

A useful guide to automatic enrolment

In this second of a series of articles, we will look at;

- What are 'Qualifying Earnings?'
- What is the 'Assessment Date?'
- What does the 'Initial Assessment' entail?
- What does 'Postponement' mean and when can it be used?

What are Qualifying Earnings?

Qualifying Earnings (otherwise known as band earnings) are currently £5,668-£41,450* and are used for two purposes:

1. Assessment – to determine worker category/eligibility
2. Definition of pensionable earnings for a Qualifying Workplace Pension Scheme.

*2013-14 tax year figures. Reviewed annually by the Secretary of State.

Qualifying Earnings are defined as earnings made up of any of the following components of pay that are due to be paid to the worker: salary, wages, commission, bonuses, overtime, Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay.

If Qualifying Earnings are used for pension scheme rules, only Qualifying Earnings between £5,668 and £41,450 will be used for calculations.

What is the Assessment Date?

Either:

- The employers staging date for any existing workers
- The first day of employment for any new joiner after staging date
- The birthday of someone turning 22 years old or
- The first day of the pay reference period for any other worker assessed after the employer's staging date
- If postponement has been used, the last day of the postponement period.

The total Qualifying Earnings paid in the pay reference period in which the assessment day falls needs to be assessed.

The pay reference period is the period of time by reference to which the employer pays the worker their regular wage or salary. E.g. workers paid weekly will have a pay reference of one week.

Eligible Jobholder's will need to be auto-enrolled within four weeks (the joining window**) unless using postponement.

Scheme membership will be dated and contributions calculated from the assessment date.

***From April 1 2014 the joining window for auto-enrolment, re-enrolment and enrolment following an opt-in will be extended from one month to six weeks;*

The DWP has recognised that the current one-month window can prove difficult for employers with workers on fluctuating earnings or on zero-hours contracts.

While the extension to the joining window is welcome, the DWP is clear in its consultation response document that it expects employers to enrol workers in advance of the six-week deadline.

What does the 'Initial Assessment' entail?

A review of the likely make up of the workforce on their staging date, assessing who is an eligible jobholder, non-eligible jobholder or entitled worker.

This Initial Assessment is usually carried out on the latest payroll data produced before the Staging Date.

What does Postponement mean and when can it be used?

Using Postponement does not postpone the staging date. It does, however, suspend the duty of assessment and automatic enrolment.

It can be used:

1. At the employer's staging date for any existing workers
2. The first day of employment for any new joiner after the staging date
3. The date a worker meets the criteria to be an eligible jobholder after the employer's staging date.

The postponement period (otherwise known as a waiting period) can vary by individual and can be from one day up to three months. Only one postponement can be used at a given time per worker. The postponement periods cannot overlap or link two postponement periods.

Postponement can be used to avoid part-period calculations (e.g. joiners part way through pay reference period). If not, the employer will need to ensure that payroll can calculate pension contributions based on part period earnings.

A postponement period can also be used to avoid having to assess seasonal workers, or those with one-off spikes in earnings.

The employer must assess on the last day of the postponement period, which is known as the deferral date and then:

- Automatically enrol eligible jobholders: or
- If not eligible at that point, monitor each future pay reference period.

The Postponement notice has to be issued to the employees within one month of the day after the date the employer wants to use postponement and must tell the worker:

- That auto-enrolment has been postponed
- The deferral date
- The employee has the right to opt in or join before the deferral date
- If they meet the eligible jobholder criteria on the deferral date they will be automatically into the scheme.

If the employer fails to issue the Postponement notice in time then postponement cannot be applied.

There are different types of Postponement notice employers can issue. A general notice can be used where workers have not been assessed. It tells workers what will happen on the deferral date depending on the type of worker they are. A tailored notice can be used where workers have been assessed. It gives information that is specific to the type of worker and explains what will happen on the deferral date.

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