stewardship

Christian Workers – Finance for Living Series

a guide to UK pensions

Alan Hough

Stewardship 1 Lamb's Passage, London EC1Y 8AB
t. 020 8502 8585 e. education@stewardship.org.uk w. www.stewardship.org.uk/money

CONTACT DETAILS
Stewardship
1 Lamb's Passage, London EC1Y 8AB
t 020 8502 8585
f 020 8502 5333
e education@stewardship.org.uk
w www.stewardship.org.uk

table of contents

t. 020 8502 8585 **e.** education@stewardship.org.uk

introduction

We are constantly reminded that we live with a demographic time bomb. The UK population is ageing, exposing us to a raft of far reaching consequences not least being the provision of universal and adequate pensions. For many people, including Christian workers who have spent much of their lives in active ministry either in the UK or abroad, pension provision is, or will become, the overriding financial consideration of later life.

This briefing paper examines the three main types of pension provision in the UK:

- State pensions; where income in retirement is paid to the pensioner by the UK government, universally available but dependent upon individual National Insurance contributions.
- Organisational or occupational pensions; where income in retirement is paid to the pensioner by an employer in accordance with the rules of schemes
- Personal or private pensions; where income in retirement is paid to the pensioner by a pension provider in accordance with the rules of the scheme

It is impossible for a paper such as this to cover in detail every aspect of every type of pension scheme. In trying to make it both readable and helpful it is inevitable that some of the finer detail is lost. However, the aim of this paper is to acquaint the Christian worker with the main elements of each type of scheme and to help them plan for a future time when they may no longer be working or supported by others.

Although this paper focuses solely on pensions, Stewardship recognises that there are other broader issues associated with retirement and we suggest you read the Finance for Living paper on retirement which provides a broader picture.

Stewardship is not authorised to provide pension advice but recognises that any pension related decision is significant and should not be undertaken without first taking suitable advice.

Included as Appendix 2 is a list of Christian Independent Financial Advisors (IFAs) who are authorised by the Financial Services Authority to give pensions advice and may be able to present suitable pension solutions.

In addition, The Pensions Advisory Service (TPAS), which is an independent organisation that is grant aided by the Department of Works and Pensions, provides information and guidance to members of the public on all pension matters covering state, company, personal and stakeholder schemes. Their website can be accessed at www.pensionsadvisoryservice.org.uk and they can be contacted on 0845 601 2923.

health warning

This paper was written in October 2012, during the 2012/13 tax year. The rules described and the various percentages or monetary values all relate to that period. Should significant time have elapsed between then and now, we would strongly advise you to visit the government's website to ensure that there has been no significant changes to the legislation that would impact onto your situation.

the big pensions issue

The big pensions issue is not difficult to understand:

- At the same time as we are living longer, we are failing as a population to make adequate pension provision.
- The average life expectancy of the UK population now exceeds 80 years, with a recent report suggesting that 17% of the current population will live to be more than 100 years old.
- There is a sizeable and growing gap between the pension provision being made by most of the population and the income needs of that population when they eventually stop working.
- The cost of providing universal and adequate pensions is increasing as the gap between the recognised retirement age and life expectancy increase. Pensions experts have long suggested that over a 40 year period a minimum of 10% of gross salary is required to fund a basic pension, growing to perhaps 20%-25% to match some of the traditional final salary schemes widely offered a generation ago.
- Low interest and annuity rates, low investment returns and increased indebtedness all serve to magnify the problem.

However, the implications, not least to Christians workers who have been in the mission field for much of their lives are potentially far-reaching and solutions are less than straightforward. In different ways, each type of pension provider is seeking to control and reduce costs:

- The government, primarily by increasing the state pension age, is seeking ways of reducing its exposure to state pension liabilities. The removal of the default retirement age perhaps provides a route for some to continue working into older age.
- Many occupational pensions scheme are changing from defined benefit schemes, so-called final salary schemes, to defined contribution schemes (see later). Certainty regarding the amount of income is removed as the investment risk is switched from the employer to the individual.
- Privately funded pension schemes offer no certainty of the amount of income, primarily because the final pension is determined by the annuity rates available at the time of retirement, the level of contributions made and the investment performance of the fund over time. Private (or 'personal') pensions tend to be defined contribution schemes, and so the investment risk resides with the individual.

t. 020 8502 8585 e. education@stewardship.org.uk

what is most important?

