# Workplace pensions
## Frequently asked questions

This leaflet answers some of the questions you may have about workplace pensions

July 2013

automatic enrolment

Department for Work & Pensions

## About workplace pensions



## What if I'm not sure it's for me?



## I want to know more about workplace pensions



If your question is not covered, visit www.gov.uk/workplace-pensions

## Q1. Is everyone being enrolled into a workplace pension?

**A.** Starting from October 2012 (very large employers first), every employer has to enrol into a workplace pension, workers who:

- are not already in a qualifying workplace pension scheme;
- are aged 22 or over;
- are under State Pension age;
- earn more than a minimum amount (£9,440 a year, £787 a month, £182 a week in 2013-14); and
- work or usually work in the UK.

## Q2. I meet the criteria, when will I be enrolled?

**A.** If you meet the criteria above (Q1), the timing of when your employer will enrol you into a workplace pension depends on their size. Very large employers are doing it first, in late 2012 and early 2013. Other employers will follow sometime after this, over several years. Your employer will give you the exact date nearer the time.

## Key fact 1

**'Pension'**

A pension is a way of saving money to provide you with an income when you retire.

When people talk about their 'pension' they can mean either the way they are saving for their retirement and/or the income they receive when they're retired.

In this booklet, we also use 'pension scheme' and 'pension pot' to describe the way you save for your retirement. Other names you may come across are 'pension plan', 'pension policy' and 'retirement pot'.

Income you receive when you retire is sometimes called 'retirement income.'

## Q3. What if I don't meet the criteria to be enrolled?

**A.** If you don't meet the criteria above when your employer starts enrolling workers, you will not be automatically enrolled into a workplace pension. However, you may be able to join the pension scheme if you want, if you are not already a member. Your employer will let you know (so long as you're 16 or over, and under 75).

If you meet the criteria at a later date, for example you turn 22 or you start to earn more, and you are not already a member, then your employer will automatically enrol you.

## Q4. Why is this happening?

**A.** The aim is to help more people have another income, on top of the State Pension, when they retire.

The State Pension is a foundation for your retirement. If you want to have more, you need to save during your working life. Otherwise, you may reach retirement facing a significant fall in your standard of living. The full basic State Pension in 2013/2014 is £110.15 a week for a single person.

The government is getting employers to enrol their workers automatically into a pension at work so it is easier for people to start saving.

You can opt out if you want to, but if you stay in you will have your own pension which you get when you retire.

## Q5. Who will pay into the pension?

**A.** You will pay into it. Your employer will pay into it too. They have to do this if you earn more than a certain amount (£5,668 a year, £473 a month, £109 a week in 2013-14). Plus most people will get a contribution from the government in the form of tax relief. This means some of your money that would have gone to the government as tax, goes into your pension instead.

### Key fact 2

**'Workplace pension'**

A workplace pension is when an employer arranges to provide their workers with a pension when they retire. It is sometimes called a 'company pension', an 'occupational pension' or a 'works pension'.

## Q6. How much will I get from my workplace pension when I retire?

**A.** It's possible to get an idea of how much you will get from your workplace pension by getting a 'pension estimate' (also sometimes known as a 'pension projection'). You can get this from whoever runs your pension scheme.

They may also have an online calculator that can help you work out the income you may get when you retire.

## Q7. Will it be enough?

**A.** Being in a workplace pension means you've taken an important step towards giving yourself the lifestyle you would like in later life. You may want to start thinking about the things you will need money for in retirement such as paying bills, transport and buying food, and the things you may also want to do such as:

- Run a car;
- Meet friends for lunch or drinks;
- Buy gifts for your family or friends;
- Go on days out/holidays;
- Do sport or other leisure activities.

Once you have an estimate of how much you can expect to get from your workplace pension you can think about whether it will be enough.

If you're concerned you will not have enough, you could think about contributing more to your pension, working longer, and/or saving in other ways. You can find out more about your options at: www.gov.uk/plan-retirement-income

## Q8. What if I work for more than one employer? Will I be enrolled into each of my employer's pension schemes?

**A.** If you meet the eligibility criteria (see Q1) with each employment, you'll be automatically enrolled into a workplace pension by each of your employers. So you could end up being in two (or more) different workplace pensions, one for each employer.

However, if you work for more than one employer who uses the pension provider NEST for their workplace pension scheme, you will have only one NEST pension pot. Contributions from each employer will go into the same pot for you.

If you earn less than £9,440 a year (£787 a month, £182 a week) with an employer you won't be automatically enrolled into their pension.

