1. 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 also adds money into the pension scheme for you, and you get tax relief from the government.

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’re seriously ill.

Workplace pensions and the State Pension

Today the maximum basic State Pension you can get is £113.10 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.

‘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
- work in the UK

This is called ‘automatic enrolment’.

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

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.

2. Types of workplace pensions

There are 2 main types of workplace pension. Your employer decides which type of scheme you are offered.

Defined contribution pension schemes

These are also known as ‘money purchase’ schemes.

The money is invested by a pension provider chosen by your employer. The amount you get when you retire usually depends on:

- how much has been paid in
- how long you’ve been paying in
- how well the investment has done

The value can go up or down in the short term. But pensions usually grow more than savings accounts over the long term.

Some schemes gradually move your money into lower-risk investments as you get nearer to retirement age.

You may be able to ask for this if it doesn't happen automatically - ask your pension provider for more details.
The pension provider usually takes a small percentage of your pension pot as a management fee. Check the documents your employer gives you, or ask them, if you want to know how much this will be.

**Defined benefit pension schemes**

These are also known as ‘final salary’ or ‘salary-related’ pensions. They promise to give you a certain amount each year when you retire. How much you get doesn’t depend on investments.

The amount you’ll get depends on your salary and on how long you’ve worked for your employer. The pension scheme administrator can give you more details.

**3. 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. 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 depends on what type of workplace pension scheme you’re in.

**If 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 £5,772 and £41,865 a year
- your entire salary or wages before tax

Your employer chooses how to work out your qualifying earnings.
If your employer offers you a defined contribution scheme, the minimum amounts can go up in October 2017 and October 2018.

Most defined benefit schemes pay above the minimum.

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<thead>
<tr>
<th>The minimum you pay</th>
<th>The minimum your employer pays</th>
<th>The government pays</th>
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<tr>
<td>0.8% of your ‘qualifying earnings’ rising to 4% by 2018</td>
<td>1% of your ‘qualifying earnings’ rising to 3% by 2018</td>
<td>0.2% of your ‘qualifying earnings’ rising to 1% by 2018</td>
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Your employer can put you in a scheme where you, they or both of you have to pay more than the legal minimum.

In other schemes you and your employer have the option to pay in more than the legal minimum. You can pay in less - as long as your employer puts in enough to meet the legal minimum.

⚠️ Work out your contributions using the Money Advice Service’s contributions calculator.

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.

**Example**

Each payday:

- you put in £40
- your employer puts in £30
- you get £10 tax relief

A total of £80 goes into your pension each payday.

If you’re not yet automatically enrolled into a workplace pension

Your employer decides the minimum and maximum amounts you and they can pay in. If you pay Income Tax, the government automatically adds tax relief to your contribution.

The effect on your tax credits, income-related benefits, or student loan repayments

Joining a workplace pension scheme means that your take-home income will be reduced. But this may:
• mean you’re entitled to tax credits or an increase in the amount of tax credits you get (although this may not affect your tax credits until the next tax year)
• mean you’re entitled to an income-related benefit or an increase in the amount of benefit you get
• reduce the amount of student loan repayments you need to make

4. Protection for your pension

How your pension is protected depends on the type of scheme.

Defined contribution pension schemes

If your employer goes bust

Defined contribution schemes are usually run by pension providers, not employers. You won’t lose your pension pot if your employer goes bust.

If your pension provider goes bust

If the pension provider was authorised by the Financial Conduct Authority and can’t pay, you can get compensation from the Financial Services Compensation Scheme (FSCS).

Trust-based schemes

Some defined contribution schemes are run by a trust appointed by the employer. These are called ‘trust-based schemes’.

You’ll still get your pension if your employer goes out of business. But you might not get as much because the scheme’s running costs will be paid by members’ pension pots instead of the employer.

Defined benefit pension schemes

Your employer is responsible for making sure there’s enough money in the pension fund to pay each member the promised amount.

⚠️ Your employer can’t touch the money in your pension if they’re in financial trouble.

You’re usually protected by the Pension Protection Fund if they go bust and can’t pay your pension.
The Pension Protection Fund usually pays:

- 100% compensation if you’ve reached the scheme’s pension age
- 90% compensation if you’re below the scheme’s pension age

Fraud, theft or bad management

If there’s a shortfall in your company’s pension fund because of fraud or theft, the Pension Protection Fund may be able to recover some of the money.

