

## Earnings for Contributions

### Standard Earnings (Qualifying Earnings)

Qualifying Earnings are determined under Section 13(1) of the Pensions Act 2008. They are applicable to earnings between £5,876 and £45,000 and are made up of the following components of pay:

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

Only the pay components within the definition of qualifying earnings in section 13 of the Pensions Act 2008 are included for the purpose of determining qualifying earnings. Tips/troncs, secondment allowance, holiday allowance, car allowance and childcare vouchers included etc. are not included in qualifying earnings.

### Pensions Act 2008 - Section 13: Qualifying earnings

50. This section defines qualifying earnings.

Subsection (1) defines them by reference to an earnings band, with lower and upper limits of \*£5,876 and \*£45,000 per annum (see section 14 for duties to review and if necessary amend these limits), on which pensions contributions will be calculated for money purchase schemes.

Earning qualifying earnings is a criterion of being a jobholder and so is a factor in determining whether a worker is to be automatically enrolled. Subsection (2) deals with cases where qualifying earnings are to be calculated otherwise than on an annual basis.

51. The section then defines “earnings” as sums comprising: wages/salary, commissions, bonuses, overtime and certain statutory benefits. The section enables the Secretary of State to set out (in regulations) other sums that can be considered as part of “earnings”.

The employer will need to assess all elements of pay and make a reasonable judgement as to whether each pay element fits within the definition of qualifying earnings in section 13. If the employer is unsure, they may wish to seek legal advice.

For more information please refer to the Pensions Regulator guide, <http://www.thepensionsregulator.gov.uk/docs/detailed-guidance-3.pdf>

\*Refer to current tax year limits.

### Set 1 (At Least Equal to Basic Pay)

1. Basic Pay is as determined under Regulation 32K of the Automatic Enrolment Regulations 2010. Basic Pay means the gross Earnings disregarding the gross amount of:
  - a) Commission, bonuses, overtime or similar payments;
  - b) Shift premium pay; and
  - c) Reasonable allowance with respect to:
    - i) any duty of the jobholder, such as a duty in connection with the role of fire or bomb warden, that is ancillary to the main duties of the jobholder's employment;
    - ii) the cost of relocation of the jobholder to a different place of work;
    - iii) in a case not covered by sub-paragraph (ii), the purchase, lease or maintenance of a vehicle;
    - iv) in a case not covered by sub-paragraph (ii) or (iii), the purchase, lease or maintenance of an item;
    - v) in a case not covered by sub-paragraph (ii), (iii) or (iv), the delivery of a service to the jobholder.

### Set 2 (At Least Equal to Basic Pay and 85% of Earnings)

Pensionable pay must be at least 85% of all gross earnings.

### Set 3 (Total Earnings)

Equal to Gross earnings