

Parish Guide to Recruitment & Employment

Section 5 **Pensions**

Guide to Auto Enrolment & Workplace Pensions

Updated 28 October 2025

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INTRODUCTION

Automatic enrolment - workplace pensions duties

Under the Pensions Act 2008, Workplace Pensions Law, every employer in the UK must put certain staff into a workplace pension scheme and contribute towards it. This is called '**automatic enrolment**'. If you employ at least one person you are an employer and you have automatic enrolment duties that you must comply with. If you fail to comply with your duties, the Pensions Regulator may take enforcement action and issue a notice and/or a penalty.

REGISTRATION/DECLARATION

The Pensions Regulator requires all employers to complete an online registration/declaration. To get started you will need to choose the relevant online checklist and have your letter code and PAYE reference ready.

You can find a **registration checklist** using the following link:

<http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-online-registration-checklist.pdf>

You can begin registration by going to www.autoenrol.tpr.gov.uk

AUTO ENROLMENT DUTIES

Your duties

It is important that you understand what to do and by when, so you can meet your automatic enrolment duties on time. What you need to do next will depend on whether you are about to start your automatic enrolment duties for the first time or coming back for re-enrolment.

If starting your auto enrolment duties you will need to involve other key people, such as the person who runs payroll, your administrator, accountant etc., as they will be carrying out some of the day-to-day activities once automatic enrolment is up and running.

You will need to make sure your payroll software will support automatic enrolment. Many of the functions necessary for handling the specific requirements will need to be automated, such as:

- deducting and paying contributions to the scheme;
- monitoring the ages and earnings of your staff; and
- handling requests to join the pension scheme from members of staff; who haven't been automatically enrolled.

Your existing payroll software may be able to support these requirements, or your pension provider may even do this for you. Alternatively, these tasks will need to be conducted manually. If this is the case, extra care should be taken to ensure compliance of auto enrolment regulations on a monthly basis.

Starting your automatic enrolment for the first time

You will need to start auto enrolment if:

- you employ at least one person now;
- you're thinking of employing someone; or
- your current member of staff doesn't earn enough to pay tax or National Insurance.

If you are starting auto enrolment for the first time use the **online tool** on the Pensions Regulator website to work out what you need to do and by when and to find out about your ongoing duties and responsibilities.

<https://www.thepensionsregulator.gov.uk/en/employers/new-employers>

'Duties start date'

Your legal duties begin on the day your member of staff starts work. This is known as your 'duties start date'. Even if you think you won't need to put your staff into a scheme, you will still have duties.

There are tasks that you will need to carry out straight away to meet your duties on time.

Your ongoing duties in more detail:

- **Monitor the ages and earnings of your staff**

You must monitor the ages of your staff and the amount you pay them (including new starters) to see if you need to put any of them into a pension scheme. You must put them into a pension scheme and you must both pay into it and write to them **within six weeks** from the day they meet the age and earnings criteria.

If you have any staff who are:

- aged between 22 up to state pension age*; and
- earn over £10,000 per year, or £833 per month or, £192 per week

*If you are unsure what the state pension age is you can use the **State Pension Calculator** to find out.

<https://www.gov.uk/state-pension-age>

- **Maintain contributions**

Once you have set up a pension scheme and put your eligible staff into it, your legal duties do not end there. You must **continue to make the payments** that are due into the scheme every time you run payroll.

The Pensions Regulator monitors the contributions that are paid into workplace pensions and can tell if payments that are due are not being made into your staff's automatic enrolment scheme. They will take action if you fail to comply with your ongoing legal duties, and you may need to backdate any missed payments.

For automatic enrolment there are minimum contributions you must pay to comply with your duties. These are a percentage of earnings and are currently a total contribution of 8% with at least 3% employer contribution.

Please see the Minimum Contribution Table: Funding and Contributions.

- **Manage requests to join or leave your scheme**

If any of your staff who can ask to join your scheme, write to you asking to do so, you must put them into it within a month of receiving their request.

You will have to pay into the pension scheme if they are:

- aged 16-74
- **and** earn at least £520 a month or £120 per week.

To find out how much you will need to pay you should ask your pension scheme provider.

Any of your staff can choose to leave your pension scheme after being put into one. If they do ask to leave within one month of being put into a scheme, this is known as '**opting out**'. Many pension providers will manage the opt out process on your behalf. You should speak to your provider if unsure. If any of your staff opt out, you need to stop taking money out of their pay and arrange a full refund of what has been paid to date. This must happen within one month of their request.

RE-ENROLMENT AND RE-DECLARATION

Every three years you must put certain staff who have left your pension scheme back into it. This is called **re-enrolment**.

Whether you have staff to put back into your scheme or not, you must complete a '**re-declaration of compliance**' to tell us how you have met your duties. Remember, re-enrolment and re-declaration are your legal duties and, if you do not act you could be fined.

WARNINGS, NOTICES AND PAYMENT OF FINES

There are certain legal duties that must be met for automatic enrolment. You, the employer, are responsible for meeting them, and if you do not comply you may face enforcement action, including compliance notices, and penalty notices (fines).

RECORD KEEPING

Records you should keep include:

- staff gross earnings; and
- staff and employer pension scheme contributions due to be paid (and, if different, the actual amounts paid)

You must keep records of how you have met your legal duties, including:

- the names and addresses of those you have put into a pension scheme;
- records that show when money was paid into the pension scheme;
- any requests to join or leave your pension scheme; and
- your pension scheme reference or registry number.

You must **keep these records for six years** except for requests to leave the pension scheme, which must be kept for four years.