Having understood the basic pensions issue, what should a Christian worker be looking out for and what steps should they take as they consider the issue of income from pensions.

- State pensions – because they are universal
- National Insurance contributions – because they have a direct impact on the amount of state pension that will be received
- Pension entitlements from any previous employments – because these will serve to supplement the state pension

what to explore?

Retirement planning for Christian workers is becoming an increasingly important financial consideration for many in the mission field, but a topic that remains difficult for many to talk about. The importance of building a retirement element into mission budgets is a difficult but important element of planning for God's calling. The cost of a worker is not just the income they get paid today but the income they get paid after they have stopped working.

Serious consideration should be given to the following matters, details of which (all bar the last 3- for which see our general paper in the 'Finance for Living' series on "Retirement") follow in this paper:

- Finding out what UK state pension you are entitled to
- Finding out what your projected retirement age will be
- Finding any gaps that you may have in your National Insurance record and considering plugging these gaps if possible
- If working abroad finding out whether you are eligible to pay class 2 volunteer development worker National Insurance contributions
- Paying Class 3 voluntary National Insurance contributions (if not qualifying for class 2 volunteer development workers) particularly in cases where it appears unlikely that you will accumulate the 30 qualifying years necessary to receive the full basic State Pension
- If retired already, finding out whether you are eligible to receive pensions credit
- Joining a private scheme to enhance any basic State Pension
- Claiming any occupational pension entitlements from previous employments
- Building a retirement element into a mission budget
- Planning for your housing needs in retirement
- Avoiding accumulating debt which will need to be serviced in retirement

 t. 020 8502 8585 **e.** education@stewardship.org.uk

state pensions

the basics

The state pension is a regular payment that people can receive from the Government once they reach the state pension age. It is made up of two parts: the basic state pension, which is available to all eligible persons, and the additional state pension, which may be payable in certain cases. Although the State Pension is not means tested, because of the additional element different people will get different amounts.

The level of basic state pension payable is solely determined by the number of qualifying years (see below) of National Insurance contributions (up to a maximum of 30[1]) an individual has accumulated during their life from age 16 until state pension age. No other financial circumstances, including the provision for private pensions, are considered when calculating the value of the basic State Pension.

Where you discover that you have a gap in your National Insurance contributions such that you will not reach the maximum 30 years, there are steps that you should seriously consider to fill those gaps. If this is a situation that is likely to apply to you, please read the sections below covering qualifying years and gaps in National Insurance record.

For the tax year 2012/2013 the maximum basic state pension for a person qualifying by way of their own contributions is £107.45 per week (£5,587 per annum). In certain cases a person may be able to qualify on the back of their partner's contributions, but the maximum payable in these circumstances is reduced to £64.40 per week (£3,349 per annum).

The basic State Pension counts as taxable income but is paid without the deduction of any tax. Whether an individual has to pay tax on the State Pension will be determined by their own personal circumstances, their tax allowance and any other taxable income received.

State pension age

State pension age is not the same as retirement age. Anyone can choose to continue working beyond the State pension age. For men, the current State pension age is 65. For women it is gradually increasing from 60 to 65 starting from April 2010, although a formal timetable for this change is still to be agreed and passed by Parliament. There are already proposals in hand to increase the state pension age beyond 65 for both men and women, starting in December 2018, and we expect this trend to continue further.

www.pensions-service.direct.gov.uk/en/state-pension-age-calculator/home.asp provides a simple way of calculating an individual's expected state pension age. Once state pension age is reached, an individual no longer pays National Insurance.

[1] For men who were 65, and for women who were 60 on 5 April 2010, the number of qualifying years was 44 and 39 respectively.

 t. 020 8502 8585 e. education@stewardship.org.uk

However, the state pension does not have to be claimed straightaway, it can be deferred for as long as a person desires. In such cases and when finally claimed, an increased pension will be received plus a one-off lump sum. Please visit the direct.gov website for more details:
www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_10027570

Qualifying years

As the amount of basic state pension that a person receives depends solely on the number of qualifying years of National Insurance that they have built up, it is important to understand how qualifying years can be achieved, particularly for Christian workers who may have spent considerable time in the mission field.

