Set up a stakeholder pension scheme

If you employ five or more people and do not have an occupational pension scheme to which all workers are entitled you must provide a stakeholder pension scheme. Stakeholder pensions were introduced to encourage more people to save for their retirement. While your staff do not have to join a scheme you may face a fine if you do not give staff the option. You do not have to pay into a stakeholder pension on behalf of your staff but it is considered best practice to do so.

Whether you decide to contribute on behalf of your staff or not, getting guidance on your obligations as an employer and making sure you seek out the best scheme for your business is essential.

This involves making sure that you:

1. choose a stakeholder pension scheme
2. consult with employees
3. manage payroll issues

What you need to do

*   find out whether you have to establish a stakeholder pension scheme or whether you are exempt
*   get up-to-date advice about different stakeholder pension schemes from a financial adviser
*   if you have an existing pension scheme see what improvements you could make so you do not have to start a new stakeholder pension scheme
*   consult with your staff about the choice of stakeholder pension scheme
*   choose a stakeholder pension scheme registered with the Pension Regulator that will look after your staff's interests
*   provide staff with information about stakeholder pensions contributions
*   where staff need financial advice, refer them to a suitably qualified financial adviser. Do not to provide financial advice yourself
*   allow the scheme provider access to your staff to discuss details of the scheme
*   decide if your business will contribute to the scheme and work out what your business can afford in terms of contribution
*   set up a payroll deduction facility for staff who wish to contribute to the stakeholder scheme
*   explain in writing to staff how the payroll deduction system will work

- send your staff contributions and any contributions your business may wish to make to your scheme provider on an agreed monthly date
- offer access to the stakeholder pension scheme to new staff within three months of them starting work
- offer staff the opportunity to vary the amount they pay into the scheme through their wages every six months
- maintain records of staff deductions from payroll and payments to the scheme
- keep records of any correspondence or meetings when consulting with staff about the choice of scheme

What you need to know and understand

Information and advice

- where to get information about suitable stakeholder pension schemes
- how to check the information is accurate and up-to-date
- how to deal with financial advisers

Law and regulation

- what stakeholder pension scheme laws and regulations apply to your business
- how to keep up with new pension legislation that may affect your business

Stakeholder pensions

- how to choose a scheme provider
- how to negotiate and agree with the scheme provider what needs to be done
- what are the current limits on charges and penalties your scheme provider can charge you
- why consultation with staff is important
- what consultation needs to have taken place with staff in choosing a suitable scheme
- how to respond to staff requests for further information

- how to facilitate meetings between the scheme provider and staff

- what records need to be kept of the consultation process

- the benefits of contributing to the stakeholder scheme. (For example increased staff moral and be able to attract better staff.)

- how to calculate what staff contribution your business can afford, if applicable

Pension contributions and payroll

- how to set up a payroll deduction facility

- how to clearly communicate to staff the way their contributions will be deducted and handled, and when they will have the opportunity to revise their payments

- how to respond to requests for payroll deductions

- when contributions will be sent to the scheme provider

- how records of payments and contributions will be kept

- how to add new staff to the scheme

- how to manage requests from staff to change their contributions