



## Automatic enrolment – an introduction

The government has introduced a new law designed to help people save more for their retirement. It requires all employers to enrol eligible workers into a workplace pension scheme if they are not already in one. Automatic enrolment started being phased in from October 2012 and will be fully rolled out by 2018.

### How are workplace pensions changing?

In an effort to encourage more people to save for their retirement, major changes are being made to the way workplace pensions operate.

Until now, it has been up to workers to decide whether they want to join a pension offered by their employer. For many people, this will change over the coming years. Employers will automatically enrol their eligible workers into a workplace pension scheme unless they decide to opt out.

Large employers are starting first followed by medium then small employers over the next few years. This means many more people will have access to a pension at work to help them save for their retirement.

### Who will be automatically enrolled?

Your employer will have to enrol you into a workplace pension if all of the following apply:

- you are not already in a suitable workplace pension scheme
- you are at least 22 years old, but under State Pension age
- you earn more than £9,440 a year (tax year 2013-14)
- you work in the UK

Automatic enrolment applies equally to full-time and part-time workers (as long as you meet the criteria listed above), and you'll also be covered if you're on a short-term contract or if you work through an agency that pays your wages. Similarly, if you're off work because you're on maternity, adoption or carers' leave, it won't prevent your employer from signing you up to their workplace pension scheme.

### When is this happening?

Automatic enrolment is being introduced in stages between 2012 and 2018. The largest employers are starting first, followed by medium and then small employers. Your employer will let you know the exact date nearer the time. They'll then send you a letter telling you whether or not you meet the eligibility criteria mentioned above. enrolled?

## Do I have any choice about being enrolled?

Your employer will be required to enrol their eligible workers, but you can opt out of their workplace pension scheme if you want. However, if you do this you'll lose out on your employer's contribution, as well as the contribution from the government in the form of tax relief.

If you want to opt out, you need to ask the people who run your scheme for an opt-out form. Complete the form and return it to your employer. If you opt out within a month of becoming a member of the scheme, any payments you made into your pension pot during this time will be refunded to you.

After the first month, you can still opt out of the scheme at any time, but any payments already made will stay in your pension pot for retirement rather than being refunded.

If you opt out, you can re-join at a later date if you want to. And your employer will be required to re-enrol you back into the scheme approximately every three years, provided you continue to meet the eligibility criteria.

## How much will I have to contribute?

If you're eligible to be automatically enrolled, your employer will let you know how much you'll need to contribute to your pension. They may tell you the sum of money that will come out of your earnings, or they may just show you the amount as a percentage of your earnings. If they only tell you the percentages, you can work out what it means for you in pounds and pence by using our workplace pension contribution calculator.

The government has set a minimum percentage that has to be contributed in total, including your contribution, your employer's contribution and tax relief. The table below shows how this minimum figure will increase gradually between October 2012 and October 2018.

### Minimum contributions

	Total contribution required	Minimum employer contribution	Worker contribution	Tax relief
October 2012 to September 2017	2%	1%	0.8%	0.2%
October 2017 to September 2018	5%	2%	2.4%	0.6%
October 2018 onwards	8%	3%	4%	1%

These minimum figures don't apply to all of your salary, but on what you earn over a minimum amount (£5,668 in the tax year 2013-14) up to a maximum limit (£41,450). So for example, for someone earning £18,000 a year, the minimum percentages apply to £12,332 (the difference between £5,668 and £18,000). Overtime and bonus payments are included in your earnings.

## Should I stay in or opt out?

For most people, staying in a workplace pension is a good idea, particularly if the employer is contributing to it. Workplace pensions are a great way to save for retirement. However, there are circumstances in which it might not make sense to stay in – for example, if you are dealing with unmanageable debt.