

GUIDE TO STAKEHOLDER PENSIONS



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accredited BACSTEL-IP bureau
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A stakeholder pension arrangement has been set up by the Government to enable everybody to save for their retirement from their income. It has been introduced to provide a low-cost pension alternative for people who are unable to join an occupational pension scheme.

What makes a Stakeholder Pension?

The following conditions have to be met by the provider to make them a stakeholder pension:

- A stakeholder pension scheme cannot charge more than one per cent a year on the value of each member's funds.
- Members must be able to transfer funds into, and out of, their scheme without any extra charges.
- Contributions as little as £20 per month must be accepted.
- Stakeholder pension schemes must be contracted out.

Employers and stakeholder pensions

As an employer you may **not need** to provide a stakeholder pension scheme if one of the following applies to you:

- You employ less than five people - this does not include self employed people.

- You offer an occupational pension scheme that your employee's are able to join within a year of starting.
- You offer a personal pension scheme of which you contribute at least 3% of you employee's basic pay.

If you already provide an occupational pension scheme it must meet the conditions for being exempt.

You are not required to provide a stakeholder pension for an employee if:

- They have worked for you less than three months in a row.
- They are a member of your occupational pension scheme.
- Your employee is under 18.
- Your employee is within five years of the normal pension age.
- Your employee's earnings are below the NI lower earnings limit.
- Due to HMRC rules they cannot join. (e.g. Do not reside in the UK)

Both members and employees of a stakeholder pension have the right to request any of the following information;

- Annual statement
- Basic information
- Contribution information.

Requirements of an employer providing a stakeholder pension

As an employer the following steps should be followed:

- You must choose a registered stakeholder pension scheme.
- All employers must be consulted on your proposed choice of scheme.
- Provide your employees with the name and address of the stakeholder pension provider.
- Arrange to deduct contributions from your employee's pay, and provide this information to your employees.
- Send your employee (and any employer's) contributions to the pension scheme provider (must be made within 19 days at the end of the month in which deductions were made).
- Record the payments made to the stakeholder pension provider.

Payroll deductions can either be a fixed sum, or by a percentage of their gross taxable pay (includes bonuses, overtime etc). The employee's contribution to the stakeholder pension scheme is made from their net pay (after tax and national insurance deductions). Employers can also make a contribution to their employees stakeholder pension scheme if they wish to, but this is not a requirement.

This guide is not a definite statement of the law but outlines the basic concepts only.



Further details and forms can be obtained from:

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