Contact one of the following organisations if you want to make a complaint about the way your workplace pension scheme is run:

- the Pensions Advisory Service
- the Pensions Ombudsman

5. Managing your pension

Find out how much you’ve saved

Your pension provider will usually send you a statement each year to tell you how much is in your pension pot. You can also ask them for an estimate of how much you’ll get.

What you see on your payslip

You don’t need to do anything to get tax relief on your pension contributions. There are 2 types of arrangements:

- net pay
- relief at source

Check with your employer which arrangement your workplace pension uses. This determines what you’ll see on your payslip.

‘Net pay’

Your employer takes your contribution from your pay before it’s taxed. You only pay tax on what’s left. This means you get full tax relief, no matter if you pay tax at the basic, higher or additional rate.

⚠️ The amount you’ll see on your payslip is your contribution plus the tax relief added together.
You won’t get tax relief if you don’t pay tax (e.g. because you earn less than the tax threshold).

‘Relief at source’

Your employer takes your pension contribution after taking tax and National Insurance from your pay. However much you earn, your pension provider then adds tax relief to your pension pot at the basic rate.

⚠️ With ‘relief at source’, the amount you see on your payslip is only your contributions, not the tax relief.

You may be able to claim money back if you pay higher or additional rate Income Tax.

Tracing lost pensions

The Pension Tracing Service could help you find pensions you’ve paid into but lost track of.

Nominate someone to get your pension if you die

You may be able to nominate (choose) someone to get your pension if you die before reaching the scheme’s pension age. You can do this when you first join the pension or by writing to your provider.

Ask your pension provider if this is possible and how much the person would get.

You can change your nomination at any time. It’s important to keep this information and the person’s contact details up to date.

Sometimes the pension provider can pay the money to someone else (e.g. if the person you nominated can’t be found or has died).

How and when your pension is paid

When you want to start getting your pension, you’ll need to decide how you want it to be paid.

Most pension schemes set an age when you can take your pension, usually between 60 and 65. In some circumstances you can take your pension early. The earliest is usually 55.

6. 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’ve worked at your job for less than 2 years before leaving, you may be able to get a refund on what you’ve contributed. Check with your employer or the pension scheme provider.

Paid leave

During paid leave, you and your employer carry on making pension contributions.

The amount you contribute is based on your actual pay during this time, but your employer pays contributions based on the salary you would have received if you weren’t on leave.

Maternity and other parental leave

You and your employer will continue to make pensions contributions if you are getting paid during maternity leave. If you are not getting paid, your employer doesn’t have to make pensions contributions unless your contract says otherwise. Check your employer’s maternity policy.

Unpaid leave

You may be able to make contributions if you want to - check with your employer or the pension scheme provider.
If you become self-employed or stop working

You may be able to carry on contributing to your workplace pension - ask the scheme provider.

You could use the National Employment Saving Trust (NEST) - a workplace pension scheme that self-employed people or sole directors of limited companies can use.

You could set up a personal or stakeholder pension.

You can get help and advice.

7. 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.

If 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.

Rejoining automatically

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

8. Get help and 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:

- the Money Advice Service
- the Pensions Advisory Service

You can get impartial advice about workplace pensions from an independent financial adviser. You’ll usually have to pay for the advice.

For general questions on workplace pensions contact the DWP Workplace Pension Information Line.

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<th>DWP Workplace Pension Information Line</th>
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<tbody>
<tr>
<td>Telephone (English): 0345 600 1268</td>
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<tr>
<td>Telephone (Welsh): 0345 600 8187</td>
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<tr>
<td>Textphone: 0345 850 0363</td>
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<td>Monday to Friday, 8am to 6pm</td>
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<td>Find out about call charges</td>
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Only use the information line if you’re a worker - employers should contact The Pensions Regulator.

Problems with being ‘automatically enrolled’

Check with the workplace pensions enrolment tool if you think you should be enrolled in a workplace pension and you’re not.
Contact the The Pensions Regulator if you have concerns about the way your employer is dealing with automatic enrolment.

The Pensions Advisory Service may also be able to help you.

If 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

If you’re saving large amounts in pensions

You may have to pay a tax charge if your total savings in workplace pensions and any other personal pension scheme go above your:

• annual allowance - the lowest out of £40,000 or 100% of your annual income
• lifetime allowance - £1.25 million

If your pension scheme is closing

This can happen if your employer decides they don’t want to use a scheme anymore or they can no longer pay their contributions. What happens to the money you paid in depends on the pension scheme you've joined.

If you’re getting a divorce

You and your spouse or partner will have to tell the court the value of each of your pension pots. You then have different options to work out what happens to your pension when you get a divorce.