Keeping payment information and records

Incorrect or out-of-date information is the main cause of payment failure and disputes between an employer and their scheme provider or trustees.

You must keep information and records about what contributions you pay, as this will help you ensure the correct contributions are paid and provide evidence if there is a dispute.

You need to keep information on contributions and membership up to date and communicate any changes to your pension scheme provider or trustees.

PENSION SCHEMES

Choose a pension scheme

- **If you do not have a pension scheme**

If you have any staff who are eligible for automatic enrolment, you will need to put a pension scheme in place and enrol them into it. You will need to choose an automatic enrolment scheme that will provide a good outcome for your staff.

The Church of England Pensions Board introduced a scheme called **Pension Builder 2014** from April 2014. This scheme is specially designed to meet the automatic enrolment rules. Any employer whose work is associated with the Church of England can use this scheme. Pension Builder 2014 is a Cash Balance scheme and has a different contribution structure.

For information on the Pension Builder 2014 scheme:

<https://www.churchofengland.org/about-us/structure/cepb/pensions/employer-section/cwpf-employer-section/pension-builder-2014.aspx>

The Government has set up a pension scheme called the **National Employment Savings Trust (NEST)** to accept all employers wishing to use the scheme for automatic enrolment. This is one option; there are other providers available.

If you do have a pension scheme

You may already have a pension scheme for some or all of your staff. You will need to contact your pension provider to check that the scheme can be used for auto enrolment. If it cannot you will need to find an alternative scheme or provider.

Questions you should ask about the legal requirements include:

- Does the scheme allow at least the minimum contribution levels?
- Does the scheme allow staff to join it without providing any information? (i.e. only the employer will supply joiner information)
- Does the scheme allow staff to join it without making any choices, e.g. about where their money is invested? (A default fund)

Costs to consider:

Costs will include: contributions; scheme management fees; day-to-day running of the scheme; and any independent financial advice you may take.

FUNDING AND CONTRIBUTIONS

The amount you must contribute to the pension scheme is determined by the scheme's rules. However, if you are using the scheme for automatic enrolment there are **minimum contributions** you must pay.

The minimum contributions that you must pay into your staff's pension scheme are shown in the minimum contribution table below.

You will usually pay pension scheme contributions either as a fixed amount or based on a percentage of earnings.

Minimum Contribution Table

Date	Employer Minimum Contribution	Total Minimum Contribution
From 6 April 2019	3%	8% (including 5% staff contribution)

- **Your minimum employer contribution**

Pension contributions are usually expressed as a fixed sum or a percentage of earnings. If they are expressed as a percentage, you will need to confirm salaries with your pension provider/trustees, as necessary.

You also need to decide what elements of staff pay are used to calculate pension contributions, subject to any overriding legislative requirements, such as in relation to automatic enrolment. You may decide that only basic pay is pensionable but not bonus or overtime payments. Let your pension scheme know what you decide.

- **Automated payroll**

If your system is automated, your payroll system or provider needs to calculate contributions and make the correct deductions from staff pay. You should also make sure your payroll system is compatible with the chosen pension scheme. If you are unsure, check your payroll software or contact your payroll provider.

Remember, you need to tell payroll what rate of contribution is due and what earnings rate to use in order to calculate contributions.

- **When you must pay your contributions**

You need to pay your contributions to your staff pension scheme on time. This includes calculating and deducting contributions from your staff's salaries. You

must agree the due dates for paying contributions to the scheme with your trustee or provider.

However, the law requires that when you deduct contributions from your staff's pay you must pay these to your staff pension scheme no later than the 22nd day (19th if you pay by cheque) of the next month.

There are special rules for the first deduction of contributions on automatic enrolment under the Pensions Act 2008. You risk being fined if you do not pay on time.

You may agree an earlier date to pay your employer contributions with your trustees or administrators. However, it is easier if you pay your contributions on the same day as your staff contributions.

- **Defined benefit funding**

If you run a defined benefit (DB) scheme, you need to be aware that most schemes providing any defined benefits need to meet a statutory funding objective, which assesses the required levels of funding for a scheme.

As an employer, you will need to work closely with trustees to ensure that your scheme meets these funding requirements.

In particular, you will have to agree with the trustees:

- a statement of funding principles; and
- a schedule of contributions consistent with these principles.

Where the statutory funding objective is not met, you have to agree on a recovery plan setting out the steps that will be taken to put things right.

There are limits to the amount which can be held in a pension fund and the amount that can be contributed to it each year for a member without the imposition of certain tax charges.

If you are unsure what to pay and when, contact your pension scheme provider or trustees, or go to 'understanding the annual allowance for pension schemes' on **HM Revenue and Customs website**. <https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

FURTHER INFORMATION AND GUIDANCE:

The Essential Guide to Automatic Enrolment:

<https://thepensionsregulator.gov.uk>

Detailed Guidance for Employer on providing information to your staff:

<http://www.thepensionsregulator.gov.uk/docs/resource-info-to-workers.pdf>

Writing to staff about Automatic enrolment – Template letters

<http://www.thepensionsregulator.gov.uk/employers/writing-to-staff-about-automatic-enrolment.aspx>

National Employment Savings Trust (NEST)

www.nestpensions.org.uk

Funding your defined benefit scheme

<https://www.thepensionsregulator.gov.uk/en/employers/managing-a-scheme/db-scheme-funding-and-costs/funding-your-db-scheme>

Record-keeping duties for employers

<https://www.thepensionsregulator.gov.uk/en/employers/managing-a-scheme/record-keeping-employer-duties>

Support and guidance for staff guide for staff who are thinking of leaving their pension scheme

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/building-your-workplace-pension-scheme>