



AUTO-ENROLMENT CONTRIBUTIONS INCREASE

Tier 4 - Qualifying earnings (Earnings between £6,240 and £50,000 for 2020/2021 tax year)

What's happening?

Auto-enrolment has been widely seen as a great success in its first 6 years, with over 9.5 million people having been enrolled into a workplace pension so far. Since April 2012 employees have been paying the first phase of contribution rates, however minimum contribution levels need topping up for people to enjoy a more comfortable retirement. From 6th April 2019, the total minimum contribution is going up. This means the total minimum amount your employer pays into your pension pot, and the amount of money the Government puts in (known as tax relief) based on your part of the total minimum contribution will be increasing.

What about your contributions?

The amount you need to pay in may be going up too. You have to make up the difference between what your employer pays in and the total minimum contribution. Your employer uses a Tier 4 contribution basis and the revised contribution levels can be seen in the table below.

Tier 4 - Qualifying earnings (Earnings between £6,240 and £50,000 for 2020/21 tax year) (£ figures based on a £25,000 salary)

Contribution phase	Employer Contribution		Employee Contribution		Total Contribution	
	Minimum %	Minimum £	Minimum %	Minimum £	Minimum %	Minimum £
Before 5 April 2018	1%	£15.72	1%	£15.72	2%	£31.44
6 April 2018 to 5 April 2019	2%	£31.44	3%	£47.16	5%	£78.60
6 April 2019 onwards	3%	£47.16	5%	£78.60	8%	£125.76

What happens next?

You won't need to do anything - your company payroll will make the changes for you. The good news is that the increase in contributions will mean you have more money put aside in your pension pot ready for your retirement. However if you stop your contributions or reduce them below the statutory minimum you'll lose this extra money. Being in your workplace pension and contributing the minimum is a great start, however it's likely that you'll need to contribute more than the minimum to have adequate retirement income. If you can afford to do so it is always worth contributing more to your pension.

