Detailed guidance for employers

Appendix D: Steps to take to determine if your DC pension scheme (or specific type of shared risk scheme) is a qualifying scheme

This document accompanies:
Detailed guidance no. 4 – Pension schemes

Please ensure you have read this guide first.

If you decide to print this appendix out it’s best viewed at A3 size, so you’ll need to ensure that the A3 paper tray is selected on your printer. If your printer doesn’t have an A3 tray, the document will print on A4 but you may find the text size too small to read comfortably.
Personal pension schemes

The following flowchart shows the considerations an employer must make in satisfying themselves that a defined contribution (DC) personal pension scheme, with its main administration in the UK is a qualifying scheme. It will also tell you whether it can be used to fulfil any automatic enrolment duties.

Note: contribution levels are being phased in, appendix A and B have more information.

It is important to note that the criteria are the minimum features the scheme is required to have. There will be other things to consider before an employer makes a decision about what type of scheme to use. If the scheme is administered outside of the UK, then the employer may wish to consider if it meets the additional criteria for non-UK schemes.

Is there an agreement in place between the employer and the provider of the scheme for the employer to pay contributions at a rate of at least 3% of the member’s qualifying earnings in the relevant pay reference period?

Yes

No

As it stands, the scheme is not a qualifying scheme so it will not be able to be used for the employer duties for existing members who are eligible jobholders, nor for automatic enrolment of future eligible jobholders. It may be possible to amend the terms of the policy to make it qualify. If amending the terms of the policy is an option and the employer also wants to know if it could be used for automatic enrolment, the scheme will have to have some additional features (described below).

Is there a shortfall between the total contribution of 8% and the employer’s contribution under the agreement above?

Yes

No

1. There is an agreement in place between the employer and the provider of the schemes to pay contributions of at least 3% of pensionable earnings (the definition of pay for the calculation of contributions) in the certification period

2. If there is a shortfall between the employer’s contribution and 8% of pensionable earnings, there is an agreement between the provider and the jobholder to pay contributions which are equal to or more than the shortfall

3. Pensionable earnings of the member are equal to or more than their basic pay

Is there an agreement in place between the employer and the provider of the schemes to pay contributions of at least 3% of all their earnings in that period, there is an agreement between the provider and the jobholder to pay contributions which are equal to or more than the shortfall

Yes

No

As it stands, the scheme is not a qualifying scheme so it will not be able to be used for the employer duties for existing members who are eligible jobholders, nor for automatic enrolment of future eligible jobholders. However, the scheme rules could be amended to make it an automatic enrolment scheme. If not amended, another scheme will need to be selected for automatic enrolment.

Are all of the following statements true?

1. The scheme does not contain any provision which would prevent the employer from making the required arrangements to automatically enrol, opt in or re-enrol a jobholder (For example, it does not require a member to give consent to join)

2. The scheme does not require the member to provide any information or make any choices in order to remain an active member

3. The scheme does not contain any provision that allows an amount to be deducted from a jobholder’s pension pot or contributions, or the value of their pension rights to be reduced by any amount if that amount is to be paid to a third party other than the member, trustee or provider

Yes

No

As it stands, the scheme is not an automatic enrolment scheme so it will not be able to be used for the automatic enrolment of eligible jobholders. The DWP has published guidance on the process of certification. If the employer wants to use the scheme for automatic enrolment, it will also need to have additional features (described below).

Is the scheme tax registered in the UK with HMRC?

Yes

No

The scheme is a qualifying scheme and can continue to be used for existing members. If the employer wants to use the scheme for automatic enrolment, it will also need to have additional features (described below).

Are all of the following statements true?

1. There is an agreement in place between the employer and the provider of the schemes to pay contributions of at least 3% of all their earnings in the certification period

2. If there is a shortfall between the employer’s contribution and 7% of all their earnings in that period, there is an agreement between the provider and the jobholder to pay contributions which are equal to or more than the shortfall

3. Pensionable earnings of the member are equal to or more than their basic pay

Is the scheme is a qualifying scheme for the workers who will be covered by the certificate. Is their average pensionable earnings at least 85% of their total earnings?

Yes

No

The employer may be able to certify that the scheme qualifies so it can continue to be used for existing members. The employer duties for existing members, who are eligible jobholders, nor for automatic enrolment of eligible jobholders. It may be possible to amend the terms of the policy to make it qualify. If amending the terms of the policy is an option and the employer also wants to know if it could be used for automatic enrolment, the scheme will have to have some additional features (described below).

Are all of the following statements true?

1. There is an agreement in place between the employer and the provider of the schemes to pay contributions of at least 3% of all the member’s earnings in the certification period

2. If there is a shortfall between the employer’s contribution and 9% of pensionable earnings, there is an agreement between the provider and the jobholder to pay contributions which are equal to or more than, the shortfall

3. Pensionable earnings of the member are equal to or more than their basic pay

Is the certificate. Is there a shortfall between the employer’s contribution and 9% of all their earnings in that period, there is an agreement between the provider and the jobholder to pay contributions which are equal to or more than, the shortfall

Yes

No

The scheme is a qualifying scheme and can continue to be used for existing members. If the employer wants to use the scheme for automatic enrolment, it will also need to have additional features (described below).

Additional features

Are the following statements true:

1. The scheme does not contain any provision which would prevent the employer from making the required arrangements to automatically enrol, opt in or re-enrol a jobholder (For example, it does not require a member to give consent to join)

2. The scheme does not require the member to provide any information or make any choices in order to remain an active member

3. The scheme does not contain any provision that allows an amount to be deducted from a jobholder’s pension pot or contributions, or the value of their pension rights to be reduced by any amount if that amount is to be paid to a third party other than the member, trustee or provider

Yes, all statements are true

No, at least one statement is untrue

* More information about the ‘relevant pay reference period’ can be found in Appendix E of the Pension schemes guidance.
Occupational pension schemes

The following flowchart shows the considerations an employer must make in satisfying themselves that a defined contribution (DC) pension scheme (or specific type of shared risk scheme), with its main administration in the UK is a qualifying scheme. It will also tell you whether it can be used to fulfil any automatic enrolment duties.

Note: contribution levels are being phased in, appendix A and B have more information.

It is important to note that the criteria are the minimum features the scheme is required to have. There will be other things to consider before an employer makes a decision about what type of scheme to use. If the scheme is administered outside of the UK, then the employer may wish to consider if it meets the additional criteria for non-UK schemes.

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**Additional features**

Are the following statements true:

1. The scheme does not contain any provision which would prevent the employer from making the required arrangements to automatically enrol, opt in or re-enrol a jobholder (for example, it does not require a member to give consent to join).
2. The scheme does not require the member to provide any information or make any choices in order to remain an active member.
3. The scheme does not contain any provision that allows an amount to be deducted from a jobholder’s pension pot or contributions, or the value of their pension rights to be reduced by any amount if that amount is to be paid to a third party other than the member, trustee or provider.

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*More information about the ‘relevant pay reference period’ can be found in Appendix E of the Pension schemes guidance.*
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