

# Workplace Pensions Explained

By November 2017 **all** employers must offer a workplace pension to their staff.

This seems like a long time away but in reality only those with the smallest number of employees will have that long. Setting up a pension scheme takes time and the penalties for not complying with the law are potentially huge fines: this is something that **needs your attention now**.

The staging date (the start date for each individual employer) depends how many employees work for your business – from that date you must contribute to the pensions of your employees.



You can find out your staging date at

[www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx](http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx)

The regulator has spread the staging (start) dates depending on how many people are employed in the business. There are some exceptions, but generally these are:

Between 50 and 250 people:	Between April 2014 and April 2015 <b>(NOW)</b>
Between 30 to 50 people:	Between August 2015 and October 2015
Less than 30 people:	Between January 2016 and April 2017
Businesses that started after 2012:	Between April 2017 and October 2017



Your staging date is not negotiable. You can suspend starting to contribute into the scheme, but you must have a scheme by the date allocated to you.

## What needs to be done?

The Pensions Regulator recommends allowing **at least 12 months** before your staging date in order to complete all the paperwork and set the scheme up.

## Who provides Workplace Pension Schemes?

Once you know your staging date you need to find a pension provider: there are a huge number of providers in the market, but a lot of them are costly or may not be interested in taking on small schemes.

The Government has provided a basic scheme (called “NEST”) that guarantees to accept every employer. There are other similar, low cost providers (including “The Peoples’ Pension” and “NOW”) who also offer support with running the scheme.



From 2015 the number of employers reaching their “staging date” will increase sharply. It is expected that this will cause a logjam of businesses trying to get advice. Seeking advice early will allow you more choice and probably cheaper advice.

## Who needs to be enrolled?

There is a lot of specific jargon about which employees qualify:

“Eligible” employees:	Earning over £833 per month and aged between 22 and the State Pension Age. They must be enrolled in a workplace pension; they make contributions and your business will need to make contributions too.
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“Non-eligible” employees: Anyone earning over £481 per month who does not fit the criteria above. They can choose to opt in; if they do they will make contributions and your business will need to make contributions too.

“Entitled” workers: Anyone earning less than £481. They have the right to opt in, but you do not have to make contributions into their pension.

Every employee needs to be assessed for eligibility every time you pay them. Your payroll software should be able to do this, but it’s worth checking now with plenty of time to go.



Employees have the right to opt out of the pension scheme, however it is against the law to encourage or force them to opt out.

### How much does it cost?

When your employees pay contributions towards their pension your business will also need to pay in. Contributions are a percentage of “qualifying earnings” – currently all earnings between £481 and £3,489 per month:

	Employer’s minimum contribution	Employee’s minimum contribution
Before 30 <sup>th</sup> Sept 17	1%	1%
1 <sup>st</sup> Oct 17 – 30 <sup>th</sup> Sept 18	2%	3%
1 <sup>st</sup> Oct 18 onwards	3%	5%

You can see from this that Workplace Pensions will increase your costs of employment and you may want to consider this when discussing pay rises between now and your staging date.

The pension provider will have charges to cover their costs so it is important to understand in advance what these will be and who will have to pay them (the employer or the employee).

### Will I need to become a Financial Adviser?

Although your business will be setting up the pension scheme your employees have very few options (other than opting out) so you do not need to provide them with advice from an IFA.

However, by 2019 they will be saving a significant part of their earnings in the Workplace Pension so you may want to offer them access to an IFA or take more advice yourself.



The Pension Regulator has provided a lot of information on their website ([www.tpr.gov.uk](http://www.tpr.gov.uk)) to guide businesses through the process.

### What next?

- Check when your staging date is
- Ask your payroll adviser or tax accountant what their recommended solution is
- Investigate your options with different pensions schemes

### About Pound Lane

This information is provided to help small businesses comply with the law and manage their finances better. We do not provide pension advice. We can assist with setting up the paperwork required to manage pension schemes and help businesses understand the implications of these changes.