

A New Tax Year Brings New Pension Contribution Changes.

Today, minimum workplace pension contributions have risen to 5% after being at 2% of qualifying earnings since the inception of the government policy in 2012.

Employers now have a duty to contribute a minimum of 2%, and employees will make up the further 3% to reach 5%.

However, if an employer chooses to contribute more, for example, 3%, the employee will only have to contribute 2% to bring them up to the threshold.

In April 2019, minimum contributions are set to rise again to a minimum of 8%.

Here are five key facts about the policy that changed the face of pensions:

1. Today's increase makes the average earner £36,000 better off

Research carried out by Aviva found those earning the UK average annual salary of £26,572 will be £36,000 better off in retirement if they began saving when automatic enrolment began, more than doubling their pot size from £30,000 to £66,000 <<https://www.professionaladviser.com/professional-adviser/news/3029086/aprils-ae-changes-to-grow-average-retirement-pot-by-gbp36-000-aviva>>.

2. Automatic enrolment has reached the millions

Latest figures from The Pensions Regulator (TPR) have shown that more than one million employers have enrolled staff into a workplace pension <<https://www.professionaladviser.com/professional-adviser/news/3026532/auto-enrolment-hits-huge-milestone-of-1-million-employers>> - 1,110,865, to be precise - meaning 9,431,000 employees are now paying into a pension as a result of the policy.

3. Millions of pounds have been issued in fines

Since the inception of AE, TPR has handed out nearly £13m in fixed penalty notice fines alone. A fixed penalty notice is first fine the regulator can hand out to a firm that is failing to comply with its AE duties.

Before the fine is issued, TPR will contact the firm numerous times via letters and email before sending them a compliance notice. If they fail to respond, a £400 fine will be issued. So far, TPR has issued £12,884,400 in these smaller fines alone.

If a firm then fails to pay the £400 and comply, an escalating penalty notice can be issued and the firm can be fined anywhere between £50 and £10,000 per day, depending on its size.

4. TPR has taken 233 non-compliant firms to court

Since 2012, TPR has taken a variety of firms of all sizes across the UK to court, including Cromwell Care Home, that had to pay a fine of £52,500; Aberdeen-based cleaning service R and B Services, that had a fine of £52,500; and Air India, that had to pay £24,500.

5. Of those court cases, there has been just one guilty plea

Oldham-based Stotts Tours bus company had a staging date of June 2015. Despite receiving letters and emails about their AE duties from TPR, they failed to meet their declaration of compliance. The firm eventually racked up a fine of £14,000 and, following an inspection in November 2016, TPR brought a criminal case against the firm.

Managing director Alan Stott pleaded guilty to 16 offences of wilful non-compliance of AE duties. On 7 February this year, the judge ordered the company to pay a £27,000 fine, £7,400 and a £120 victim surcharge. Stott was ordered to pay a £4,455 fine and a £120 victim surge, all in addition to the £14,000 in civil fines that Stott Tours already owed for failing to comply with the law on AE.