



## CONTRACTUAL VS AUTOMATIC ENROLMENT

### Pensions – Automatic Enrolment

The Pensions Regulator has updated their guidance document on Contractual vs Automatic enrolment.

Contractual enrolment is often seen as the easy answer to automatic enrolment but there are some key differences to remember if an employer decides this is their chosen workplace pension route:

- Contractual enrolment requires CONSENT (usually obtained by contract of employment).
- Automatic enrolment DOES NOT require consent for a worker to join a pension scheme and indeed, the requirement of consent will breach one of the qualifying conditions of an auto enrolment scheme. Consent will be seen as a barrier to joining.

### Opt-outs

An eligible jobholder has opt out rights; however, a joiner who has joined a pension scheme via contractual enrolment does not have opt out rights and therefore will be treated as a leaver and depending on the type of arrangement, will not be entitled to a refund of pension contributions.

Employees that have joined a pension scheme by way of contractual enrolment and subsequently leave that scheme will still be subject to auto enrolment requirements, consequently the employer will need to assess the employees eligibility to be automatically enrolled at every pay reference period. This could be every week, or every fortnight, or every month, quarter, six months or annually.

A postponement option is only available under auto enrolment.

Contractual enrolment should be treated with care if being used as an auto enrolment arrangement as there are many pitfalls for the unwary. Advice is essential.

**Should you have any questions or require further information please do not hesitate to contact  
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