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2021/22 earnings thresholds for automatic enrolment

The DWP has to review the level of the earnings trigger and the qualifying earnings band for automatic enrolment every year and must consider what the appropriate rates are on an annual basis.

In some years this review includes a public consultation, while in others, such as for 2021/22, the review is conducted internally with no industry consultation.

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2021/22 earnings thresholds

Earnings trigger: £10,000

Lower limit of QEB: £6,240

Upper limit of QEB: £50,270

Background

The earnings trigger

This is the level of earnings from which jobholders are automatically enrolled into a workplace pension scheme. It is currently set at £10,000 (and is unchanged since the 2014/15 tax year).

The qualifying earnings band (QEB)

Employers are obliged to automatically enrol jobholders meeting age criteria and the earnings trigger and pay at least a minimum level of contributions based upon a band of qualifying earnings. The QEB is currently aligned with the lower earnings limit (LEL) and upper earnings limit (UEL) for National Insurance contributions (NIC) purposes.

What has the government decided?

The earnings trigger

The government is seeking to balance the affordability of automatic enrolment with the overriding factor of ensuring that people have sufficient retirement income savings. The earnings trigger has remained at £10,000 because it was felt that this struck the right balance between administrative simplicity and ensuring that the people brought into pensions saving were likely to benefit.

The DWP states that retaining the £10,000 threshold in 2021/22 “represents a real terms decrease in the value of the trigger when combined with assumed wage growth and will result in an estimated additional 8,000 people savers”. There are also comments on the need for stability in the light of the current challenging economic circumstances, as well as the continuing need to learn from the increases in minimum contribution rates in 2018 and 2019. The messaging for both employers and employees is seen to be providing consistency.

The qualifying earnings band (lower limit)

Workplace pension saving is one of the building blocks for retirement income. Automatic enrolment with an employer contribution is intended to build on the foundation of State Pension entitlement. The lower limit of the QEB drives the minimum amount that people have to save and minimum employer contributions.

While the [2017 review of automatic enrolment](#) proposed the removal of the lower earnings limit, with the ambition to make this change in the mid-2020s, the government is clearly not ready to consider this change just yet and the alignment with the LEL for NICs will continue in 2021/22.

The qualifying earnings band (upper limit)

The upper limit of the QEB caps mandatory employer contributions. It distinguishes the automatic enrolment target group of low to moderate earners from earners in a higher tax band who might reasonably be expected to have access to a scheme that offers more than the minimum and are more likely to make personal arrangements for additional pension saving.

The DWP believes its decision to retain the link between the UEL and upper limit of the QEB in 2021/22 provides an important element of consistency for employers, the pensions industry and payroll services.

Next steps

An Order is now expected to be published by the DWP in the next couple of months to formally legislate for the new thresholds.

Employers, trustees and providers should be aware of these new thresholds and ensure that their relevant payroll systems are updated accordingly.

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