



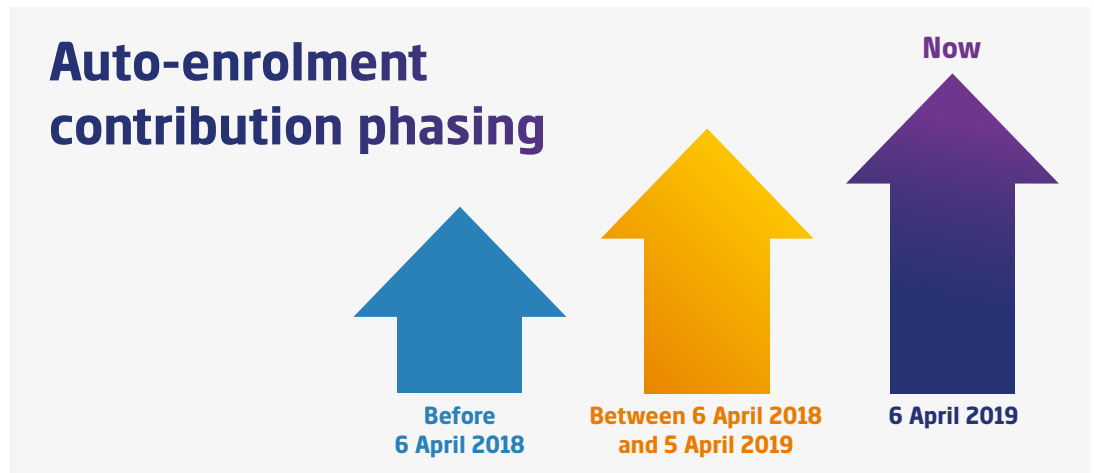
Auto-enrolment contribution phasing

An employer guide

1. An introduction to contribution phasing

When auto-enrolment was introduced in 2012, the Government set minimum contributions that would be increased over time to help employees save more for retirement. This process is generally known as contribution phasing.

By law, new minimum contribution levels for auto-enrolment increased on 6 April 2019.



The increase in April 2019 was mandatory but it shouldn't stop there. You and your employees should always be thinking about whether the contributions being made are enough for the retirement outcomes that your employees want. However keep in mind, their plan is an investment that can go down as well as up in value and could be worth less than was paid in.

It's important that you understand the minimum amounts you need to contribute. This will vary depending on the type of scheme, the rules of that scheme and the definition of pensionable pay used. There is a choice between four pensionable pay options.

Employers need to ensure that their contribution structures meet these minimums, they may already but if not then they will have to make relevant changes to ensure it is in line with legislation.

Date Effective	Qualifying Band Earnings or Own definition (at least equal to basic pay and 85% total pay)			Basic Pay			Total Pay		
	Employer	Employee	Total Minimum	Employer	Employee	Total Minimum	Employer	Employee	Total Minimum
6 Apr 2018 – 5 Apr 2019	2%	3%	5%	3%	3%	6%	2%	3%	5%
Now 6 April 2019	3%	5%	8%	4%	5%	9%	3%	4%	7%

Standard Life is communicating with employers and trustees who have a qualifying workplace pension scheme (QWPS) with us.

We encourage you to focus your efforts, energy and resources on the opportunities generated by this change. Efficient planning, effective communications and the right support can mean opt out rates are minimised and employee engagement increases.

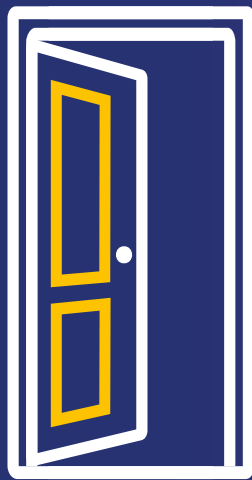
Remember...

The Pensions Regulator has the powers to fine any organisation that doesn't comply with their auto-enrolment duties on time.