## Key fact 3

### 'Personal pension' (people also sometimes call these 'private pensions')

It's possible for people to set up a 'personal pension' themselves directly with a pension provider. You arrange this yourself with the pension provider of your choice, and you pay into it. As this is not organised through your employer, they don't pay into it.

## Q9. What if I move jobs?

**A.** You may be automatically enrolled into a new workplace pension. This will depend on the size of your new employer, when you move, and if you meet the criteria listed in question one. Very large employers will automatically enrol all new workers who meet the criteria from late 2012/early 2013 onwards. Smaller employers will follow sometime after this.

If your new employer has a workplace pension but they don't automatically enrol you, they may give you the option of joining if you want.

If your new employer doesn't automatically enrol you, this will be because of one or both of the following reasons:

- they are not yet required to do so; or
- you don't meet the criteria listed at question one.

If you start a new pension (either 'workplace' or 'personal'), you may be able to combine your old pension with your new one. Your new pension scheme provider will be able to tell you if this is possible and, if so, how to go about doing it.

Or if you want to, you might be able to continue making contributions to your old pension scheme after you've left your job. You would need to contact whoever runs your pension scheme to find out if this is possible, if there will be a cost involved and if you will get tax relief.

If you can't or don't want to do either of these options, then what happens to your pension depends on the scheme rules. Check with whoever runs your pension scheme.

Nowadays lots of people move jobs several times in their working lives, so it's important to keep track of the pensions you have. Keeping your statements will help you do this. If you have lost track of a pension, the government's Pension Tracing Service could help provide you with the contact details for that pension.

Website: www.gov.uk/find-lost-pension

## Q10. What if I leave my job to become self-employed or stop working?

**A.** You should think about what income you'll have to live on in later life. Your employer will stop paying into your workplace pension, but you might be able to continue contributing, if you want. You would need to contact whoever runs your pension scheme to find out if this is possible and if there will be a cost involved.

Alternatively, you might want to set up your own personal pension, or put other plans in place to give you an income when you retire.

## Q11. What happens to my pension if I die before retiring?

**A.** The rules vary depending on the type of scheme. Find out from whoever runs your pension whether you can nominate (choose) someone to receive the money if you die and how much they would get.

If you can nominate someone, whoever runs your pension should ask you to confirm in writing who that person is when you first join the pension.

If they don't do this, you should ask them for a nomination form. You can change your nomination at any time. It's important to review it if your circumstances change.

Please note: although in most cases the money will go to whoever is nominated, organisations who run pension schemes are allowed to pay it to someone else if this is needed. For example, if the person nominated cannot be found or has died.

## Q12. Can I take the money out?

**A.** Currently, most people can't take money from any pension scheme until they are aged at least 55. The exact age you get your pension depends on the rules of the scheme. To find out, check with whoever runs your pension scheme.

## Q13. I'm paying into a personal pension already, what should I do?

**A.** It's possible to have both a workplace pension and your own personal pension, so you could choose to continue paying into both. Or you might choose to continue with just one of them. It depends on your circumstances – for example, what you can afford and what your personal and workplace pension schemes are offering. With your workplace pension, you will receive a contribution from your employer that you won't get with your own personal pension. However, your own personal pension may have a guarantee about future income.

If you're considering this question, **The Pensions Advisory Service** might be a good place to start. The Pensions Advisory Service is an independent voluntary organisation which provides free information about pensions:

Website: www.pensionsadvisoryservice.org.uk

## Q14. I had a workplace pension in a previous job, what should I do about that?

**A.** You could leave it where it is. You will get it when you retire, so long as you were in the pension scheme long enough. The length of time needed will be in the pension scheme rules. Or you might be able to combine it with your new workplace pension. If you're considering doing this, you need to check with your current pension provider that it's possible and, if it is, how to go about doing it.

If you need help with your pension options, The Pensions Advisory Service might be a good starting point.

Website: www.pensionsadvisoryservice.org.uk

If you have lost track of a pension, the government's Pension Tracing Service could help provide you with the contact details for that pension.

Website: www.gov.uk/find-lost-pension

## Q15a. What if I'm not sure it's for me? I can't afford it

**A.** For many people, paying into a workplace pension scheme is a good idea - even if they have other financial commitments, such as a mortgage or a loan. This is because you're not the only one putting money in. Your employer has to contribute too, provided you earn more than a certain amount (£5,668 a year, £473 a month, £109 a week in 2013-14).

Most people will also get a contribution from the government in the form of tax relief. This means some of your money that would have gone to the government as tax, goes into your pension instead.

Over time, this money adds up and can grow.

