

SUMMARY OF STAKEHOLDER PENSION LEGISLATION

The Government has introduced Stakeholder pensions to encourage employees on moderate incomes to supplement their state pension by contributing to a low cost private pension scheme. This scheme is available via payrolls from 6 April 2001 although employers are not obliged to nominate a scheme until October 2001.

Employers with more than 5 employees are obliged to nominate a pension scheme although employees do not have to join if they do not wish. Employers with less than 5 employees can set up a scheme voluntarily. Employers are exempt if they fulfill any of the following conditions:

They already have an occupational pension scheme that all staff are eligible to join within 12 months of starting.

All employees earn less than the National Insurance Lower Earnings Limit

Where a group personal pension plan already exists for all employees and the employer makes a minimum 3% of earnings contribution and there are no exit charges.

Employers have the responsibility for selecting an appropriate scheme for their employees. At the moment there is no obligation for either employer or employee to make any contribution but the scheme adopted must enable single or regular contributions of £20 or more at any time. The maximum administration charge made by the pension fund manager for the scheme cannot be more than 1% of the fund and no entry/exit charges may be levied.

The above information is based on our (Netpayroll.co.uk) understanding of current Inland Revenue legislation. It is the employer's responsibility to check detailed information, which will be available from the Inland Revenue and pension fund managers.