HFB Financial Planning Ltd
OUR FOCUS ON YOUR FUTURE

About workplace pensions

A workplace pension is a way of saving for your retirement that's arranged by your employer. Some workplace pensions are called 'occupational', 'works', 'company' or 'work-based' pensions.

How they work

A percentage of your pay is put into the pension scheme automatically every payday.
In most cases, your employer and the government also add money into the pension scheme for you.

The money is used to pay you an income for the rest of your life when you start getting the pension.

You can usually take some of your workplace pension as a tax-free lump sum when you retire.

If the amount of money you've saved is quite small, you may be able to take it all as a lump sum. 25% is tax free but you'll have to pay Income Tax on the rest.

You can't usually take the money out before you're 55 at the earliest - unless you are seriously ill.

Workplace pensions and the State Pension

Today the maximum basic State Pension you can get is £155.65 per week for a single person.

The money you get from a workplace or other pension could make it much easier for you financially when you're retired.

automatic enrolment

'Auto enrolment'

A new law means that every employer must automatically enrol workers into a workplace pension scheme if they are aged between 22 and State Pension age, earn more than £10,000 a year and work in the UK this is called 'automatic enrolment'.

You may not see any changes if you're already in a workplace pension scheme. Your workplace pension scheme will usually carry on as normal.

But if your employer doesn't make a contribution to your pension now, they will have to by law when they 'automatically enrol' every worker.

What you, your employer and the government pay

If you pay Income Tax, the government will add money to your workplace pension in the form of tax relief. However, even if you don't pay Income Tax, you'll still get tax relief if your pension scheme uses Relief at source to add tax relief to your pension pot.

Many employers also add money too. A new law means that employers must pay in to eligible workers' pension schemes.

Check if the new law applies to you and when you may be enrolled into your employer's scheme.

Who pays what

The amount you and your employer pay in varies according to what type of workplace pension scheme You are in.

The minimum you pay	The minimum your employer pays	The government pays
0.8% of your 'qualifying earnings' rising to 4% by 2019	1% of your 'qualifying earnings' rising to 3% by 2019	0.2% of your 'qualifying earnings' rising to 1% by 2019

You've been automatically enrolled in a workplace pension

The law says a minimum percentage of your 'qualifying earnings' must be paid into your workplace pension scheme.

'Qualifying earnings' are either:

- the amount you earn before tax between £5,824 and £43,000 a year
- your entire salary or wages before tax
- your employer can put you in a scheme where you and/or they have to pay more than the legal minimum.

How contributions work

Your pension pot builds up each payday with your employer's contributions and tax relief. This is how it works if you're in a defined contribution pension scheme.

For example:

Changing jobs and taking leave
If you change jobs

Your workplace pension still belongs to you. If you don't carry on paying into the scheme, the money will still be invested and you'll get a pension when you reach the scheme's pension age.

You can join another workplace scheme if you get a new job. If you do, you may be able to:

- carry on making contributions to your old pension
- combine the old and new pension schemes
- Ask your pension providers about your options.
- If you move jobs but pay into an old pension, you may not get some of its benefits - check if they're only available to current workers.

If you want to leave your workplace pension scheme

What to do if you want to leave a workplace pension depends on whether you've been 'automatically enrolled' in it or not.

You weren't 'automatically enrolled'

- Check with your employer - they will tell you what to do.

If you've been 'automatically enrolled'

- Your employer will have sent you a letter telling you that you've been added to the scheme.
- You can leave (called 'opting out') if you want to.
- If you do it within a month of your employer adding you to the scheme, you'll get back any money you've already paid in.
- You may not be able to get your payments refunded if you opt out later - they will usually stay in your pension until you retire.
- You can opt out by contacting your pension provider. Your employer must tell you how to do this.

Reducing your payments

You may be able to reduce the amount you contribute to your workplace pension for a short time instead of leaving. Check with both your employer and your pension provider to see if you can do this and how long you can do it for.

Opting back in

You can do this at any time by writing to your employer. They have to accept you back into their workplace scheme once in every 12 months.

Re-joining automatically

Once you've left your employer's scheme, they will automatically enrol you back into their scheme after 3 years, as long as you still qualify. Your employer will write to you when they do this.

You're already paying into a personal pension

Check whether it's better for you to:

- carry on with your personal pension alone
- stop paying into your personal pension and join your workplace pension
- keep paying into both

The value of the investments can go down as well as up and you may not get back as much as you put in.

- **Where to get advice**

- For questions about the specific terms of your workplace pension scheme, talk to your pension provider or your employer.
- You can get free, impartial information about your workplace pension options from:

www.moneyadviceservice.org.uk
www.gov.uk/workplace-pensions

- You can get impartial advice about workplace pensions from a financial adviser, however you will usually have to pay for the advice.

Source: Workplace pensions, a guide from GOV.UK