More than

9,500,000¹

employees have joined a workplace pension



9%³

average opt-out rates

The annual total amount saved by eligible savers in 2017 has increased by approximately

£4.3¹
billion
compared to 2016

About **84%**⁴ of eligible UK employees are now in a workplace pension scheme



1 The Pensions Regulator, Automatic enrolment Commentary and analysis: April 2017-March 2018

2 The Pensions Regulator, Automatic enrolment Declaration of compliance report July 2012 – end February 2019

3 Department for Work and Pensions: Automatic Enrolment Review 2017: Analytical Report

4 Department for Work and Pensions: Workplace Pension Participation and Savings Trends of Eligible Employees Official Statistics: 2007 to 2017



More than

1,462,794²

employers have completed their declaration of compliance

2. Communicating to employees

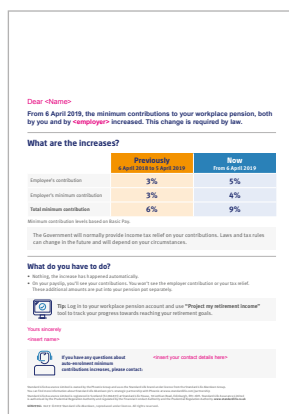
At Standard Life we believe that contribution phasing is an opportunity to help employees take the right next step for their retirement and ensure they value the money you are paying into their pension.

Decide on a communication strategy

You should decide what you want to communicate to your employees and when. There is no legal requirement to do this, but we believe it's good practice and something you may want to consider doing.

Prepare communication materials

We have produced some letter templates that are available on standardlifeworkplace.co.uk/phasing that you can use to prepare the letters or emails to your employees. These letters have been extensively tested to ensure the messages are clear and land positively with employees.



Your pension websites and any member communication have now been updated to reflect contribution levels from 6 April 2019.

Engage employees with their pension

We believe that re-engaging employees is key to help them plan for the future. Putting communication plans in place to boost awareness and drive more engagement can help drive positive behaviours.

To help with this, we've created a suite of ready-to-go engagement campaign material that you may want to use around the workplace. These can be co-branded with your logo and are available in the 'For employees' section on our [workplace site](#).

New employees are impacted too

Contribution phasing impacts you, your existing employees and new employees too.

New employees need to be joined to your QWPS with a contribution rate that meets the minimum requirements in place at the time. If you issue communications that contain contribution structure details, these will need to be updated too. Statutory opt out rules apply.

3. Picking the right date

The new contributions levels became law on 6 April 2019.

Align with usual payroll dates

Applying the increase from the start of a pay period means that you won't have to calculate payments based on different levels. The change could be made from the first day of the pay period. For example, you could apply the change on the first of the month if you use calendar month periods, or if you use weekly pay periods.

4. Deciding on the new contribution structure

If you have not applied these new minimum levels by 6 April 2019 then you will not remain a qualifying scheme.

Understand the structure

There are four pensionable pay options and the minimums are different for each pay basis.

Date Effective	Qualifying Band Earnings or Own definition (at least equal to basic pay and 85% total pay)			Basic Pay			Total Pay		
	Employer	Employee	Total Minimum	Employer	Employee	Total Minimum	Employer	Employee	Total Minimum
6 Apr 2018 – 5 Apr 2019	2%	3%	5%	3%	3%	6%	2%	3%	5%
Now 6 April 2019	3%	5%	8%	4%	5%	9%	3%	4%	7%

You need to check that your current contribution structure meets at least the total minimums for 2019. If not you will need to increase payments for qualifying members of the scheme.

Decide on the employer/employee split

You must pay at least the minimum employer amount shown in the table above. However you may want to pay all or some the employee's contribution increase too.

Decide whether to pay more than the minimums

Employees are becoming increasingly aware of what their employers are contributing to their pension. A recent survey suggested that over 2/3 of people consider employer pension contributions as important when looking for a new job*. For employers who operate in a competitive job market, having a quality pension scheme is likely to be a key factor in a prospective employee's decision to accept a job offer.

