

## Are you ready for the 200% pension contribution increase?

### Employer's rate minimum:

- Originally at 1%
- April 2018: increased to 2%
- April 2019: increased to 3%

On the introduction of auto enrolment, the industry experienced upheaval and changes. No one knew what the outcome would be with regards to take up of pensions and employee opt-out rates.

By 2020, it is estimated that one in nine, or 3.2 million people, will be earning the National Minimum Wage (NMW).<sup>\*</sup> Many employees may have already started to opt-out of the auto enrolment due to the increase of employee contributions to 3%.

It is our estimation that with the further increase of employee contribution by 60%, will see a much higher opt-out rate. This bringing increased complexities, administration and the correct categorisation of refunds.

### Employee contributions:

- Originally at 1%
- April 2018: increase to 3%
- April 2019: increased to 5%

Further changes are proposed by the government to extend the scope of pension savings to younger ages and more inclusive earnings in addition to the current banded thresholds. Pension AE legislation is complex and may become even more complex. Hence why it is essential for employers to have automated processes that ensure continued compliance.



Some employers also operate salary sacrifice arrangements to in relation to their workplace pension to ensure that employees (and the employer) benefit from various forms of tax planning and enjoy saving in National Insurance Contributions. Although OpRA (Optional Remuneration Arrangement) law has reduced the benefit of salary sacrifice schemes, the changes do not impact Pensions.

Tax Relief arrangements are complex. Currently the government operates two type. The Net Pay Arrangements (NPA) sees pension deductions taken from gross pay with tax being applied to the resulting net amount. Very confusing use of terminology. Relief At Source (RAS) schemes assume that everyone pay tax at 20% regardless. Employers need to consider their chosen plan options to ensure that employees are benefited appropriately. Here as SD Worx, the pay solution can handle either type of tax relief arrangement as well as offering options for salary sacrifice pensions.

*<sup>\*</sup>Office of National Statistics*

## Remain compliant with complex pensions legislations

Whether you are a small or a large organisation dealing with the compliance of automatic enrolment, re-enrolment or on-going pension duties, SD Worx are here to support you with our award-winning Pension Solution.

## Pension automatic enrolment and automatic re-enrolment: Are you getting it right?

### Ever changing legislation

Recent commentary on pension has shown that many employers are not getting it right. With powers given to The Pension Regulator (TPR), employers face potential legal action. The SD Worx auto-enrolment pension solutions ensure that the statutory decisions are correct based on the employee data provided and aid an employer in remaining compliant with assessment, enrolment, ongoing contributions, opt-out, opt-in, exclusions, re-enrolment and other complex duties that fall on employers shoulders.

## Understanding employers' duties

### Automatic Enrolment

All UK employers are required to enrol qualifying staff into a pension scheme and make contributions. The process of compliance is complex to understand, however, SD Worx Auto Enrolment Essentials Solution handles the complexities automatically, minimising errors and remaining compliant.

### Automatic Re-enrolment

Re-enrolment is the process by which on the third anniversary of your staging date, employers have a duty to re-enrol workers who are not a member of a pension scheme back into pensions saving, i.e. those who have chosen to opt-out or ceased membership.

## Choose a service that will integrate easily with your payroll processes

SD Worx can support the implementation of automatic enrolment into your workplace with no disruption to your existing payroll processing.

To ensure compliance with the complex automatic enrolment legislations, we work closely with the Pensions Regulator to develop our software, and maintain the underlying cloud technology so you have no in-house IT installation or maintenance to worry about. All legislation updates are tested and released – you don't have to worry about making changes, these are done automatically, meaning you'll always be on the latest version of our software.

Our Pension Solution automatically identifies and enrolls relevant employees into the chosen pension scheme, reducing administration effort with little manual interventions required. It allows employers to easily exchange employee data between payroll and the chosen pension provider.

Our data is stored securely and backed up with disaster recovery plans in place, whatever happens, your payroll and pensions are in safe hands.

**Get in touch with us to see  
how we can help**

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