Qualification is achieved either by paying sufficient National Insurance in any one year or, in certain cases, by receiving NI credits from the government. Each qualifying year counts towards the state pension. Normal routes for building up qualifying years for people living and working in the UK include:

- Paid full-time or part-time work in the UK
- Being self-employed
- Caring for someone for more than 20 hours per week[2]
- Getting child benefit[3]
- Receiving certain benefits[4]
- In full-time training[5]

Being involved in any of these activities will mean that you either pay NIC or get credited with NIC by the government. As long as contributions or credits exceed the minimum level required, each year will count as a qualifying year. In most cases[6] 30 qualifying years must be accumulated to get the full basic State Pension. The value of the basic State Pension is reduced and scaled back for each year below the 30.

For example, an individual reaching state pension age with 18 qualifying years would receive 18/30ths of the basic state pension.

---

[2] There are certain rules which apply to carers in these situations. For details on who might qualify under this criteria please visit the direct.gov website www.direct.gov.un/en/CaringForSomeone/MoneyMatters/DG_10038111

[3] Please note that the rules for obtaining Child Benefit are changing. If you are relying on this method to obtain NI credits then please keep an eye on the government website for upcoming details. For more general information on Child Benefit and the changes announced by the government please see our paper *A guide to Child Benefit.*

[4] You will automatically receive NI credits for the weeks you've been claiming the following benefits (if you have paid enough NICs):

- Carer's Allowance
- Jobseeker's Allowance
- Incapacity Benefit
- Employment and Support Allowance

To find out more, please contact the National Insurance Contributions Office (see further information section).

[5] Full-time training is by no means a universal term and many restrictions apply. For example it does not apply to university students, and will be unlikely to apply to most students undergoing formal theological or bible training. To find out more, refer to the website www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_183760

[6] See footnote 1, above.

 t. 020 8502 8585 **e.** education@stewardship.org.uk

Gaps in the National Insurance record

There may be a number of years throughout a person's life which do not qualify towards the basic State Pension. These gaps may occur for the following common reasons:

- Employed, but on low earnings – below the lower earnings limit
- Unemployed and not claiming benefits
- Self-employed and not required to pay class 2 NIC (for example, because of low earnings)
- Living abroad (a particular issue for Christian workers working overseas)

Appendix 2 explains how a person can check their National Insurance record.

Living abroad

A common reason for a gap occurring in an individual's National Insurance record may be due to them living abroad. This is particularly true for the Christian worker called to overseas mission. In such circumstances, there are two potential routes available to ensuring that National Insurance contributions are maintained and qualifying years built up.

Class 2 – Volunteer development workers

A special rate of class 2 National Insurance applies for designated volunteer development workers. Certain conditions apply, including the country where the work is taking place and whether the organisation for which you are working is approved by HMRC.

More details are contained in www.hmrc.gov.uk/cnr/ca9139fc.pdf, but if you do find yourself in this situation please enquire of your sending organisation as to whether they are approved. The rate for class 2 volunteer development workers for 2012/2013 is £5.35 per week. This is considerably cheaper than the other potential solution.

Class 3 – voluntary contributions

As long as **one** of the following conditions applies, an individual will be able to make voluntary contributions from abroad to build up qualifying years:

- The person has lived in the UK for a continuous three-year period at any time before making a payment; or
- Before going abroad NIC has been paid for three or more years.

Providing that an individual meets these requirements, a voluntary contribution (Class 3) can normally be made to plug any gaps covering the previous six years. The cost of doing this in 2012/2013 is £13.25 per week, or around £690 per annum.

Particularly where an absence from the UK will make it unlikely that an individual will accumulate the 30 qualifying years necessary to receive the full basic State Pension, serious consideration should be given to making these voluntary contributions.

Examples

Each additional qualifying year (up to a maximum of 30) increases the basic state pension by 1/30 of £107.45 per week (2012/13) or £186.76 per year for each and every year that State pension is received.

To add the additional qualifying year:

- The cost of paying 52 class 2 contributions at the volunteer development worker rate is £278.96
- The cost if paying 52 class 3 voluntary contributions is £690.89

In the case of class 2 contributions (and even at current rates) just one and a half years of additional pension will recover the cost. For class 3 contributions, the cost would be recovered in less than 4 years. Should the state pension continue to rise then these cross over points will be reached sooner.

Plugging previous years' gaps – paying voluntary National Insurance contributions

People based in the UK can also plug gaps in their National Insurance record (see Appendix 2 for who to contact to see if you have gaps) by paying voluntary (class 3) contributions. In normal circumstances voluntary payments are limited to a maximum of the six previous years although voluntary payments can still be made after the state pension age has been reached.

