

How to Navigate Pension Schemes for Your Business

Hiring employees is a pivotal step for any business, requiring a solid understanding of pension schemes to meet legal obligations and provide valuable benefits. This guide simplifies your responsibilities and available options, ensuring compliance and enhancing your business's appeal.

The Importance of Offering a Pension

- ✓ **Attract Talent:** A strong pension scheme boosts your attractiveness as an employer.
- ✓ **Compliance:** Adherence to pension regulations is essential for all employers.

How to Set Up a Workplace Pension Scheme

- ✓ A workplace pension scheme must be established for eligible staff if not already available.
- ✓ Use The Pensions Regulator's tool for guidance on obligations and timelines.
- ✓ If an existing scheme is in place, confirm with the provider that it meets auto enrolment requirements.

Employers and Eligible Staff

- ✓ From the start date of your first employee, you are required to have a workplace pension scheme in place. However, you have the flexibility to postpone this obligation for up to three months.
- ✓ Typically, being responsible for deducting tax and National Insurance, as well as having a registered PAYE scheme, indicates your status as an employer.

Who You Must Enrol

Enrol and contribute for staff who:

- ✓ Are aged between 22 and the State Pension age.
- ✓ Earn a minimum of £10,000 annually.
- ✓ Regularly work in the UK.

Changes in staff eligibility due to age or earnings must be actioned within 6 weeks.

Auto-enrolment Compliance

You are required to auto-enrol eligible employees into a pension scheme and contribute to their pensions, although employees retain the right to opt out.

Types of Pension Schemes Available:

- ✓ NEST National Employment Savings Trust: Easy and cost-effective for any size business.
- ✓ Private Pension Providers: Offer customisable solutions with various benefits.
- ✓ Bespoke Company Schemes: An option if your business supports personalised solutions financially.

How Much Your Employee Must Pay:

Contribute at least 3% of 'qualifying earnings' to the pension scheme, with the option to increase this percentage.

Qualifying earnings typically include total income between £6,240 and £50,270, covering:

- ✓ Salary/wages
- ✓ Bonuses/commissions
- ✓ Overtime
- ✓ Statutory pay sick, maternity, paternity, adoption

Paying Contributions:

- ✓ Deduct employee contributions monthly and pay them by the 22nd day of the next month 19th if by cheque.
- ✓ Payments must be timely and in agreement with your provider, retroactively covering any shortfalls.
- ✓ Delays or underpayments can incur fines.

Steps to Implement and Review:

1. Financials: Employers must make a minimum contribution of 5% of employees' earnings, assess your organisation's financials to see if you could offer more as an enhanced benefit.
2. Select a Scheme: Choose a plan that suits your business structure and workforce.
3. Communicate with Employees: Inform and guide through enrolment.
4. Ensure Proper Enrolment: Adhere to automatic enrolment criteria.
5. Ongoing Management: Regularly review your scheme and provider partnership.

Navigating pension schemes is crucial for legal compliance and employee satisfaction. Choosing and managing the right plan not only fulfils your obligations but also enhances your business's reputation as a sought-after workplace.

<https://www.thepensionsregulator.gov.uk>