

# A Guide to Auto-Enrolment for Employees

Understanding your workplace pension, how contributions work, and why staying enrolled could be one of the most important financial decisions you make.

This guide contains 14 pages and will take approximately 12 minutes to read



# Inside This Guide

Everything you need to know about auto-enrolment, from eligibility and contributions to tax relief and your next steps.

## Contents

### Page 3

What Is Auto-Enrolment?

### Page 4

Are You Eligible?

### Page 5

Auto-Enrolment in Numbers

### Page 6

How Your Contributions Work

### Page 7

Understanding Tax Relief

### Page 8

Opting Out and Opting Back In

### Page 9

A Real Example

### Page 10

Is the Minimum Enough?

### Page 11

Common Questions Answered

### Page 12

Your Next Steps

### Page 13

Your Future Starts Today

## What Is Auto-Enrolment?

Auto-enrolment is a government scheme that requires employers to automatically enrol eligible employees into a workplace pension scheme. The scheme is designed to help employees save for their retirement, and it is a legal requirement for employers to comply with it. The scheme is managed by the Pension Protection Fund (PPF) and is subject to strict regulations. The scheme is designed to be a long-term investment, and it is intended to provide a steady stream of income for employees in their retirement years.

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# Are You Eligible?

## Eligible Jobholders

You will be automatically enrolled into your employer's workplace pension if you meet all three of the following conditions: you are aged between 22 and State Pension age, you earn more than £10,000 per year for the job you're employed on, and you work in the UK. If you meet all three, your employer is legally required to enroll you and begin making contributions.

## Non-Eligible and Entitled Workers

If you earn between £10,000 and £10,000 per year, you are treated as a non-eligible jobholder. You will not be automatically enrolled, but you have the right to opt in, and your employer must contribute if you do. If you earn below £10,000, you are an entitled worker and can opt to join the pension, although your employer is not required to contribute.

### *Did you know?*

If you have more than one job, your employer should tell you whether you're eligible, non-eligible or entitled. You can opt in to any pension you're eligible for, and you can opt out of any pension you're not eligible for.

# Auto-Enrolment in Numbers

Since its introduction, auto-enrolment has dramatically changed the savings landscape across the UK. Things have changed a lot since 2012.

**11m+**

Workers auto-enrolled since 2012

**89%**

Eligible employees now enrolled

**~9%**

Opt-out rate across all employers

## How the 8% Minimum Contribution Breaks Down

Based on qualifying earnings (2025/26 tax year)

**Total minimum contribution: 8%**



■ Your contribution (4%)   ■ Tax relief (1%)   ■ Employer (3%)

It's possible for every £10 you contribute from your pay, the government adds £1 to the total and your employer adds £3. That means £14 goes into your pension for every £10 that leaves your pay.

# How Your Contributions Work

## Qualifying Earnings

Contributions are calculated on your qualifying earnings, which is the portion of your salary that is subject to income tax. Qualifying earnings include your basic salary, bonus, commission, overtime pay, and any other payments that are subject to income tax. However, earnings below the lower threshold of £12,570 per year are not included in the calculation. For example, if you earn £25,000 per year, your qualifying earnings are £12,570.

## How Deductions Appear on Your Payslip

When your employer deducts contributions from your salary, you will see a net pay of £50,270 on your payslip. This is because your gross salary is £56,510, and the employer deducts your contributions of £6,240. The net pay is the amount you receive after all deductions, including your contributions, have been made.

## Salary Sacrifice and Extra Contributions

Some employees offer salary sacrifice arrangements, where you agree to a lower gross salary in exchange for higher employer pension contributions. Salary sacrifice arrangements allow you to contribute more than the standard 8% and extra contributions beyond that are made to you to replace your salary.

## Key Figures 2025/26

**£6,240**

**£50,270**

**8%**

**5%**

# Understanding Tax Relief

## How Tax Relief Works

When you contribute to a workplace pension, the government gives you tax relief. This effectively means that some of the money that would have gone to HMRC is instead put into your pension instead. For a basic rate taxpayer, the extra 20% you contribute to your pension is topped up to 25%. This happens automatically through your workplace pension scheme.

## Higher and Additional Rate Taxpayers

If you pay income tax at the higher rate (40%) or additional rate (45%), you are entitled to further tax relief beyond the basic rate. However, this extra relief is not added automatically. You will need to claim it through your self-assessment tax return or by contacting HMRC. The extra tax relief contribution made effectively costs a higher rate taxpayer just 20%.

### Tax Relief in Practice (Basic Rate)

Your contribution from pay **£80**

Basic-rate tax relief (20%) **+ £20**

**Total added to your pension £100**

Example: You contribute £80 to your pension. The government adds £20 in tax relief. The total added to your pension is £100.