Whether a person chooses to make these payments will depend upon their own personal circumstances and the factors that they consider to be most important. If it appears unlikely that an individual will accumulate the 30 qualifying years necessary to receive the full basic State Pension, serious consideration should be given to making these voluntary contributions (see previous examples for the impact of making these payments on the value of the annual state pension).

Additional state pension

As this is unlikely to be a significant source of income for very many Christian workers, the rules relating to the additional state pension are contained in Appendix 3.

pension credit

Pensions credit is an income-related benefit (it is means tested) for pensioners living in Great Britain. More information is contained in appendix 4. These provisions do not apply to Northern Ireland. For people living in Northern Ireland, further information can be found at www.nidirect.gov.uk/pension-service-pension-credit. For those on very low income or with disability this can be a very useful source of much needed extra income.

This paper now moves away from state provided pensions and benefits and considers other pension schemes. If you have had previous employment, it will be worth finding out whether you are entitled to any pension and to understand what you will need to do in order to claim it.

organisational pension schemes – occupational schemes

Any person currently working for, or who in the past has worked for, an organisation may participate in, or have participated in an occupational or corporate pension scheme. For Christian workers previously employed by companies, this may be an important element of their retirement planning. There are two basic types of occupational pensions.

Defined benefit – also known as final salary

Under this type of scheme, the employer and/or the individual make regular contributions to a pension scheme and once the individual reaches the stipulated retirement age (which may or may not be the same as the state pension age) they are guaranteed a certain value of pension for the rest of their lives based on their pensionable earnings according to a pre-determined formula.

It is the responsibility of the employer to ensure that the pension fund is of sufficient size to be able to meet the liabilities of its members. As most funds are invested in the world's stock markets, the cost to organisations of providing this type of pension remains uncertain.

As a result of the costs and the associated risks of providing these schemes they are now mostly confined to the public sector and even so, are rarely offered to new employees. Increasingly, defined benefit schemes are being closed to existing members as well. Many schemes are seeking to "buy out" members by paying a lump sum into a defined contribution scheme (see below).

Most pension advisors would advise that it is very rarely in your interest to leave a defined benefit scheme and therefore very careful consideration should be given, and advice sought before leaving such a scheme .

 t. 020 8502 8585 e. education@stewardship.org.uk

Defined contribution

Under this type of scheme, the employing company and the individual make regular contributions to a pension scheme, in the same way as for a defined benefit scheme. However, in this case, the value of the pension to be received at retirement age remains unknown. It will be dependent upon the amount of contributions paid into the scheme and the investment performance of the scheme over time. These schemes are becoming more prevalent amongst organisations because the cost to the company is certain and fixed in advance.

Generally, where an organisational pension scheme is being offered, and particularly in cases where the employer is making a contribution into the scheme, joining the scheme is likely to be advantageous. However, if in any doubt about the scheme itself, or any aspect associated with it then independent advice should be sought.

The investment philosophy for company operated schemes, either defined benefit or defined contribution, will be determined by the company and the investment manager. Individual scheme members will not be able to select a bespoke ethical investment strategy.

personal pension schemes

For many Christian workers operating on a self-employed basis and who have never been, or are no longer employed by an organisation, a personal or private pension is the only option available to them to supplement the basic state pension.

Although there is a huge array available, these schemes all operate in the same basic way. A person makes payments (regular or lump sum) to a pension provider. Although the fund is for the benefit of the individual, other people can pay into a personal pension scheme on their behalf.

Normally pension funds are run and managed by financial institutions. The managers of the pension scheme invest the pension fund on behalf of the individual. The value of the pension fund will then be determined by the amount contributed, the manager's charges and how well the fund has performed. On reaching the stipulated age, the fund is made available to the individual to use in certain ways.

Most often, at retirement age the majority of the fund is used to purchase an annuity. This is a financial product that will make regular payments to the individual for the remainder of their life. The balance is often paid to the individual by way of a tax free lump sum. For people with pension funds worth more than £250,000 it would be wise to look into the various forms of Pension Income permitted.

Although the general principle and methodology behind all these schemes remains the same, each scheme offers different terms and conditions (including the manager's charging structure), and incorporates a different investment philosophy. Selecting this pension route represents a significant and important financial decision and specialist independent advice is advisable before deciding to follow this path.

Pensions Act 2008

The Pensions Act will require all employers (including churches) to place all their employees in a pension scheme. This is known as auto-enrolment. The assumption is that the vast majority of people will accept being automatically enrolled and that all responsible employers will cooperate in the process. An employee can opt out and will be given the opportunity to do so every 3 years.

