

Qualifying Work Place Pensions - Options

A guide to Employers

The Government has learned the lessons of stakeholder where employers set up an empty pension scheme for their staff. The Work Place Pension Reform ensures that employers set up pension schemes, enrol their staff into them and then make regular financial commitments to them.

Employers will have three options in order to fulfil the requirements of providing a Qualifying Work Place Pension. Employers need to choose a pension scheme that satisfies both the legislation and their business objective. To qualify as a qualifying Work Place Pension, a new or existing pension scheme must be able to receive the minimum contribution and be able to automatically enrol members.

Scheme options - The national employment savings trust (NEST)

A new pension scheme set up and run by a government appointed body will be the default scheme should an employer not have or want their own Qualifying Work Place Pension.

The scheme will be run as a occupational pension scheme with low management charges. These are currently set at 1.8% initial charge on all contributions and a 0.3% annual management charge. However the underlying funds will be limited to five basic options. Contributions will be limited to £3,600 per annum and transfers in and out of NEST will not be permitted. At retirement only a lifetime annuity through an open market option will be available.

The scheme is aimed at job holders on low to moderate earnings. Due to the low management charges it is not clear how members will access advice in relation to membership, investment and benefits.



Scheme options - Qualifying Work Place Pension

Employers will be able to certify that their existing or new pension scheme is a qualifying scheme if it passes a quality test. The scheme can be an occupational or personal pension based scheme.

A wide range of investments can be tailored to the scheme and each member. Transfers in and out will be permitted and at retirement all flexible retirement options will be available.

Scheme options - Quality Qualifying Work Place Pension

Another option for employers is a Quality Qualifying Work Place Pension which will enable an employer to have up to 90 days to auto enrol staff as compared with the normal 30 days.

To obtain this concession the minimum scheme contribution will be set at 11% of band earnings with at least 6% coming from the employer. All defined benefit schemes that meet the Reference Test will be classed as Quality Qualifying Work Place Pensions.

Pension Scheme Planning

As Chartered Financial Advisers we are able to offer advice on your existing pension scheme and the setting up of a Qualifying Work Place Pension. We can advise on a range of flexible employee benefits and salary sacrifice. We can advise on employee benefits software to aid the running and communication of a flexible total benefit package.

