

# Pembrokeshire Association of Voluntary Services

Your local county voluntary council

## 8. Managing money

### 8.10 Pensions



Pensions are an extremely complex and important area. With the state pension decreasing in value, and government increasingly committed to greater private provision of pensions, all voluntary sector employers will increasingly have to give more consideration to pension provision for their employees.

There is currently no obligation on employers to make pension contributions for their employees, but they may have to provide access to a stakeholder pension. However, many employers see making pension contributions as an important part of good practice, and a way of attracting and retaining good staff. Some voluntary sector employers enter into agreements with local authority pension schemes. If this option is not available, an employer may wish to set up their own pension scheme. The following options are available, but expert advice is likely to be needed to decide on the best option.

#### **Final salary occupational schemes**

In these schemes the employees make contributions of a fixed percentage of their salaries. In return they receive a pension that relates to the number of years that they have contributed and their 'final salary'. The employer's contributions are not fixed but must vary to ensure that employees receive the

agreed pension. These types of pension scheme are common in the public sector and are generally regarded as being the most attractive type of scheme from the employee's point of view. It may also be an attractive option for employers, if they can join an existing scheme, such as a local authority scheme or The Pensions Trust scheme, where the complex administrative requirements are already taken care of.

#### **Money purchase occupational schemes**

As in final salary schemes, employees make regular contributions of a fixed percentage of their salary. Employers also make a fixed contribution.

#### **Personal pensions**

Employees, who are not members of an occupational pension scheme, may join a personal pension. These are generally run by insurance companies, and allow employees (and their employers, if they choose) to make regular tax-free contributions.

#### **Group personal pensions**

This is like a personal pension, except that it covers a number of employees. A group personal pension is likely to be the cheapest option in terms of administration from an employer's point of view.

## Stakeholder pensions

Stakeholder pension schemes are low cost, affordable pensions aimed at those earning between approximately £10,000 and £20,000 per annum who do not have access to an occupational or personal pension plan. Most employers who employ five people or more are required to offer their employees access to a stakeholder scheme. Failure to comply could result in significant fines.

## The State Earnings Related Pension (SERPS)

All employees and employers contribute (via higher National Insurance contributions) to SERPS, unless the employee is a member of a contracted-out occupational pension scheme, or has chosen to contract out of SERPS through their personal pension scheme. Stakeholder pensions will also provide for contracting out of SERPS.

## Further information

Pension Guide

[www.pensionguide.gov.uk](http://www.pensionguide.gov.uk)

The Pensions Trust

[www.thepensiontrust.org.uk](http://www.thepensiontrust.org.uk)

The Pension Sorter

[www.pensionsorter.co.uk](http://www.pensionsorter.co.uk)

The Pensions Advisory Service

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

Occupational Pensions Regulatory Authority

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### For further information contact

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