



Whether you are an employer or employee this legislation is going to affect you significantly over the next five years. This is **not like Stakeholder Pensions** that were designed to make low cost pensions available to all employees. This is **legislation** that forces employers to provide a scheme or face significant fines and ultimately up to 2 years imprisonment for employers avoiding the law. The HMRC will be monitoring the PAYE records of all employers for pension contributions and this will make the task of policing the new legislation easier.

### **What is AE?**

The government has introduced a new law to make it easier for people to save for their retirement. It requires all employers to enroll their workers into a qualifying workplace scheme if they are not already in one. At present, many workers fail to take up valuable pension benefits because they do not make an application to join their employer's scheme. Automatic enrolment is meant to overcome this.

### **What are the minimum levels of compulsory contributions?**

The government has set a minimum percentage that has to be contributed in total. This means your contribution, your employer's contribution and the tax relief added together. This minimum increases gradually between 2012 and October 2018.

The periods are set out below and employers should have followed this schedule:

<b>Timing</b>	<b>Minimum Total Percentage that has to go into your plan</b>
October 2012 to 5 April 2018	2% <i>(1% - employer, 0.8% employee &amp; 0.2% tax rebate)</i>
6 April 2018 to 5 April 2019	5% <i>(2% - employer, 2.4% employee &amp; 0.6% tax rebate)</i>
6 April 2019 onwards	8% <i>(3% - employer, 4% employee &amp; 1% tax rebate)</i>

Contributions to the pension scheme can exceed this minimum. Employers will be able to contribute more than the minimum if they wish; many already do. These minimum percentages do not apply to all of your salary, but on what you earn over a minimum (currently £6,240) up to a maximum limit (currently £50,000).

### **All employers should now be operating this system but new companies need to be aware of their obligations to set up a scheme.**

There are over 200 individual administration elements that have to be recorded each year for schemes. Failure to set up an appropriate scheme or to administer a new scheme correctly may give rise to Statutory Notices and ultimately fines.

More details can be found on The Pensions Regulator website;  
<http://www.thepensionsregulator.gov.uk/automatic-enrolment.aspx>