

Workplace Pension Automatic Enrolment Update

Extension of Automatic Enrolment Bill receives Royal Assent



The new bill will see the age at which eligible workers must be automatically enrolled into a pension scheme, lowered from 22 to 18. The lower earnings limit, which currently stands at £192 a week or £833 per month, is also proposed to be removed.

This bill will see millions more employees increase their savings and start pension funding earlier.



For employers operating a Workplace Pension Scheme that uses Qualifying Band Earnings as the pensionable pay definition, the proposed removal of the lower earnings level will see contributions increase. This will equate to an additional pension contribution of £312.00 per year from employees and £187.20 from employers (assuming employees contribute 5% and employers contribute 3%).

This change will boost pension savings for employees; however, it is worth remembering that there may also be an impact to your business costs, as well as your employees' finances, especially for those that may be struggling through the cost-of-living crisis.

The government will consult on an implementation plan imminently and we will of course provide further commentary.

Key consideration for employers:



How will you meet the rising cost of pension contributions?

Implementing a Pension Salary Sacrifice arrangement is a tax efficient way of reducing the cost of your pension arrangements and adds a boost to the employee's take home pay.



Existing processes will need to change

Your payroll system will need to change to meet the new pension scheme basis. Enrolment communications and contracts of employment may also need to be updated.



Existing pension schemes may need to be reviewed and changed

Many employers have adopted the Qualifying Band Earnings definition. This may be an opportunity to review this and consider other pensionable pay definitions.



Ensure clear communication with employees

Communication with employees will be crucial, particularly in a cost-of-living crisis where employees may already be struggling financially.

How can we help?

Please contact the Corpad Employee Benefits Limited team if you have any questions relating to this update or if you would like to undertake a pension scheme review.

For further information please contact us

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