

## Work Place Pension Reform - Contributions

### A guide to Employers

From October 2012 all employers with one worker or more will be required by law to enrol all eligible job holders into a Work Place Pension Scheme and make contribution towards it. The scheme must be a qualifying scheme, by meeting the following government standards:

- All benefits provided by the scheme must be money purchase benefits.
- The employer must pay contributions equal to or more than 3% of the employees qualifying earnings.
- The employee must pay the shortfall between the employers contribution and 8% of their qualifying earnings.
- There must be a direct payment arrangement between employee and employer.
- The employer must be able to automatically enrol all of their eligible job holders into the scheme.

This is a first time that employers have been required by law to contribute to their workers pension.

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### Eligible job holder

Eligible job holders are UK workers aged between 22 and state pension age and earn more than the minimum earnings threshold of £7,475 in 2011/12.

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### Contribution levels and phasing

Minimum contribution levels will be phased in to help both employers and individuals adjust to the additional cost of reform. For defined contribution schemes the minimum contribution will be.

#### **From October 2012 to September 2016**

The total contribution will be 2% with a minimum of 1% coming from the employer.



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## **From October 2016 to September 2017**

The total contribution level will be 5% with a minimum of 2% coming from the employer.

## **From October 2017**

The total contribution will be 8% with a minimum of 3% coming from the employer.

The phasing in of contribution will not apply to defined benefit scheme. Automatic enrolment into final salary schemes will be delayed until after October 2012.

For example, the employer contribution can be up to 3% of £26,065 (£33,540 less £7,475) which is £780 per annum.

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## Staging

Employers will be staggered into their enrolment responsibilities between October 2012 and September 2016. Large employers will be required to auto enrol first followed by the medium sized companies and then small ones.

An employer can bring forward their automatic enrolment date and benefit from an optional 90 day waiting period to enrol staff.

