

# Auto-enrolment – employee factsheet



## Auto-enrolment – a great opportunity for you

You may have heard that the government has introduced new rules to encourage people to save more for their retirement. It means all employers in the UK will have to enrol

eligible workers into a suitable workplace pension scheme if they aren't already in one. We explain who eligible workers are at the end of the next page.

Your employer decides which pension scheme provider they want to use for their auto-enrolment scheme.

## Why is the government doing this?

There are two main reasons:

- The government estimates that about 7 million people aren't saving at all for their retirement or aren't saving enough.

- Life expectancy is increasing – people are living longer in retirement, so they need a larger pension fund to pay for this.

On top of this, the government may not be able to keep state pensions at their current level.

## Help from your employer, help from the government

Under the new government rules, your employer normally has to contribute to your pension plan. You'll also get tax relief on your own contributions. Here's an example of how it works:

You pay	Your tax relief	Your employer pays
£40 a month	£10	£30

So you get £80 contribution but only pay half of it.

We've based the figures in this example on monthly pensionable pay of £1,000, a 4% contribution from you, 1% from the government in tax relief, and a 3% contribution from your employer. We've assumed you're a basic rate taxpayer.

## How much will you have to pay?

Your employer will set the contribution level for your pension scheme. Remember that they'll normally have to contribute, but can ask you to pay the rest – they'll let you know what your share is.

Your contributions will depend on the employer and employee contribution levels for your scheme and what level of income tax relief you receive. Your employer will give you this information.

## You're still in control

If you're auto-enrolled, you still have the opportunity to opt out. If you do, you may be able to change your mind and opt back in – you can write to your employer if you want to do this.

If you don't re-join, your employer will normally put you back into the pension scheme approximately every three years. You'll have other chances to opt out if you want to.

## When will you have to join?

You may already be in a suitable pension scheme offered by your employer. Otherwise, the government will give each employer a date by which they must start their enrolment scheme. They're phasing this in over five years, which started

from 1 October 2012, with the larger employers going first. Your employer will let you know when they're going to set up their auto-enrolment scheme.

Of course, if your employer already provides a pension scheme and you haven't joined yet, you could speak to them about joining now.

## Who is an eligible worker?

An eligible worker is:

- Aged 22 to state pension age
- Earns more in their pay period than a minimum amount set by the government. This is based on £10,000 for the 2015/16.
- Is not currently in a scheme that meets the government's minimum contribution requirements.

The table below shows the auto-enrolment trigger amounts for different pay frequencies.

Frequency	Amount
Weekly	£192
Fortnightly	£384
Four-weekly	£768
Monthly	£833
Yearly	£10,000