You may also want to discuss the benefits of a matching structure arrangement. This may be something that you're willing to consider and it's likely to have a positive impact on your employees' outcomes with only a little additional cost to your business.

Recertify the scheme

If you are using a pensionable pay definition other than qualifying band earnings, you will need to certify, or recertify, your scheme. The Department of Work and Pensions have produced a step by step **guide** to support this.

Remember, the increase needs to apply to all employees who are in the scheme on a qualifying basis, but not everyone is going to be impacted by it in the same way. Putting plans in place for people who may need or want to be exempt from these changes should make life easier for you and your employees.

For example, if you have employees who are at risk of exceeding the Lifetime Allowance they should decide in advance how to manage this. It's important to consider if you are willing to provide an alternative form of remuneration for these employees or if you'll accept reduced contributions and allow those employees to remain in the scheme on a non-qualifying basis.

*<https://www.employeebenefits.co.uk/issues/october-online-2017/83-value-employer-contributions-workplace-pension/>

5. Getting the right process and data in place

Some of the process may be complex so you will need to understand the impact on existing processes and data.

Engage with payroll

You should speak to your payroll provider to understand their processes for contribution phasing and what support they can provide. Each payroll provider will decide on their own approach so you should speak to your provider as soon as possible to understand that actions are required.

Don't assume the payroll software or service increased automatically, it will have the capability for applying any revised contribution rates but it is your responsibility to formally set and notify payroll.

Remember, it's your responsibility to make sure you're using a qualifying scheme for auto-enrolment, and that the right amount of pension contributions are deducted. The Pensions Regulator requires pension providers to monitor pension scheme contributions to ensure the correct amounts are paid in a timely manner. This monitoring has been extended to include ensuring contribution phasing increases are applied. If payments or phasing are applied late employers could be reported to the Regulator and that could lead to enforcement actions and/or fines for the employer.

Update your schedules

Standard Life is not making any changes to its payment processes for contribution phasing. You should continue to use the same payment schedule and submit any changes to it as normal.

If your scheme is any of these mentioned below, you need to take additional steps. For example:

- Fixed contribution schemes – where Standard Life manages the collection of these contributions through traditional direct debit. You will need to carry out an ad-hoc renewal process which involves submitting a file on Group Pension Zone. We have produced a **separate guide** that will help you with this process.
- Master trust schemes – if the contribution basis is changing, you will need to tell us so we can update the legal documentation and issue it back to you to sign. Special Rules and Member Summary documents must reflect the current contribution structure. We will send you a form to complete if you are one of these schemes.
- Older style contracts – you will also need to carry out an ad-hoc renewal process on Group Pension Zone. This will ensure that employees' illustrations reflect the most accurate, up to date information. We have produced a **separate guide** that will help you with this process.

Our communications will be clear about the actions you need to take.

It may be worth considering salary exchange (also known as salary sacrifice) as it can be a great way to off-set the additional costs for both the employer and employee.

6. Further support

Reviewing your contribution levels and auto-enrolment strategy should not be a one-off event. An effective workplace pension should have at its heart a clear strategy for getting contribution levels up to an amount that will give a realistic chance of a good outcome for employees.

You may want to speak to your adviser about the contribution increases however, there is likely to be a charge for any advice you receive.



Standard Life Assurance Limited is owned by the Phoenix Group and uses the Standard Life brand under licence from the Standard Life Aberdeen Group. You can find more information about Standard Life Aberdeen plc's strategic partnership with Phoenix at www.standardlife.com/partnership

Standard Life Assurance Limited is registered in Scotland (SC286833) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

Standard Life Assurance Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. www.standardlife.co.uk

GEN3023 0419 © 2019 Standard Life Aberdeen, reproduced under licence. All rights reserved.