

Pensions choice in the workplace – 2007

A quick guide for employers

about contributions to personal pension
and stakeholder pension schemes

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Our main objectives as the UK regulator of work-based pension schemes are to protect members' benefits and to make sure that schemes are run well.

This guide sets out the rules about paying contributions to personal pension and stakeholder pension schemes.

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Do these rules apply to me?

- Are you deducting contributions from employees' pay, and paying them into employees' personal pension or stakeholder pension schemes?
- Are you paying contributions yourself to your employees' personal pension or stakeholder pension schemes?

If you answer 'yes' to one or both of the above, you have responsibilities under the regulations.

What are my responsibilities as an employer?

You have four main responsibilities.

1 To ensure payment information is provided

This is the statement that records the payments you have agreed to pay, or pass on from your employees' pay, to your employees' personal pension or stakeholder pension provider.

You can keep a separate record for each employee or one record listing all the employees in each separate scheme. The record of payments must show:

- the amount (in £s) or rate (percentage of salary) of the deduction from employees' earnings;
- the amount (in £s) or rate (percentage of your employees' salaries) of your contribution; and
- the due date (latest date) that the provider must receive contributions.

We suggest that the statement should also show:

- the payday when the payments will be deducted or worked out; and
- if the amount of the contribution changes each month, a description of what the amount is based on (for example, basic salary plus bonuses).

What is the due date for paying contributions?

- The pension provider must receive the employee contributions that you have deducted from employees' earnings by the 19th day of the month after they were deducted. This due date is the legal deadline for the provider to receive contributions.
- Under the terms of some employees' policies there may be a premium pay date. This is the payment date agreed with the provider and the date when they expect to receive the contributions from you. The premium pay date should be before the due date shown in the payment information.
- You must pay employer contributions (those you pay for your employees) by the due date you have agreed with the provider, and as shown on the payment information.
- We recommend that the due date (latest payment date) for employee and employer contributions are the same. This makes it easier for everyone involved. Remember that the due date for employee contributions must be the 19th of the month.
- If in doubt, ask the provider to tell you what the due dates should be.

Here's an example:

| Payday | Premium pay date | Due date |
|----------------|--|-------------------|
| 29 August 2005 | The date agreed with the provider, for example 12 September 2005 | 19 September 2005 |

2 To send the payment information to the provider
You must always send the payment information so that the provider receives it by the first due date shown on that record.

If you send the information to your independent financial adviser (IFA) first, you must make sure they receive it in time to send it on to the provider. Your IFA must send it so that the provider receives it by the first due date. If they fail to send it on time, you will be held responsible.

What is the due date for paying contributions...? continued

3 To keep the payment information up to date

You must tell the provider as soon as possible about any changes in the payment arrangements. For example, you must tell the provider about the following.

- People leaving or joining the scheme.
- Changes in the amounts of payment (or percentage of salary). If the rate changes each month, you will need to tell the provider the amount due every month. It is your responsibility to make sure that pension contributions are worked out correctly.
- Reasons for non-payment, for example, there has been no pay for a particular period and so no deductions.

If you make changes to the payment information, you must send the revised record to the provider by the next due date on the revised record. If there is yearly renewal information, for example following an annual pay review, you must send this information to the provider before the increased contributions are due for payment.

We suggest that you make the payment information easy to maintain and send an updated record to the provider each month. You can ask the provider to help you but it is up to you to make sure that the payment information is correct and up to date. We can fine you if you don't.

4 To pay contributions on time

You must make sure that the provider receives all pension contributions, at the very latest, by the due date shown on the payment information. You have a legal duty to do this. If you send the money to the provider at the same time as you make the payroll deduction, you should avoid late payments.

If the amount you are paying is not the same as the amount on the payment information, or if your employee has decided to stop making contributions, you must make sure that you send the provider an updated record.

Providers have a legal duty to tell us if they receive any of the pension contribution after the due date, or if they do not receive it at all. We can fine the provider for failing to report late or missed payments.

There may be good reasons for a missed payment one month, but if you do not let the provider know by sending revised payment information, by the due date, they will have no option but to report to us. That is why it is a good idea to update the amounts due every month and send it to the provider with the payment.

What is the Pensions Regulator's role?

We can fine you if you do not:

- prepare payment information for your own and your employees' contributions;
- send the payment information to the provider by the time the first payment is due;
- keep the payment information up to date and send the revised copy to the provider by the time the next payment is due; and
- pay contributions on time and make sure the provider receives them by the due date at the very latest.

How to get in touch with us

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Please contact us if you have any questions about this leaflet or you would like more copies. We can produce it in Braille, in large print or on audiotape. We can also produce it in other languages.

You can also take a look at the information for employers on our website at **www.thepensionsregulator.gov.uk**.

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