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## AUTO-ENROLMENT IS HERE – MAKE SURE YOU'RE PREPARED!



Under new rules being phased in from October 2012, employers are required to automatically enrol all eligible members of staff into a workplace pension scheme and pay a minimum contribution into the fund. The move has been described as the most radical change to workplace entitlements since the introduction of the National Minimum Wage.

This guide provides an overview of the reforms, as well as information and advice to help employers to prepare for the new regulations.

### WHY IS THIS HAPPENING?

The latest figures indicate that millions of people are not saving enough to meet their retirement aspirations, suggesting that Britain is heading for a pensions shortfall. To encourage more people to set aside money for their retirement, the Government is introducing compulsory workplace pensions for eligible workers. The measures, which were first announced by the previous Labour Government, are being phased in between 2012 and 2018, depending on the size of the business.

It is thought that around two thirds of small businesses do not currently have a pension scheme for their staff. However, the Pensions Act 2008 requires all employers to **automatically enrol eligible jobholders** into a **qualifying pension scheme**. This could, for example, be in an existing pension scheme (if it meets, or can be changed to meet, the necessary automatic enrolment criteria) or one of a number of schemes that have been established with auto-enrolment in mind.

### WHO NEEDS TO BE ENROLLED?

An employer must determine whether they employ anyone classed as a 'worker'. A worker may be:

- An employee, or
- A person who has a contract to provide work or services personally and is not undertaking the work as part of their own business.

There are three categories of workers: eligible jobholders; non-eligible jobholders; and entitled workers.

Eligible jobholders for whom automatic enrolment will be required are those who:

- Are aged between 22 years and the State Pension Age (SPA – see [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension))

- Have qualifying earnings above the earnings trigger for automatic enrolment (£10,000 in 2014/15)
- Are working or ordinarily working in the UK
- Are not already a member of a qualifying pension scheme.

These are categorised as 'eligible jobholders'. Most workers will fall into this category unless the employer already has a qualifying pension scheme.

### What constitutes qualifying earnings?

Earnings cover all of the following pay elements (gross):

- Salary
- Overtime
- Wages
- Statutory sick pay
- Commission
- Statutory maternity, paternity and adoption pay
- Bonuses

Contributions will be payable on earnings between the lower threshold of £5,772 and the higher threshold of £41,865. The earnings between these amounts are called qualifying earnings. The thresholds will be reviewed by the Government each tax year.

### Other types of workers

As well as 'eligible jobholders', employers also have certain duties to other types of workers who do not meet the criteria for automatic enrolment. Depending on their classification, these workers may have the right to 'opt in' (i.e. join a scheme).



