make the initial minimum contribution in the first pay period, before you re-assign them to the 'PBM' worker group.

They can then pay below the minimum contribution levels.

For people, not profit

Get in touch

→ www.thepeoplespension.co.uk

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☎ 01293 586666

Useful links

The People's Pension

You can find more information about the
increases to minimum contributions on our website »

The Pensions Regulator

The Pensions Regulator has information for employers available
on their website »



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