



# WORKPLACE PENSIONS

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Better at work.

## EMPLOYER TAX

Corporation Tax Relief

## EMPLOYEE TAX

Income Tax relief at highest rate  
Tax efficient growth within  
pension fund

## COST TO EMPLOYER

Current minimum is 1% Employer  
contribution based on Qualifying  
Earnings (£5,824 - £43,000)

## What is a Workplace Pension?

A Workplace Pension is a pension scheme offered by an employer, into which the employer (and usually the employee) makes a contribution.

Since the introduction of Auto-Enrolment in 2012, all companies will have to offer a Workplace Pension by the end of 2019, and make contributions into it.

A Workplace Pension can be offered through a variety of pension providers in the UK.

## How Does it Work?

There are two main types of Workplace Pension.

The first is a Defined Benefit (DB) scheme, more commonly known as a final salary pension. There aren't many of these left in the private sector, but they are common in the public sector. Under a DB scheme, you are credited with a fraction of your salary for each year you work, e.g. 1/60th. So, after 40 years in the scheme, you could retire on 40/60ths (2/3rds) of your salary.

The second, and much more common, type of Workplace Pension is a Defined Contribution (DC) or money purchase pension scheme. These pensions are set up as a series of individual pension policies held under the employer's group pension arrangement. Each employee has their own individual pension "pot" and their money is managed by the pension provider in accordance with their wishes. DC pensions are not guaranteed in the same way as DB pensions, as the final "pot" at retirement depends on the contributions made and the investment growth over the term of the pension.

## Why is it Valuable?

A Workplace Pension is a tax-efficient way for employees to save for retirement. The State Pension is £155.65 per week (2016/17) and most people agree that the State Pension alone won't be enough for them to live on in their later years. In addition, as the State Pension Age has been pushed further and further up, many people want to look at being able to fund their retirement without having to wait until age 68. Workplace pensions can currently be accessed from age 55.

Pension contributions receive tax relief at an individual's highest rate, so that's either 20%, 40% or 45%. In addition, because employers now have to pay into a Workplace Pension, that makes it even more attractive for employees.

For employers, it is a tax-efficient way to reward employees, as pension contributions can be offset against their Corporation tax bill and, unlike salary, is not subject to Employer's National Insurance.

## What does it cost?

Employers have to pay at least 1% of "qualifying earnings" (earnings between £5,824 and £43,000 in 2016/17) into a Workplace Pension, and most companies ask their employees to make a contribution as well. Any amount above this minimum should be seen as a definite benefit to the employees.



### Want to find out how we can help?

Call us today on 01858 414252, visit us online at [www.theinkgroup.co.uk](http://www.theinkgroup.co.uk) or email [hello@theinkgroup.co.uk](mailto:hello@theinkgroup.co.uk) to find out more or set up your no-obligation meeting.

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