

Corporate Pensions

We'll guide you through your responsibilities

Did you know that legislation due in 2012 will mean many business owners will not only have to provide a pension for their employees, but will have to contribute.

From 2012 employers will have to provide the majority of their employees with a pension. Employees will have to be automatically enrolled in the pension and will have to contribute themselves. These pensions are called Personal Accounts (NEST). We have a dedicated section on our website solely addressing this area as it can be complex and advice is required. However it may be that you already have some form of pension plan in place, but these will not meet the new requirements in 2012.

You may already have a Stakeholder pension and the current legislation means that businesses with five or more employees must, by law, provide their employees with access to a pension plan that falls within the regulations. Many employers have these schemes in place even if they have no active members.

Stakeholder schemes are designed as low-cost flexible plans – the charges must be no higher than 1.5% for the first ten years and then 1% of the fund value each year thereafter.

Members must be able to transfer funds in and out of a scheme whenever they choose without penalty. An array of pension providers offer stakeholder products and employers can pick from a wide selection.

There is more to complying with the stakeholder regulations than simply picking a pension scheme and employers should make sure that they take all the necessary steps. Under the stakeholder guidelines, employers must consult staff before choosing a pension scheme. Once a scheme is designated, employers must inform their employees of the available pension options and provide information about the scheme.

In addition, employers are responsible for ensuring that their chosen pension scheme meets the stakeholder rules and that the scheme provider has registered the designation of the scheme with OPRA (the Occupational Pensions Regulatory Authority).

| Let's discuss the options

Stakeholder pension schemes are not the only option available to businesses. Indeed many employers have come to the conclusion that they may not be the best solution for themselves or their employees. Instead, a more sophisticated personal pension scheme can be offered to employees and/or directors. To avoid making an important pension decision by yourself (which could prove not to be the most appropriate) a discussion with Harris & Associates can help you choose from the hundred of options available from all the pension providers.

Under a group personal pension plan, for example, employers will be exempt from the requirements of stakeholder pensions and the new Personal Accounts (NEST) if they offer to contribute to certain minimum limits for employees. One of the best incentives for employees to join a pension scheme is employer contributions. There are other plus points for group personal pensions as they offer more options than stakeholder pensions, such as larger choice of investment funds.

The pension landscape is further complicated by the ever changing pension rules. For example, employers may currently be providing a final salary scheme, which provides a pension at retirement, based on a proportion of an employee's earnings at retirement linked to their length of service. A decision may need to be taken as to whether the final salary scheme continues being available to employees, which is based on contributions paid and the performance of the fund(s) in which the contributions are invested. Pension simplification makes the provision of independent advice more important than ever before, as the many different pension regimes were replaced by one set of rules from April 2006.

Every business has specific circumstances and Harris & Associates will provide advice to suit your company's circumstances.

The Solution

H&A will guide you through all the issues to find the most appropriate solutions for you.

37 Silver Street
Wythall
Birmingham
B47 6ND

Tel : **01564 829009**

Fax : **01564 829709**

Website : www.harrisandassociates.co.uk

Email : deanharris@harrisandassociates.co.uk

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