But you should make sure you can afford to meet your other commitments. If you're behind on your mortgage, rent, credit card or other debt payments then a pension might not be the right step at the moment. It's something you should come back to at a later date, once your debts are more under control.

If you start saving into a workplace pension but then a few months or years later you want to stop paying, you can do so. You might want to check with whoever runs your pension scheme what happens when you stop paying, and how to rejoin.

You can start paying into your employer's scheme again at a later date, if you decide you want to. Your employer has to accept you into their pension scheme once in every twelve month period. This means if you leave, join, then leave again within twelve months your employer does not have to accept you a second time. But they can choose to do so.

If you opt out or you stop making payments, your employer will automatically enrol you back into their pension at a later date. This is usually every three years. This is because your circumstances may have changed and it may be the right time for you to start saving. Your employer will contact you and you can choose to stay in the workplace pension or opt out.

If you're struggling with debts and would like advice on how to manage your money, you might find the **Money Advice Service** a good starting point.

Website: www.moneyadviceservice.org.uk

## Case study

### Nicola, age 34 and Paul age 38

**Nicola:** "When I first heard I was going to be put into a pension at work I thought 'how am I going to afford this on top of everything else!' We have enough demands on our money as it is and it only seems to be getting harder these days! I mean what with the cost of so many things going up..."

**Paul:** "...and our salaries are staying the same. I mean none of us are getting any more money to cover these extra costs!"

**Nicola:** "But then a friend at work said they were going to stay in. They said the thought of having just the State Pension and nothing else, when they're old, had really made them think. They felt perhaps they should be doing something. And with this pension, your employer has to pay in too."

**Paul:** "So now we're going to stay in and see how it goes."

## Q15b. What if I'm not sure it's for me? I don't need to start saving for my pension yet

**A.** It may seem early to start planning for later life, but remember you could have twenty years of retirement and you will need an income. A workplace pension is one way to provide that income. Usually, the younger you are when you start paying into a pension the better. The money has more time to grow.

So even if it's only a small amount, the money you put away early in life can build up over time.

### Case study

### James, age 22

"I hadn't really thought about what I'll live on when I'm old. I suppose I just assumed you get something from the government. But now I've found out the basic State Pension is around £110 a week. I don't know what my life will be like when I'm retired, but I'm sure I'll want more than that."

"I was thinking of opting out of my work's pension, as I'd rather have the money now. But if I want to have an income on top of the State Pension when I retire, perhaps I should stay in. I've also heard the younger you are when you start the better. If the money comes out of my pay before I've even had it, after a while I don't think I'll notice it's gone."

## Q15c. What if I'm not sure it's for me? It's too late for me

**A.** Being in a workplace pension is worth considering, even if you think you're too old. Unless your retirement is just a few weeks away, there's still time to build up some money.

Unlike other ways of saving, being in a workplace pension means you're not the only one putting money in. Your employer has to contribute too, provided you earn more than a certain amount (£5,668 a year, £473 a month, £109 a week in 2013-14).

Most people will also get a contribution from the government in the form of tax relief. This means some of your money that would have gone to the government as tax, goes into your pension instead.

If, when you retire, your pension savings are not more than a certain amount, you might be able to take it as a cash lump sum (instead of a regular income). To find out if this is possible, and if so, the amount and other rules, check with whoever runs your pension scheme.

### Case study

### Anne, age 54

"At first I couldn't see the point in contributing to a workplace pension at my age. I wasn't sure I would get much out of it. But now I think I'll stay in. I like the idea that I'm not the only one putting money in."

"I already put a bit into an ISA from time to time, but it's been at the back of my mind that I should be doing more for when I retire. I think being in the pension at work could be a good way to build up some more money. It's about 12 years before I get my State Pension, so I'll be working and saving into my pension for at least that time."

## Q16. Are pensions safe?

**A.** No savings, including pensions, are ever entirely risk-free. However, the government has put an increasing number of controls in place designed to minimise the risks. This means your money is better protected than in the past.

The Pensions Regulator regulates workplace pensions

Website: www.thepensionsregulator.gov.uk

The Financial Conduct Authority (FCA) regulates the providers of personal pensions

Website: www.fca.gov.uk

There's no perfect answer for where to put your money for later life. Each type of saving and investment works differently and has its own pros and cons. But for most people it's better to do something, such as pay into a workplace pension scheme, than do nothing.

## Key fact 4

### Two types of workplace pension

There are two main types of workplace pension schemes:

### 1. Defined Contribution schemes

Your pension pot is put into various types of investment, such as shares (shares are a stake in a company). The amount you get at retirement is based on how much is paid in and how well the investments have performed. Normally, when you retire, you take some of your pension pot as a tax-free cash lump sum. You use the rest to buy yourself an income, on which you might pay tax. These are also known as 'money purchase' schemes.

