Client Briefing (9)

March 2001

STAKEHOLDER PENSIONS

and

THE EMPLOYER

1) What is Stakeholder?

The Government is concerned about future pension provision and is trying to shift the burden from the State by encouraging individuals to make their own private provision.

Stakeholder pensions are being introduced under The Welfare Reform and Pensions Act 1999 with effect from April 2001 and will affect every employer who has 5 or more employees.

It is a low charge (maximum 1% Annual Management Charge), no penalty, flexible personal pension open to individuals, companies and to the self-employed, allowing contributions of a minimum £20.00 per month before allowance for tax relief.

A Stakeholder pension can be effected regardless of age and earnings up to a limit of £3,600 per annum. For contributions above £3,600 per annum, evidence of earnings must be submitted. Employees' contributions are collected net of basic rate tax, with the pension provider reclaiming that tax from the Inland Revenue.

2) When is it going to happen?

Employers will have to provide access to a Stakeholder pension scheme and this scheme must be in place by October 2001, i.e. the employer must have selected a Stakeholder pension provider and must have in place a payroll system capable of collecting premiums from salary.

3) Will it affect your company?

Setting up a Stakeholder pension scheme is compulsory for all employers, it cannot be avoided, failure to set up a scheme by October 2001 will result in fines of up to £50,000 being imposed on employers.

4) We have an existing Occupational Pension Scheme, surely we are exempt?

Employers who have an existing Occupational Pension Scheme **MAY BE EXEMPT ONLY** if:-

- *The employer has less than 5 employees.*
- *All members of staff, both full time and part time, are eligible to join the scheme.*
- *The waiting period for membership of the scheme is 12 months or less.*
- *Members join the scheme from age 18 onwards.*

If one or more of these points do not apply to your current scheme eligibility rules then you must set up a Stakeholder Pension Scheme for those employees affected.

5) We have an existing Group Personal Pension Scheme, surely we are exempt?

Employers who have an existing Group Personal Pension Scheme **MAY BE EXEMPT ONLY** if:-

- *The employer has less than 5 employees.*
- *All members of staff, both full time and part time, are eligible to join the scheme.*
- *The waiting period for membership of the scheme is 3 months or less.*
- *Members join the scheme from age 18 onwards.*
- *Employers must pay a minimum of 3% of employees' gross basic salary into the scheme.*
- *There must be no explicit exit charges or penalties on leaving the Group Personal Pension scheme.*

If one or more of these points do not apply to your current scheme eligibility rules then you
must set up a Stakeholder Pension Scheme for those employees affected.

6) What will offering access to a Stakeholder pension scheme involve?

- The Employer must provide information on the scheme to the employees.
- The Employer will need to consult with his employees.
- The Employer must set up payroll procedures for the collection and payment of employees' contributions.
- The Employer is responsible for ensuring that contributions are paid to the scheme on time. Under the terms of the Pension Act 1995 there are penalties for late payment of contributions.

A LOT TO DO IN A RELATIVELY SHORT TIME

Please note employers must offer access to a Stakeholder pension and have a facility to collect premiums via payroll. They are not, however, obliged to contribute to the Stakeholder pension, nor is the employee obliged to take one out.

7) What should you do.

You should seek Independent Financial advice, as it is important not to fall foul of the Welfare Reform and Pensions Act 1999 regulations.

Contacting your existing pensions provider, if you have a scheme in place, is unlikely to help, as pension providers are unable to give independent advice.

It is important that you receive impartial, independent financial advice, this is where Tyser Financial planning Ltd, Independent Financial Advisers can help you.

Please contact Peter Dench or Russell Edwards on
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About Tyser Financial Planning Limited

Tyser Financial Planning Ltd. is the sister-company of Tyser & Co., established in 1820 and Tyser (UK) Ltd., all three companies being part of Tyser Holdings Ltd.

Tyser Financial Planning Ltd. was established in 1968 for the purpose of offering Independent Financial Advice to companies and their employees on an impartial and confidential basis. We pride ourselves on our personal attention, high service standards, efficient administration and flexible response to our clients' needs.

Tyser Financial Planning Ltd. has a wealth of experience and offers separate arrangements to suit clients' needs, delivering solutions that are clear, concise and effective, creating bespoke corporate and personal financial strategies to suit your unique circumstances.

We specialise in providing advice on Pensions, both corporate and individual and Employee Benefits, such as Income Protection, Private Medical Insurance and Life Assurance schemes.

Tyser Financial Planning Ltd. staff are highly professional, having over 60 years experience between the three senior personnel in the organisation.

Peter Dench, age 53, Director ACIS (I, II, II), FPC has been offering financial advice for 20 years, previously a Company Secretary/Accountant with Robert Fleming & Co. and Independent Financial Adviser with James Hallam Independent Financial Advisers.

Russell Edwards, age 42, Senior Consultant BA Hons in Modern Languages and FPC, has recently joined and has been offering financial advice for 15 years, previously with Scottish Widows.

Carolyn Found, age 39, Administration Manager FPC has been dealing with co-ordination and liasing with clients on administration matters for 19 years, previously with James Hallam Independent Financial Advisers.

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