Combined with employer's contributions, the total money your pension grows significantly faster than ordinary savings. Speak to us to understand how your pension will grow your 20 and 25th Percentile.

# Opting Out and Opting Back In

You have the right to opt out of your workplace pension, but it's important to understand what you should be getting in return for your contributions.

Factor	Stay Enrolled	Opt Out
Employer contributions	You receive at least 3% from your employer	You lose all employer contributions
Tax relief	Government adds 20%+ to your contributions	No tax relief on pension savings
Take-home pay	Slightly lower each month	Slightly higher each month
Retirement savings	Building towards a pension pot	No workplace pension savings
Re-enrolment	Already enrolled, no action needed	Automatically re-enrolled every 3 years

**Important: The Opt-Out Window**

You must opt out within your opt-out window. If you don't, you'll be automatically re-enrolled every 3 years. You can't opt out if you're already opted out. You can't opt out if you're a director or shareholder of your company.

# A Real Example

**SM** Sarah Mitchell ● Early Career

Salary **£30,000**  
Qualifying **£23,760**



### Sarah's Monthly Breakdown

Her 4% of qualifying earnings (£23,760)	<b>£79/month</b>
Basic-rate tax relief (1%)	<b>+ £20/month</b>
Employer contribution (3%)	<b>+ £59/month</b>
<b>Total monthly pension contribution</b>	<b>£158/month</b>

**Key message**

As the employer, you must ensure that you are paying the correct amount of pension contributions for your employees.

# Is the Minimum Enough?

The 8% minimum contribution is a starting point, but many financial professionals suggest it may not be enough to maintain your current lifestyle in retirement. Here's how the minimum compares with a higher contribution level.

Minimum (8%)	RECOMMENDED Enhanced (12%+)
<ul style="list-style-type: none"> <li>Employee contributes 8%</li> </ul>	<ul style="list-style-type: none"> <li>Employee may make higher contributions</li> </ul>
<ul style="list-style-type: none"> <li>Employer may not contribute</li> </ul>	<ul style="list-style-type: none"> <li>Employer may contribute</li> </ul>
<ul style="list-style-type: none"> <li>Low impact on take-home pay</li> </ul>	<ul style="list-style-type: none"> <li>Highly variable impact on take-home pay</li> </ul>
<ul style="list-style-type: none"> <li>May not meet retirement needs</li> </ul>	<ul style="list-style-type: none"> <li>Significantly higher pension pot</li> </ul>
<p><b>Get Help</b> Those on tight budgets who want to start contributing to retirement</p>	<p><b>Get Help</b> Those who want a comfortable retirement with greater financial freedom</p>

A common guideline is to contribute half your age as a percentage. For example, starting at 35, aim for 17.5%. We can help you find the right balance.

# Common Questions Answered

Here are the questions we have received from employees about auto-enrolment and workplace pensions.

**Q** Can my employer force me to opt out?

**A** It is illegal for your employer to encourage or force you to opt out of auto-enrolment. If you feel pressured, you can report this to The Pensions Regulator.

**Q** What happens to my pension if I change jobs?

**A** Your pension will stay credited with your employer. Your new employer will auto-enrol you into their scheme. You can choose to keep separate pots of contributions from the old and new employers which you can transfer to each other.

**Q** Can I increase my contributions beyond the minimum?

**A** Yes, you can usually increase your contributions through your employer or pension provider. Some employers will match additional contributions up to a certain level, effectively doubling the impact of your extra saving.

**Q** What happens to my pension if I pass away?

**A** Your pension can be passed to your next of kin or beneficiaries. If you die before age 75, you usually will not pay any tax on contributions you receive as an inheritance. It is important to keep your pension details up to date.

# Your Next Steps

Setting up auto-enrolment for your business can be a complex task. Here are three simple steps you can take today.

## 1 Check Your Payslip

5 MINS

Look at your payslip to check you are correctly deducting contributions from your employees' earnings.

## 2 Log Into Your Pension Account

10 MINS

Check you can access your pension account online and update your contact details if necessary.

## 3 Speak to Us

5 MINS

If you need help with any of the steps above, our experts are here to help. Contact us today.





*Your future self will thank you for every pound saved today. A comfortable retirement is not a luxury: it is a plan.*

Your Logo Here

# Ready to take the next step?

Our team of experienced financial advisers is here to help you make the most of your financial planning opportunities. Whether you want to review your workplace pension, consolidate old pots, or plan for the retirement you deserve, we are ready to help.

## Book a Consultation

Call 0800 XXX XXXX | [advice@example.com](mailto:advice@example.com) |  
[www.example.com](http://www.example.com)