Some additional information regarding the working of these provisions in contained in Appendix 5

The Finance for Living series of papers forms part of Stewardship's resources for Christian Workers. With contributions from a panel of advisors each of whom has significant experience within the area of mission, the series draws on their expertise to offer biblical teaching and practical guidance on issues affecting those living on personal financial support. The papers are available to download from the Stewardship website see http://www.stewardship.org.uk/resources/finance-for-living

This paper has been written by Alan Hough and edited by Stewardship. Alan has a background in corporate finance, compliance and risk alongside that of church leadership and trusteeship.

If you have any questions or comments arising from the material presented here, you can contact us at education@stewardship.org.uk or by telephone on 0208 502 8585.

Appendix 1: further help and useful contacts

Stewardship
Stewardship offer a modestly priced Consultancy Helpline, providing e-mail and telephone support on a range of legal, tax, accounting, property and HR issues relevant to Christian charities. For further details, please visit: www.stewardship.org.uk/smartweb/support-services/consultancy:-employers

DirectGov www.direct.gov.uk/en/Pensionsandretirementplanning/index

The Pension Advisory Service (TPAS) www.pensionsadvisoryservice.org.uk

Citizens' Advice Bureau www.adviceguide.org.uk/index/your_money/benefits/benefits_for_people_over_sixty

National Insurance Contributions Office HMRC, Benton Park View, Newcastle upon Tyne NE98 1ZZ
Tel: 0845 302 1479
http://www.hmrc.gov.uk/nic/aboutus.htm

Independent Financial Advisors for Christian workers

Association of Christian Financial Advisors
Cathy Cleveland
PO Box 728, Rickmansworth, WD3 0HT
Tel: 07583 349229
acfa@live.co.uk
Website: www.christianfinancialadvisers.org.uk

CI Financial Planning
Ian Butler
70 High Street, Great Baddow, Chelmsford, Essex, CM2 7HH
Tel: 01245 477474
ian@cifp.co.uk
Website: www.cifp.co.uk

Flowers McEwan Ltd
David S Flowers
Financial Planning and Asset Management
PO Box 795, Leeds, LS1 9LX
Tel: 0113 237 1979
Fax: 020 7492 3316
david.flowers@flowersmcewan.co.uk
Website: www.flowersmcewan.co.uk

Stephen Riseley
Independent Financial Adviser
22 Albert Road, Belvedere, Kent, DA17 5LJ
Office: 0845 4663355
Fax: 0845 4663366
Mobile: 07885 899265
steveriseley@financial-alliance.co.uk
Website: www.financial-alliance.co.uk

Appendix 2: checking the National Insurance record

from the UK

Men born before 6 April 1951 and women born before 6 April 1953 can check whether they are likely to have a gap in their National Insurance record by requesting a state pension forecast from the pension service. There are various ways in which this forecast can be obtained.

Details are explained on the government's pensions website:
www.direct.gov.uk/en/pensionsandretirementplanning/statePension/StatePensionforecast/DG_10014008

Persons born after the above dates can use the online State Pension Profiler (from the above link), or request a State Pension Statement. However, the result is based solely on the NI Contributions Record as it stands on the date that the Statement is prepared.

from abroad

To check if there is a shortfall, contact the NIC Office – International Caseworker Team on 0845 915 4811 or +44 191 203 7010 any time between Monday to Friday 8.00 a.m. to 5:00 p.m.

Applications can be made by using form CF83 "application to make NIC abroad" which can be found on the leaflet NI38. Completed forms should be returned to the International Caseworker Team.

Appendix 3: Additional State Pension

The additional state pension, sometimes known as SERPS or the state second pension (S2P) may be available to some. Not everyone can get it, and the amount that a person receives will depend upon earnings.

Contracting out

If you are an employee with annual earnings above a certain amount you may be able to leave the additional State Pension and join a private pension instead. This is called contracting out. If you have a company pension, then your employer should be able to tell you whether you can, or if you have contracted out of the additional state pension.

By opting out, both you and your employer will pay lower rates of NI and any second pension you will receive will come from this private source rather than from additional state pension.

