

## PENSION FAQ's

### **What is a Work Based Pension Scheme?**

A work based pension is a way of saving for your retirement and is set up by an employer. All employers are legally required to automatically enrol employees who meet certain criteria into a workplace pension scheme and make contributions. As an employer you will also have to tell your employees about the scheme and allow them to join if they wish to. The Pensions Regulator has published a [guide to automatic enrolment](#) that provides a clear and simple step-by-step guide to help employers understand their legal duties.

### **How are payments made into the pension scheme?**

A percentage of an employee's pay is put into the pension scheme automatically every payday and in most cases, the employer also adds money into the pension scheme. The money is used to pay the employee an income for the rest of their life when they start getting the pension. An employee can usually take some of their workplace pension as a tax-free lump sum when they retire. An employee may still be eligible for the State Pension when they retire, as well as receiving income from any workplace pension (or any other pension they may hold).

### **Do I use my Direct Payment money to pay any employer contributions?**

Yes, under the regulations for direct payments for both health and social care, local authorities must ensure that the direct payment amount is sufficient to meet all employer related responsibilities and that includes any legally required pension obligations. This means that the cost of any employer related workplace pension costs must be met by the direct payment.

### **How do I enrol my employee?**

You will not be required to begin auto enrolment until 2015 at the earliest (for most, this is more likely to be 2017). You will receive a letter from the Pensions Regulator about the date you need to begin auto-enrolment for any employees who require this. The letter will contain a PAYE reference, which is made up of numbers and letters and can be found on any letters you have received from The Pensions Regulator about automatic enrolment.

### **Who will help me to set up and administrate a works based pension scheme?**

If you use a payroll provider, they are likely to be able to help you manage the implementation of workplace pensions and deal with contributions on your behalf (similar to the way they manage your responsibilities for employer National Insurance contributions and PAYE tax for your employees). The payroll provider should write to you with information about how they can help you meet your responsibilities as an employer and what you need to do in relation to this. You will need to nominate them as your 'contact' with the Pension's Regulator so that they can receive communications and administer the pension. This is completed on-line from the Pension Regulators website <https://automation.thepensionsregulator.gov.uk/Nomination>

### How much will I have to contribute?

The amount an employer would need to contribute towards their employee's pension scheme will depend on how much the employee earns. You will need to assess all your PAs for eligibility but you may not have to automatically enrol all of them or contribute towards any pension. You will need to contribute 1% (2% from October 2017) if any of your employees earn above £833 per month before any tax and NI deductions. You can get an indication of how much you will need to pay for each of your employees by entering their gross monthly pay into [this tool](#) available on The Pension Regulator website

### Can my employees choose to opt-out of a pension scheme?

PAs who are auto-enrolled onto a pension scheme can opt out of the scheme and have any paid contributions returned to them by their employer if they opt out within the first month of enrolment. If choosing to opt out after this time, both employer and employee will not receive any refund of paid contributions. Paid contributions are retained by the provider and paid as a pension to the employee when they retire.

It is against the law to try to persuade or force someone you employ to opt out of automatic enrolment – for example through a cash bonus or withholding a pay increase.

Once employees have been enrolled into the pension scheme, they have one calendar month during which they can opt out and get a full refund of any contributions. This is known as the 'opt-out period'. It starts from whichever date is the later of:

- The date active membership was achieved, or
- The date they received your letter with the enrolment information.
- Employees can't opt out before the opt-out period starts or after it ends. If they decide to leave the scheme outside this period, they will instead be 'ceasing active membership'. Whether they get a refund of contributions will depend on the pension scheme rules.

### More Information

1. The [Gov.Uk website](#) has lots of information about workplace pensions
2. There is comprehensive information on the [Pension Regulator website](#) and simple tools to help the employer get to grips with their duties and, [templates](#) that may help
3. The [Pensions Advisory Service](#) website also has a lot of information and this organisation can also answer any questions that you have via telephone, using their web-chat service, or completing an online enquiry form