

FACTSHEET 21

Stakeholder Pensions : An Employer's Perspective

Introduction

Stakeholder pensions provide a way for your employees to save for their retirement . Using their own money , together with tax relief and investment returns , your employees can buy a pension which will give them a regular income for life when they retire . Stakeholder pension schemes are low charge pensions meant for people who do not have access to an occupational pension or a good personal pension .

Do I Have to Offer Access To A Stakeholder Pension ?

Not in all cases . In certain circumstances you may be exempt , if you :

- Employ fewer than five people
- Offer all employees aged 18 or over a personal pension scheme through which you contribute an amount equal to at least 3 per cent of the employees' basic pay
- Offer an occupational pension scheme that all your staff can join within a year of starting to work for you .

If you have an occupational scheme or an arrangement with a personal pension provider (often called a group personal pension scheme) check with the provider of the scheme to find out if it meets the conditions for being exempt .

Do I Have To Make Contributions ?

No , you do not have to make contributions to your employees' pension funds if you do not want to .

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What Are The Main Features of Stakeholder Pensions ?

Stakeholder pension schemes have been designed to offer low charges , flexibility and security . They must also offer low minimum contributions of £20 or less and no transfer costs . They require tax approval from the Inland Revenue and have to be registered with the Occupational Pensions Regulatory Authority (OPRA) .

Employee Access

You may not have to provide access to a stakeholder pension for all of your employees . You do not have to provide access for any employee :

- Who has worked for you for less than three months in a row
- Who is a member of your occupational pension scheme
- Who cannot join your occupational pension scheme because they are under 18 or they are within five years of the scheme's normal retirement age
- Who decided not to join your occupational pension scheme
- Whose earnings have fallen below the National Insurance lower earnings limit for one or more weeks within the last three months
- Who cannot join a stakeholder pension scheme because of Inland Revenue restrictions (for example , the employee does not normally live in the UK) .

Providing Stakeholder Pensions

Your first step is to choose a stakeholder pension scheme from the list of providers registered with OPRA . Once you have compared some different stakeholder pension schemes and you have made your choice , you then need to do the following :

- Discuss your choice of scheme with your eligible employees
- Designate (ie formally choose) your stakeholder pension scheme
- Give your employees the name and address of the stakeholder pension scheme
- Tell your employees about your payroll deduction arrangements
- Make the payroll deductions if an employee wants you to

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- Send your employee contributions (and any employer contributions) to the stakeholder pension scheme provider within the given time limits : and
- Record the payments you make to the stakeholder pension scheme provider .

For further advice and before taking any action please give me a call .

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