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FEATHER
PAYROLL SOLUTIONS

Employing staff: Workplace Pensions



All UK employers are required under the Pensions Act 2008 to automatically enrol their workers into a qualifying pension scheme and to contribute to that pension, if the employee is eligible

Eligibility

An eligible worker is one who:

- Is not already in a workplace pension.
- Is at least 22 years old.
- Has not yet reached state pension age.
- Earns more than the minimum earnings threshold.
- Works or ordinarily works in the UK according to their contract.

The auto-enrolment threshold is set by the Government. To check current threshold rates see the [Pensions Regulator website](#).

You must choose a qualifying auto-enrol pension scheme, which meet certain Government standards. In order to qualify, minimum contributions must be made into the scheme, or it must provide a minimum rate at which benefits will build up.

Employers can choose which scheme they wish to enrol their employees in but for those who are time poor, the default and most practical option is NEST (the National Employment Savings Trust Corporation) (www.nestpensions.org.uk). NEST was created by the Government but is independent and has a public service obligation to accept all business. It is completely portable which is ideal for anyone who may wish to change jobs.

Obligations under the Pension Act 2008 apply whether the employee is temporary or permanent if they qualify as an eligible worker. Please note that anyone employed for less than three months do not need to be enrolled by their employer automatically, although they can join of their own accord and attract employer contributions too.

Contributions

Pension contributions will be based on your employee's gross earnings, including overtime and bonuses within the qualifying earnings band. It is therefore very important to agree a gross salary with your employee.

Employees have to pay in a % of their gross salary, including tax relief, into the pension scheme whilst employers have to contribute another set %. Current rates can be found on the [Pension Regulator website](#).

These minimum percentages do not apply to your employee's entire salary but only on what they earn over the minimum, up to the maximum limit.

Obligations

When an employer has completed the automatic enrolment process, they will then have to register with the Pensions Regulator. In addition, as an employer, you have to keep records of the automatic enrolment process. If you fail to comply with your duties. The Pensions Regulator may take enforcement action and issue a notice and/or a penalty.

Opt-out

There is an option for employees to opt-out of a workplace pension and they have a month to opt out from the day they officially become a member of the scheme.

So, an employer will still have to set up a pension scheme and register before the employee can opt out. Plus, an employer will still have to keep records even if their employee(s) have opted-out. Any payments already made into the scheme will be refunded, provided the employee opts out within the first month of registration.

Employees who opt out can rejoin at any time and employers will also have a duty to automatically enroll employees back into the scheme approximately every three years provided that the employee is still eligible.

Employers will not be able to ask potential employees at interview or current employees if they plan to opt out of auto enrolment, nor will they be able to offer inducement to opt out such as higher salaries or one-off bonuses.

How can Feather Payroll Solutions help?

Our team are highly knowledgeable and can help with all your payroll and pension requirements.

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