

Auto Enrolment

Contribution Rates and
Pensionable Pay
Definitions for Defined
Contribution Schemes



Retirement Solutions

When auto-enrolling workers into a Defined Contribution (DC) pension scheme there are minimum total contribution rates that must be paid, with a specified minimum amount coming from the employer.

Pensionable Pay Based on Qualifying Earnings

The minimum contribution levels were introduced on a phased basis. The contributions started at a very low rate, increasing to a higher rate with the most recent increase coming into effect from April 2019, as follows:

	Worker contribution*	Employer contribution	Total
Before April 2018	1%**	1%	2%
April 2018 – March 2019	3%**	2%	5%
From April 2019	5%**	3%	8%

* Assuming the employer pays the minimum rate

**Including tax relief

These rates are the level of contribution required on the assumption that the employer's definition of pensionable pay is based on the Government's minimum standard, known as **qualifying earnings**.

For 2025/26 the qualifying earnings are between £6,240 and £50,270. These earnings are made up of the list below of pay components that are due to be paid to the worker:

- Salary
- Wages
- Commission
- Bonuses
- Overtime
- Statutory sick pay
- Statutory maternity pay
- Ordinary or additional statutory paternity pay
- Statutory adoption pay

If the employer cannot or does not wish to use the qualifying earnings band as their pensionable pay definition, for example because they wish to deduct contributions from the first pound an individual earns, they'll be required to select an alternative definition (Set 1, 2 or 3) and 'self-certify' that the contribution rates and pensionable pay definition are at least as good as the minimum standard based on qualifying earnings.

Further information on the self-certification process can be found here:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/244960/money-purchase-schemes-guidance.pdf

Alternative Pensionable Pay Definitions (Set 1, 2 or 3)

The definition of each Set and the phased minimum contribution rates required for each are outlined below:

Set 1- Contributions are based on **basic pay** only.

	Worker contribution*	Employer contribution	Total
Before April 2018	1%**	2%	3%
April 2018 – March 2019	3%**	3%	6%
From April 2019	5%**	4%	9%

* Assuming the employer pays the minimum rate

**Including tax relief

Set 2- Pensionable pay must be at least equal to basic pay and constitute at least 85% of **all earnings**.

	Worker contribution*	Employer contribution	Total
Before April 2018	1%**	1%	2%
April 2018 – March 2019	3%**	2%	5%
From April 2019	5%**	3%	8%

* Assuming the employer pays the minimum rate

**Including tax relief

Set 3- Contributions are based on **all earnings**.

	Worker contribution*	Employer contribution	Total
Before April 2018	1%**	1%	2%
April 2018 – March 2019	3%**	2%	5%
From April 2019	4%**	3%	7%

* Assuming the employer pays the minimum rate

**Including tax relief

Please note: **Pensionable pay** must be at least equal to **basic pay** but can include other pay elements such as bonuses, commission or overtime.

When determining which contribution rates and pensionable pay definition to use, you will also need to consider your existing scheme members and whether their existing contribution levels will remain.

The information contained in this document uses the **minimum** contribution levels which must be paid in order for a DC scheme to be qualifying for auto-enrolment.

Your organisation and your workers can pay contributions in excess of the minimum if required.

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