

Lucas Fettes Financial Planning

Increases in minimum contributions for automatic enrolment pensions

On 6 April 2018, minimum contributions into automatic enrolment pension schemes are increasing.

If your scheme is currently set up on the minimum basis then you will need to increase your contribution rate and staff in the scheme will have to make up whatever shortfall remains of the new total minimum contribution.

The table below illustrates how the minimum contributions will increase, as well as the requirements of the employer / employee:

	Employer minimum contribution	Staff contribution*	Total minimum contribution
Until 5 th April 2018	1.00%	1.00%	2.00%
From 6 th April 2018 to 5 th April 2019	2.00%	3.00%	5.00%
From 6 th April 2019 onwards	3.00%	5.00%	8.00%

*inclusive of tax relief.

If your scheme operates on a minimum basis then you should notify your staff of these automatic changes ahead of April 2018.

Where an employer pays the same as the total minimum contribution then staff will not need to pay more, unless the scheme rules state otherwise.

If you pay more than their required minimum rate - but less than the total minimum amount - then staff only need make up the shortfall between the total minimum and your contribution.

As shown above, the contribution levels rise again in April 2019 when employers are required to pay a minimum of 3% towards the total minimum contribution of 8% - with the member of staff making up the difference.

Actions for employers

You should notify your payroll function if the rates are changing to ensure PAYE deductions and the contributions you send to your pension supplier are correct. You may also need to tell your pension supplier too about the new rates.

If you require any guidance on the phased increases, then please call 0345 357 8910 or email employeebenefits@lffp.co.uk