### 2. Defined Benefit schemes

The amount you get at retirement is based on various factors. These could include how long you have been a member of the pension scheme and your earnings. Examples include 'final salary' or 'career average' earnings related pension schemes. Normally when you retire you take some of your pension as a tax-free cash lump sum. The rest you get as a regular income, on which you might pay tax.

The first of these types is more common. To find out which type you are in, check with whoever runs your pension scheme.

## Q17a. I want to know more about workplace pensions. How is the money invested?

**A.** With a **Defined Contribution** workplace pension (see Key fact 4, page 13 for an explanation of Defined Contribution), the contributions you and your employer pay in, plus the contribution from the government in the form of tax relief*, go into your pension pot.

Your pension pot is put into various types of investment, such as shares (shares are a stake in a company).  It is expected to grow over time.

Your pension pot is invested in this way because in the long run it usually gives a better return than a savings account.

With some workplace pension schemes, you may be able to make decisions about how your money is invested.  But you don't have to – all pension providers have to offer a fund that meets the needs of most people and this is where your money will be automatically invested. Whoever runs your pension scheme will have more information on this.

The earlier you start putting money into your workplace pension, and the more you and your employer put in, the more money you're likely to have at the end.

**A.** With a **Defined Benefit** workplace pension (see Key fact 4, page 13, for an explanation of Defined Benefit), the amount you get at retirement is based on various factors. These could include your earnings and how long you have been a member of the pension scheme. How exactly it is worked out varies from scheme to scheme – whoever runs your pension will have information on this.

*Tax relief means some of your money that would have gone to the government as tax, now goes into your pension pot instead.

## Q17b. I want to know more about workplace pensions. Can the value go down as well as up?

**A.** With **Defined Contribution** workplace pensions (see Key fact 4, page 13, for an explanation of Defined Contribution), your pension pot is put into various types of investment, such as shares (shares are a stake in a company).

Your pension pot is invested in this way because in the long run it usually gives a better return than a savings account. Over the years, the value of investments can go up and down. But even if the value goes down in the short term, it is likely to recover in the long term.

As you approach retirement, you may be asked if you want your pension pot moving into investments less likely to reduce in value in the short-term. (This is called lifestyling). Some pension schemes do this automatically. You can check with whoever runs your pension if this applies to your scheme.

**A.** With **Defined Benefit** workplace pension schemes (see Key fact 4, page 13, for an explanation of Defined Benefit) the amount you get at retirement is based on various factors. These could include your earnings and how long you have been a member of the pension. How exactly it is worked out varies from scheme to scheme and could change over time.

## Q17c. I want to know more about workplace pensions. Could I lose my pension if my employer goes bust?

**A.** If you have a **Defined Contribution** workplace pension (see Key fact 4, page 13, for an explanation of Defined Contribution), your pension pot is looked after by whoever runs your pension scheme.  This is usually a pension provider, so if your employer goes bust you won't lose your pension pot.

If a pension provider cannot pay, there are a number of organisations who might be able to help. For example, if the provider was authorised by the Financial Conduct Authority, the Financial Services Compensation Scheme (FSCS) can provide compensation. This will generally be because the provider has stopped trading and/or is unable to pay its debts. For more information visit: www.fscs.org.uk

If your pension scheme is run by your employer (on a 'trust' basis)* and they go bust, your pension pot might be smaller than it would have been. This is because, if your employer has been paying the pension scheme administration costs, they will no longer be doing so. These costs would now come from the scheme members' pension pots.

**A.** If you have a **Defined Benefit** workplace pension (see Key fact 4, page 13, for an explanation of Defined Benefit) your employer is required to make sure their scheme has enough money to pay workers' pensions.

The Pension Protection Fund was set up in April 2005 to protect you if your employer goes bust and the pension scheme does not have enough money to pay your promised pension.

For people who have reached their scheme's pension age the Pension Protection Fund will generally pay 100 per cent compensation. For most people below the pension age, the Pension Protection Fund will generally pay 90 per cent compensation.

For more details on compensation visit: www.pensionprotectionfund.org.uk

*This is known as a 'Trust-based' Defined Contribution workplace pension scheme. The other type (run by a pension provider) is known as a 'Contract-based' Defined Contribution workplace pension scheme. If you want to know which type of Defined Contribution pension scheme you are in, check with whoever runs your pension scheme.

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Department for Work & Pensions