

# FYI<sup>®</sup>

## For Your Information<sup>®</sup>

### 2022/23 earnings thresholds for automatic enrolment

The DWP reviews the level of the earnings trigger and the qualifying earnings band (QEB) for automatic enrolment every year to ensure the thresholds are appropriate.

The levels are unchanged from 2021/22 but that doesn't mean nothing will change in 2022/23.

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#### 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 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.

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#### 2022/23 earnings thresholds

**Earnings trigger: £10,000**

**Lower limit of QEB: £6,240\***

**Upper limit of QEB: £50,270**

\* No longer aligned with the lower earnings limit for National Insurance contributions.

The DWP states that retaining the £10,000 threshold in 2022/23 represents a real-terms decrease in the value of the trigger and this will lead to an additional 17,000 people being brought into pension saving, “when compared to increasing the earnings trigger in line with average wage growth”.

### The qualifying earnings band (lower limit)

Workplace pension saving is one of the building blocks for retirement income. As in previous reviews, the DWP confirms that 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.

The LEL for NICs is increasing to £6,396 from April 2022, but this increase is not reflected in this year’s lower limit of the QEB. The decision to freeze the lower limit in 2022/23 at £6,240 supports the principle of ensuring that everyone who is automatically enrolled would continue to pay contributions on a meaningful proportion of their income.

While the [2017 review of automatic enrolment](#) proposed the removal of the lower limit altogether, with the ambition to make this change in the mid-2020s, no timetable has yet been set by the government.

### The qualifying earnings band (upper limit)

The upper limit of the QEB caps mandatory employer contributions. As in previous reviews, the DWP confirms that 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 has retained the link between the UEL and upper limit of the QEB in 2022/23 and, as outlined in the 2021 Autumn Budget, the UEL (and, therefore, the upper limit of the QEB) has been frozen at the 2021/22 level of £50,270.

## Comment

Although at first glance, no change to the thresholds means there are no implications to note in 2022/23, payroll providers should be made aware of the break in the long-standing alignment between the lower limit of the QEB and the LEL.

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