

At a glance

How to help your client choose a pension scheme

Information
for business
advisers

Listed below are some factors to consider when recommending a pension scheme to your client. Make sure you know what level of advice you are authorised to give – it's important to remember that you can provide investment advice to employers choosing a pension scheme, but you need to be authorised by the Financial Conduct Authority to provide advice to individuals. See 'Your role in choosing a client's scheme' on the website for more information about this.

Key factors to consider

You should check that the scheme:

- ▶ meets the minimum requirements to be used for automatic enrolment
- ▶ doesn't have any restrictions that may affect your client, such as only accepting employers with minimum staff numbers or earnings
- ▶ offers a default arrangement that is suitable for staff who don't actively make a fund choice
- ▶ doesn't charge members of the default arrangement more than 0.75% per year of the fund value, where the scheme is an occupational defined contribution scheme
- ▶ offers a variety of investment choices if your client has indicated this is important to them (eg ethical fund, Sharia-compliant fund, offers access to pension freedoms at retirement etc)

Additional factors to consider

The following points will help you to determine whether the scheme is suitable for your client and their workforce.

Tax relief

- ▶ It's important to understand how tax relief will be applied on members' contributions – ie whether the 'relief at source' or the 'net pay arrangement' method is used. Relief at source may be more appropriate for staff who don't earn enough to pay tax, whereas the net pay arrangement might be better suited to higher rate tax payers.
- ▶ You should check the recommended pension scheme gives your client their preferred tax relief option. This may depend on whether your client's staff are mainly low-paid workers or higher-rate tax payers.

Payroll compatibility

- ▶ Not all schemes are compatible with all payroll software. You should check that the scheme is compatible with your client's existing payroll software and can receive information in the correct format.
- ▶ Where you are recommending a particular scheme because it is linked to the payroll software you are using, you should make your client aware that other schemes are available that may be more suitable for their staff.

Other services provided by the scheme provider

Some scheme providers offer additional support to help employers meet their automatic enrolment duties. You can help your client by checking whether the recommended scheme will:

- ▶ generate letters automatically on behalf of your client for their staff
- ▶ offer communications in other languages that are spoken by your client's staff
- ▶ offer other support services that your client requires, such as processing opt-ins and opt-outs, assessing staff and providing dedicated support for ongoing duties
- ▶ enable staff to view information about their pension and its performance in a variety of accessible formats (eg online pension statements, projected savings)

For more information on any of the areas above, please look at the business advisers' section on our website: www.tpr.gov.uk/help-clients-prepare