Please note, however, that from Aoril 2012, it is no longer possible to contract out of the State Additional Pension if your pension scheme is one of the following types:

- A money purchase (or defined contribution) occupational scheme
- A personal (or private) pension
- A stakeholder pension

These schemes were automatically transferred back into the Additional State Pension from 6 April 2012.

t. 020 8502 8585 e. education@stewardship.org.uk

Appendix 4: Pensions Credit

The rules for the calculation of Pensions Credit are not straightforward. The following paragraphs therefore only give a brief overview. For a more detailed and very useful guide, please refer to AgeUK's Factsheet 48 on the subject, available from:

http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/FS48_Pension_Credit_fcs.pdf?dtrk=true

There are two different elements making up the Pensions Credit: Guarantee Credit and Savings Credit:

Guarantee Credit

The age for which Guarantee Credit can be applied for is being aligned to the state pension age. It works by topping up an individual's weekly income to a certain amount. The current basic rates provide a weekly income of £142.70 for a single person and £217.90 for a couple. These amounts may increase if you are disabled, or are a carer or have certain types of housing costs.

In the event that income from pensions does not reach this amount, then this credit will provide a valuable additional source of income.

Savings Credit

A person may be able to qualify for savings credit either in its own right, or in conjunction with Guarantee Credit. The qualifying age is again being aligned to the state pension age and an additional requirement is that an individual will also have made some provision towards their retirement, perhaps in the form of savings or a second pension.

The current Savings Credit rates are up to £18.54 per week for a single person and £23.73 per week for a couple.

Example

This example illustrates the scope of Savings Credit. It is taken directly from the Government's own website which does not provide any clues as to the underlying calculation! For this, please refer to Sections 7 and 8 of the AgeUK Factsheet 48, referred to above. Other examples on the website provide further illustration.

Mary and Frank are both 75 and have income of £230.08 a week, as follows:

- basic State Pension (Mary) £107.45
- basic State Pension (Frank) £64.40
- personal pension (Mary) £54.23
- savings of £12,000 (£1 of income for every £500 of savings is counted if they have over £10,000, which, for £12,000, totals £4)

As Mary and Frank's income is over £217.90 they cannot get the Guarantee Credit but they are entitled to £18.86 Savings Credit.

 t. 020 8502 8585 e. education@stewardship.org.uk

Mary and Frank will get Pension Credit of £18.86[7] a week, which brings their weekly income to £248.94.

Application

You can apply up to four months before the date from which you want to start getting Pension Credit. The quickest and simplest way to apply for Pension Credit is to call The Pension Service on 0800 99 1234 or textphone 0800 169 0133. Lines are open 8.00am to 8.00pm Monday to Friday. Written applications are also accepted. Full details can be found on the government's website: www.direct.gov.uk/en/Pensionsandretirementplanning/PensionsCredit/DG_10018692

[7] Please refer to the AgeUK Factsheet for the calculation method. In this case, the award is the maximum savings credit of £23.73 (for a couple) reduced by 40% of the difference between their income of £230.08 and the Guarantee Credit of £217.90 (for a couple).

Appendix 5: Pensions Act 2008

For organisations of less than 50 people, the auto enrolment provisions contained in the Pensions Act 2008 will start to take effect by a date between 1 July 2014 and 1 February 2016. Once this date has been set employers must auto-enrol all employees in a pension scheme:

- If they are aged over 22 and
- have not reached state pension age and
- earn more than £5,035

In addition:

- A minimum contribution of 3% of "Band Earnings" must be paid by the employer
- A minimum contribution of 4% of "Band Earnings" must be paid by the employee
- A contribution of 1% of "Band Earnings" will be paid by the government (i.e. tax relief)
- Band Earnings are earnings between £5,044 per annum and £43,888 per annum (for 2010/2011)

Contributions can be phased in as follows (for example):

Year	Employer Pays	Employee Pays (net)	Tax Relief
2012	1%	0.8%	0.2%
2013	2%	2.4%	0.6%
2014	3%	4%	1%

Which Pension Scheme?

1. NEST (National Employers Savings Trust) is intended as the default vehicle for low earners who don't have access to a good company pension arrangement. It is an e-business and low cost with limited fund choices and an annual contribution limit of £3,600. It is regulated by The Pensions Regulator and there is no access to advice.

2. A GPPP (Group Personal Pension Plan) can be used by employers in preference to NEST provided that it meets minimum standards. As Personal Accounts are very basic and will not have access to any advice we anticipate most employers choosing a GPPP instead. More money can be invested and there are wider ranges of funds, including ethical choices. There is also flexibility for future changes in job/employment and access to independent advice.

 t. 020 8502 8585 e. education@stewardship.org.uk