



## Stakeholder Pensions

Stakeholder pension schemes are low-cost pensions meant for people without existing private pension arrangements. They were originally targeted at people who earn more than £10,000 a year and who cannot join an occupational pension scheme. They have, however, turned out to have much broader appeal.

Unless employers are exempt (see below), they must arrange *access* to a stakeholder pension scheme (SPS) for those of their employees who earn more than the National Insurance (NI) lower earnings limit.

### Main conditions for a stakeholder pension

A stakeholder pension is a particular type of personal pension which satisfies a number of minimum government standards, principally the following:

- The only charge permissible is a charge on the value of each member's funds, which must not exceed 1.5% a year for the first 10 years, and up to 1% thereafter
- Members of a SPS must be able to transfer in or out without any extra charge
- Each contribution can be as little as £20

### Employer exemption

The conditions for exemption from providing stakeholder access are as follows:

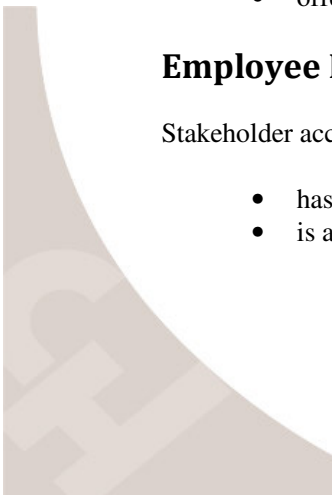
- employing fewer than five people
- offering an *occupational pension scheme* (OPS) that all staff can join within a year of starting the employment
- offering access to a *personal pension scheme* which meets specified conditions

### Employee Exemptions

Stakeholder access does not have to be provided for any employee who:

- has been in the employment for less than three consecutive months
- is a member of the OPS

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- is barred from membership of the OPS if under 18 or within five years of the scheme's normal pension age
- could have joined the OPS but decided not to
- has earned below the lower NI limit for at least three consecutive months



## **Providing Access**

In order to meet their responsibilities, employers who are not exempt must:

- choose a registered SPS from the register held by the Pensions Regulator. The register can be seen on their website at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)
- consult and inform your employees accordingly
- make available arrangements to deduct contributions from the pay of those employees who choose to pay into the SPS
- send contributions to the SPS provider within given time limits and record these payments

## **Other points to remember**

Employers can give general help and information about the benefits of saving for retirement but they must not advise their employees whether or not they should sign up for a stakeholder pension. The choice of the most suitable pension option is up to the individual (after taking appropriate independent advice if necessary).

Employers should be wary about simply 'buying a product'. There are many related issues to be considered, and proper independent advice can avoid inadvertent breaches of the relevant rules.

For instance, where access to a SPS is to be provided, all the requisite details must be included in the conditions of employment. Payslips must clearly identify the deduction of contributions.

